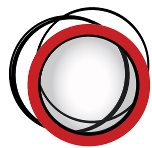

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International Behavior of Family Businesses: New Insights After 30 Years of Research

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In 2021, the anniversaries of three relevant events coincided. In 1981, 40 years ago, Beckhard and Dyer's seminal work, entitled 'Challenges and Issues in Managing Family Firms' was published. Ten years later, in 1991, Gallo & Sveen published the first article on the internationalization of family businesses (Gallo & Sveen, 1991). Finally, in 2011, the first issue of the *European Journal of Family Business* came to be published. All these reasons justify the release of this special issue on the 'International Behavior of Family Business. The Role of Corporate Governance'.

As already mentioned, this year is the 30th anniversary of the publication of the first article on the internationalization of family businesses (IFB) (Gallo & Sveen, 1991). Since then, there has been a growing interest in the topic among researchers worldwide, resulting in an increased number of published articles on the topic, especially in the last few years (Arregle et al., 2017; Casillas & Moreno-Menéndez, 2017; De Massis et al., 2018; Kontinen & Ojala, 2010; Metsola et al., 2020; Pukall & Calabrò, 2014). While this topic was initially found in the journals specifically devoted to the field of family business (*Family Business Review* from 1991 to 2000), research on IFB can now be read from the highest-ranked international business journals, such as the *Journal of International Business Studies* (Boellis et al., 2016; Fernández & Nieto, 2006), *Journal of World Business* (Aguilera & Crespi-Cladera, 2016; Xu et al., 2020), and *International Business Review* (Alayo et al., 2019; Bauweraerts et al., 2019).

In their seminal paper, Gallo and Sveen (1991) remarked that the family nature of the business presents both facilitating and restraining effects on internationalization (related to the family business objectives, organizational structure and systems, and company culture). It is the more recent research that has come to develop these seminal ideas, including new constructs such as familiness (Habbershon & Williams, 1999) or socio-emotional wealth (Gómez-Mejía et al., 2007). Most researchers associate the internationalization of family firms with the sequential model proposed by Johanson and Vahlne (1990, 2009) (Pukall & Calabrò, 2014). This is often associated with risk aversion as family members might want to preserve their companies for future generations, and thus, they are not willing to take high risks in the internationalization process (Gómez-Mejía et al., 2010). However, other scholars have found links between the internationalization processes of family firms and the international entrepreneurship field, showing for example, a higher agility in decision-making among family managed firms (Piva et al., 2013; Thomas & Graves, 2005).

The increase in the number of published papers has motivated the need to carry out continuous review studies in the last years (Alayo et al., 2021; Arregle et al., 2017, 2021; Casprini et al.,

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2020; Debellis et al., 2021; Kontinen & Ojala, 2010; Metsola et al., 2020; Pukall & Calabrò, 2014). The first attempt to review the literature on IFB was conducted by Kontinen and Ojala (2010), who summarized the research field during its initial stage. More recently, Pukall and Calabrò (2014) offered a clear integration between the sequential models of internationalization based on the Uppsala school (Johanson & Vahlne, 2009), and the process of international expansion of family businesses. This study proposes that these companies tend to follow the sequential model based on a progressive commitment of resources, to the extent that family businesses show a greater aversion to taking risks in their decision-making processes.

Metsola et al. (2020) highlighted the need to approach the internationalization process of family businesses from a longitudinal perspective, where the study of time is more relevant. Other reviews, such as Casprini et al. (2020) and Alayo et al. (2021), used different bibliometric techniques to identify the main research fields and to propose future research lines. The reviews highlighted the need to continue analyzing the heterogeneity of family firms, given the inconclusive findings of previous research. It is on this basis that the meta-analysis of Arregle et al. (2017) tried to answer the divergent results on the topic and reconcile the mixed evidence of previous research.

In their review, Debellis et al. (2020) offered an integrative framework through a description of the main theoretical perspectives, and subject areas. This study identifies four major stages or 'waves' in the research on the internationalization of family businesses. While in the first stages, the interest was focused on the dichotomy between family and non-family companies, later the question of the heterogeneity of family companies, contingency, and contextual factors were recognised and addressed. Finally, interest focused on the approximations of the micro-processes derived from international behavior in this type of companies.

This fourth wave proposes a synthesizing concept, the so-called 'bifurcation bias'. The bifurcation consists of the '*de facto* differential treatment of family or patrimonial assets versus non-family assets' (Kano & Verbeke, 2018, p. 158). Bifurcation bias encompasses all waves of research on the internationalization of family businesses by simultaneously considering both the uniqueness and heterogeneity of the internationalization of family businesses in relation to issues such as the allocation between specific, often dysfunctional, family assets and assets that are external, often functional and complementary, in the internationalization process.

Along these lines, Arregle et al. (2021) have published the most recent review work. They concluded that the future research agenda should be addressed through an interdisciplinary and multi-theoretical approach that considers different crossed levels. These authors argue that a lot of work still needs to be carried out in terms of rationalizing the assumptions, definitions, and measures, and that more theoretically well founded and methodologically rigorous studies are needed in the future.

In summary, different types of behaviors in relation to internationalization have been found in the extant literature, and IFB continues to be far from being a mature topic. Casillas and Moreno-Menéndez (2017) identified six promising areas where research could be carried out in the IFB field: (1) mission and objectives of firms: the meaning of 'performance', (2) corporate government and international business, (3) attitude to risk and internationalization patterns, (4) timing, pace, and speed of internationalization, (5) cross-cultural management, and (6) network perspective and social capital of firms. The potential heterogeneity of the internationalization process of family business is derived from the influence of different combinations of family involvement on the corporate government structure and functioning.

This special issue aims to commemorate the 30th anniversary of the first paper on IFB (Gallo & Sveen, 1991), stimulating thinking on the international behavior of family businesses from theoretical and practical perspectives. Four papers were finally selected for publication in this special issue. These papers bring out the diversity of the development of the topic. Once constituted the main classic issues, such as differences between FB and non-FB internationalization, and the role of corporate governance structure on international behavior, research have come to be deeply investigated in the recent years. The papers are aligned with new developments in IB fields, such as the integration of international value chains (Arregle et al., 2017; Majocchi & Strange, 2012), the speed of the internationalization process (Casillas & Acedo, 2013), the effect of governance structure on different firm outcomes (innovation growth and exports), and the heterogeneity of the family business internationalization-performance relationship, applied to the specific characteristics of the internationalization process in the hotel industry.

The first paper of this special issue, by Moreno-Menendez, Castiglioni, and Cobeña, is entitled '*The influence of socio-emotional wealth on the speed of the export development process in family and non-family firms*'. It argues that family firms do not necessarily internationalize less than

non-family businesses, but rather, they do it more slowly. This is due to three main reasons: (a) long-term orientation of family businesses (Lumpkin & Brigham, 2011), and the role of 'patient capital' (Sirmon & Hitt, 2003); (b) risk aversion of family businesses in order to preserve SEW (Berrone et al., 2012); and (c) family businesses' lack of high-level resources to protect their independence from external agents. The empirical research, based on a panel of more than a thousand Spanish manufacturing firms over nine years (2006-2014), supports the hypothesis proposed independent of a firm's previous size, age, and export commitment level.

In the second paper, '*The role of family firms' heterogeneity on the internationalisation and performance relationship*', Rienda and Andreu contribute towards an understanding of the internationalization-performance relationship of family businesses, focusing on the moderating role of some heterogeneous characteristics of family firms. Specifically, they analyze a sample of 76 companies belonging to the Spanish hotel industry, one of the most internationalized sectors, and with a large presence of family businesses. The results show that family involvement in ownership and management, as well as generation, moderates the relationship between internationalization and profitability in the Spanish hotel industry.

The third paper, entitled '*Family and non-family businesses in Iran: Coupling among innovation, internationalization and growth-expectation*', by Samsami and Schøtt investigates how innovation, exports, and growth expectations are aligned in family businesses via a coupling that may be loose or tight. This research is based on quantitative methodology and used a sample of 530 businesses in Iran. The findings suggest that coupling of performance outcomes in family businesses can be tightened feasibly, thereby reinforcing the performance. In other words, coupling among performance outcomes facilitates internationalization, which is an advantage that reinforces the internationalization process. However, empirical results show that the advantage occurs less frequently in family businesses than in non-family businesses and that it should be reinforced.

The last paper, by Molina-Quintana and Quintana-León, is entitled '*Comparison of international family business supply chain integration and non-international family business supply chain integration of the food industry sector of Michoacán, México*'. Supply chain integration can be defined as the degree to which all the activities within an organization, its suppliers, and its customers are integrated (Huo et al., 2014; Leuschner et al., 2013). Having used the arcs of integration as a methodology applied to a sample of 93 manufacturing companies, Molina-Quintana and Quintana-León found that the internationalization of family businesses contributes significantly to supply chain integration in terms of suppliers, but not in terms of customers.

IFB is a research field that is attracting a growing interest among family firm researchers. The evolution of the research field shows that research on IFB is currently focused on a variety of diverse topics, as it can be seen in the articles in this special issue. Finally, as guest editors of the special issue, we would like to express our gratitude to the editor-in-chief and the associate directors of the *European Journal of Family Business* for their collaboration and support.

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The Influence of Socio-Emotional Wealth on the Speed of the Export Development Process in Family and Non-Family Firms

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Export behavior, Family firm, Internationalization process, Socio-emotional wealth, Speed of internationalization

Abstract This paper proposes that family firms do not necessarily internationalize less than non-family businesses, but rather, they do it more slowly. Lower speed of internationalization process of family business (measured by the speed of the export development process) is a consequence of the role of the socio-emotional wealth (SEW) in these firms. SEW operates through three different mechanisms: (1) long-term orientation, (2) risk avoidance, and (3) lack of resources to be independent. The empirical research, based on a panel of more than a thousand Spanish manufacturing firms along nine years (2006-2014), supports the hypothesis proposed, independently of firm's previous size, age, and export commitment level.

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Empresa familiar, Exportaciones, Riqueza socio-emocional, Proceso de internacionalización, Velocidad de internacionalización

La influencia de la riqueza socioemocional sobre la velocidad del proceso exportador en empresas familiares y no familiares

Resumen Este trabajo propone que las empresas familiares no necesariamente se internacionalizan menos que las empresas no familiares, sino que lo hacen más lentamente. La baja velocidad del proceso de internacionalización de la empresa familiar (medida por la velocidad del proceso de desarrollo exportador) es consecuencia del papel de la riqueza socioemocional (SEW) en estas empresas. La SEW opera a través de tres mecanismos diferentes: (1) orientación a largo plazo, (2) evitación de riesgos y (3) falta de recursos para ser independiente. La investigación empírica, basada en un panel de más de mil empresas manufactureras españolas a lo largo de nueve años (2006-2014), apoya la hipótesis propuesta, independientemente del tamaño, antigüedad y nivel de compromiso exportador anterior de la empresa.

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1. Introduction

Most research recognizes that family business decisions must consider not only the economic aspects, but also socio-emotional wealth (SEW) (Gómez-Mejía et al., 2007, 2011), which is oriented towards long-term objectives (Lumpkin & Brigham, 2011). The role of SEW has been studied before in relation to different types of strategic decisions, such as the adoption of new technologies (Souder et al., 2016), diversification (Gómez-Mejía et al., 2010), R&D investment (Chrisman & Patel, 2012), or exit strategies (DeTienne &Chirico, 2013). One of the strategic decisions where this theoretical approach has been applied is in the decision process for a firm's internationalization (Alayo et al., 2021; Arregle et al., 2012; Boellis et al., 2016; Liang et al., 2014). There is agreement in the literature (Aparicio et al., 2021) that there are differences between the internationalization strategies of family and non-family firms (Fernández & Nieto, 2006; Singla et al., 2014; Zahra, 2003), where the assumption is that the preservation of SEW leads to more conservative decisions (Boellis et al., 2016). While there is no consensus in the literature (Alayo et al, 2021; Pukall & Calabrò, 2014), most research proposes that family businesses have a lower international commitment than non-family businesses (Fernández & Nieto, 2006).

However, with few exceptions, most research has focused on the differences in the degree of internationalization of family and non-family firms (Fernández & Nieto, 2006; Singla et al., 2014), entry mode decisions (Boellis et al., 2016), or the location of foreign direct investment (FDI) (Lien & Filatotchev, 2015), while only a few studies have focused on internationalization pathways (Graves & Thomas, 2008; Olivares-Mesa & Cabrera-Suárez, 2006). However, international business research is beginning to turn its attention to the time-related issues of the internationalization process (Eden, 2009; Vermeulen & Barkema, 2002; Welch & Paavilainen-Mäntymäki, 2014). In this context, the speed of the process is attracting the interest of a number of researchers (Acedo & Jones, 2007; Arenius et al., 2015; Casillas & Acedo, 2013; Casillas & Moreno-Menendez, 2014; Chetty et al., 2014; Hilmersson & Johanson, 2015; Prashantham & Young, 2011). Autio et al. (2000, p. 909) define the speed of internationalization as the "speed of a firm's subsequent international growth (how rapidly it increases international sales once the initial commitment has been made)." Two lines of research dominate the recent literature on the speed of internationalization. Some authors analyze the effect of speed on a firm's performance (Chang & Rhee, 2011; Hilmersson & Johanson, 2015; Mohr & Batsakis, 2016), while others investigate the antecedent of the speed of the internationalization process (Casillas & Moreno-Menéndez, 2014; Prashantham & Young, 2011; Schu et al., 2016).

Our research follows this second line, bringing previous findings on the effect of SEW on a family firm's decision to internationalize to the conversation about the antecedent of the internationalization speed. We pursue to deal with the research gap about the determinants of the speed of export behavior of family businesses. We propose that family firms do not necessarily internationalize *less* than non-family businesses, but rather, they do it *more slowly*. There is no 'glass ceiling' for family firms with regard to the extent of internationalization —some of the largest multinational companies (MNCs) are family businesses (Carr & Bateman, 2009), such as Ford and Koch Industries in USA, Samsung and Toyota in Asia, or Bosch and Exxor in Europe. However, SEW negatively influences the speed of internationalization in family firms, as they control international risk through a process of trial and error, learning from past decisions and avoiding any hasty decisions. As a consecuence, when comparing firms of similar ages, family firms tend to be less international than non-family firms. In other words, family firms need more time to reach the same degree of internationalization than non-family firms.

In this study we will focus on the export development process, in order to avoid the mixed effect of export versus FDI. Export development used to be seen as the first stage of internationalization (Leonidou & Katsikeas, 1996). Taking the SEW approach, we propose and demonstrate that family firms expand their exports more slowly than non-family firms for three main reasons, all of which are rooted in the role of SEW. Firstly, family firms have a long-term orientation (LTO) (Lumpkin & Brigham, 2011; Lumpkin et al., 2010), which has some advantages in terms of the so-called "patient capital" (Sirmon & Hitt, 2003). Secondly, family businesses prefer investments that avoid any risk to SEW (Berrone et al., 2012; Zahra, 2003), although the economic perspectives may not be the most appropriate ones. And finally, family businesses lack the high-level resources to protect their independence from external agents.

Our research also makes a methodological contribution with regard to measuring the speed of the export development process. Speed is defined as the relationship between a distance and time (Casillas & Acedo, 2013). There are two alternatives for measuring speed: (1) fixing the time and measuring the distance —e.g. the growth of an internationalization variable over the course of a year or a decade; and (2) fixing two events (distance) and measuring the time between them,

e.g. age at entry, which is the time between the firm's inception (event 1) and its first international activities (event 2). We use the first method, tracking the increase in exports from one year to the next, but introducing a new methodological control. An increase in exports depends on the firm, but also on the industry and the economic cycle, which are also performance variables (Rumelt, 1991). To our knowledge, our study is the first to measure speed as the increase of an international variable (export) that has been relativized by the industry growth of the same variable.

Finally, international expansion used to be related to the firms' demographic characteristics, such as size or age (Bonaccorsi, 1992) and to past international behaviour, such as a path-dependent process (Mathews & Zander 2007; Teece et al., 1997; Welch & Paavilainen-Mäntymäki, 2014). We demostrate that a family firm's slower export development process is not affected by these characteristics (size, age, and previous export intensity and export volume), which improves the consistency of our results.

2. Theoretical Background

2.1. Speed of internationalization

International business literature has traditionally focused on entry mode decisions and market selection, while the aspect of time has largely been neglected (Eden, 2009), even when there was a consensus on the view of internationalization as a dynamic process (Bilkey & Tesar, 1977; Cavusgil, 1980; Czinkota, 1982; Johanson & Vahlne, 1977; Johanson & Wiedershein-Paul, 1975; Reid, 1981). The emergence of the international entrepreneurship approach, bringing the phenomenon of born-global firms and international new ventures to the fore, reminded academics of the relevance of time, by identifying firms that are able to access foreign countries *"earlier"* than expected. However, until this century, there had been little research into the timing, pace, and speed of internationalization, once that process is underway. Following the publication of some initial papers (Autio et al., 2000; Jones & Coviello, 2005; Vermeulen & Barkema, 2002), the speed of the internationalization process is now attracting increasing attention (Casillas & Acedo, 2013; Casillas & Moreno-Menendez, 2014; Chang & Rhee, 2011; Chetty et al., 2014; Hilmersson & Johanson, 2015; Prashantham & Young, 2011), and the "process" view is returning to the study of the internationalization process (Reuber et al., 2017; Welch & Paavilainen-Mäntymäki, 2014).

The inclusion of time in the study of the internationalization process requires an analysis of internationalization speed. The concept of speed is defined as the relation between a particular distance and time (Casillas & Acedo, 2013; Chetty et al., 2014). As we indicated earlier, speed can be conceptualized in two ways: by establishing a time period (e.g., one year, a decade, etc.) and studying the advance or retreat of the internationalization process; or by fixing two consecutive events[1] and referring to the time between them (Jones & Coviello, 2005). There are two types of speed in the field of internationalization: (a) speed of entry (age at entry), which is the time that elapses between the founding of the firm and the commencement of international activities; and (b) the speed of the internationalization process (post-entry speed), which is the speed at which the firm's international expansion process is rolled out once it is underway (Autio et al., 2000). These two speeds are separated by one particularly important event: the moment of the implementation of the first international behavior (Jones & Coviello, 2005). Age at entry is a clear example of measuring speed by fixing events, whereas two pieces of cross-sectional empirical research at different dates is a way to consider speed by fixing time (Chetty et al., 2014; Hilmersson & Johanson, 2015). Speed can be positive or negative —internationalization *versus* deinternationalization (Benito & Welch, 1997), and it should not be considered as constant or linear over time, due to potential changes in the internationalization speed —acceleration (increasing speed) *versus* deceleration (decreasing speed) processes. For this reason, study of the speed of the internationalization process requires long periods of time (in order to avoid contingent relationships in specific years) that should be divided into shorter intervals in order to capture changes in speed over time.

A final point to consider here is that speed is a multidimensional concept, as it is the internationalization process *per se,* based on the three dimensions of international behavior: extent (or degree), breadth (or scope), and speed (time) (Casillas & Acedo, 2013; Eden, 2009). These dimensions can be referred to as different entry modes, such as exports, international alliances, joint-ventures, FDI, foreign acquisitions, etc. All of these modes are connected, making international expansion a complex process (Hashai, 2011). For example, firms used to make a per-

[1] Allport (1940) defines an event as the point in space and time where entities or entity actions contact, encounter, or meet each other. For a comprehensive analysis of an event-oriented approach, see also Morgeson, Mitchel and Liu (2015).

manent entry into a new country by means of a subsidiary once the firm was exporting a high volume of its product to that country, thereby reducing transport and logistical costs (Johanson & Vahlne, 1977). Our research therefore focuses only on exporters with no foreign subsidiaries or international FDI. Although family business exporters may differ in their international behavior, we reduce the heterogeneity of the fims derived from the use of different modes of operations (Reuber et al., 2017).

2.2. Socio-emotional wealth and the speed of export development

The SEW perspective emphasizes the role of non-economic goals and explains how family owners and managers are connected to their businesses. Family businesses produce both economic and non-economic performance, but, when there is conflict between the two, they prioritize the non-economic outcomes (Gómez-Mejía et al., 2007). Evidence suggests that family businesses take decisions that are oriented first towards preserving SEW and second, towards optimizing their financial or economic utilities (Gómez-Mejía et al., 2011). This phenomenon has been demonstrated in relation to different types of strategic decisions, such as diversification (Gómez-Mejía et al., 2010), innovation behavior (Nieto et al., 2015), new technology adoption (Souder et al., 2016), R&D investment (Chrisman & Patel, 2012), exit strategies (DeTienne & Chirico, 2013), business failure (Revilla et al., 2016), or succession (Wiklund et al., 2013), among others. The internationalization process has been also analyzed from the SEW perspective (Banalieva & Eddleston, 2011; Boellis et al., 2016; Pukall & Calabrò, 2014).

The influence of the dominance of SEW preservation on the speed of the internationalization process through export development can be attributed to three different aspects: (1) the time-perspective of family businesses, and more specifically, the role of LTO on decision-making; (2) the greater risk aversion of family firms oriented towards ensuring SEW for the next generation (legacy); and (3) a greater desire for independence (from external agents such as banks, governments, or even external managers), that requires a lower number and quality of resources (mainly financial and human resources). We will describe these processes in greater detail in the following paragraph.

2.3. Family firms, LTO and export development speed

Family firms have a different temporal perspective to non-family firms, which may affect their decision-making processes and results (Le Breton-Miller & Miller, 2006). This alternative perception of time has been described in the literature under a variety of names (long-term focus, Narver & Slater, 1990; long-term horizon, James, 1999; extended time horizon, Zellweger, 2007; LTO, Chrisman & Patel, 2012). Similarly, other authors refer to transgenerational entrepreneurship processes (Jaskiewicz et al., 2015) or transgenerational value creation (Zellweger et al., 2011). The basic premise is that family firms develop a longer temporal framework, which tends to extend beyond the current owners and directors. The objectives of the family firm prioritize long-term survival over short-term profit (Kotlar & De Massis, 2013), developing a business culture within family firms in which the long-term future plays a greater role than in non-family firms. This LTO among family firms (Lumpkin & Brigham, 2011; Lumpkin et al., 2010) can be seen in their orientation towards continuity, futurity, and perseverance (Brigham et al., 2015), such that the owners of these companies provide patient capital for potential investments (Sirmon & Hitt, 2003).

The outcome of this desire to preserve SEW is the predominance of a governance model based on a stewardship focus, rather than on the traditional agency models generally adopted by non-family firms (Eddleston & Kellermanns, 2007). Family managers find fewer financial incentives for rapid growth and internationalization, receiving more compensation from dividends (depending on long-term value of the firm) than from their (short-term) salary (Singla et al., 2014). In this context, LTO encourages slow decisions, with no expectations of rapid performance in the short-term. Family managers tend to work for the next generation and not for the following day, as some public companies do, so their long-term strategies develop gradually (Jaskiewicz et al., 2015). As Pukall and Calabrò (2014) propose, following a literature review process, family firms' internationalization process is very similar to the stage model from the Uppsala researchers (Johanson & Vahlne, 1977), demonstrating a gradual process of incremental decisions over time. Those authors explicitly argue that: "family firms internationalize slower, but in the long-run to a same degree than non-family firms" (Pukall & Calabrò, 2014, p. 119). The main difference between family and non-family businesses is not a question of "how much", but about "how fast". In summary, the LTO of family firms leads to slower decision-making about the internationalization process and, as a consequence, the speed of the export development process is expected to be lower than among non-family businesses.

2.4. Family firms, risk aversion and export development speed

Preserving SEW in family firms requires a clear orientation to avoid any decision that could po-

tentially put SEW at risk. Related to this argument, a family business' main objective is to transfer its legacy to the next generation and family managers therefore avoid any potential risk. As Souder et al. (2016) state, following this logic, "decision makers tend to take fewer risks when things are going well" (p. 1778). However, family businesses are able to take radical decisions when business survival is at risk (Gómez-Mejía et al., 2010; Wiseman & Gómez-Mejía, 1998). There is another reason for avoiding risk in a family firm, apart from LTO: a potential failure would clearly affect family-members' reputation and it involves social, psychological and emotional costs (Revilla et al., 2016; Ucbasaran et al., 2013), because failure has been attributed to poor management. Potential underperformance or failure affects a family's social capital (Arregle et al., 2007), given that family firms used to have strong links with their local communities and demonstrated a higher regional orientation (Banalieva & Eddleston, 2011). Some researchers therefore recognize that family businesses would prefer not to gain too much but, in order to survive, would accept lower "performance thresholds" (DeTienne & Chirico, 2013; Gimeno et al.,1997).

Internationalization theories point out that risk is the main determinant of decision-making in the internationalization process. The Uppsala model (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975) and the innovation model (Bilkey & Tesar, 1977; Cavusgil, 1980; Czinkota, 1982; Reid, 1981) assume that the sequential nature of the internationalization processes is due to the firm's desire to minimize the inherent risk of entering unknown —and therefore uncertain— markets. This argument is especially appropriate in the case of family businesses, as Pukall and Calabrò (2014) point out. Family businesses prefer to increase their internationalization through a process of trial and error, evaluating and learning from the outcomes of previous decisions (Eriksson et al., 1997, 2000). At the same time, a slower international expansion allows family decision-makers to legitimize their decisions in relation to the family, through previous good export performance, when they are testing their role as stewards (Jaskiewicz et al., 2015). In summary, risk aversion in family business encourages the slow adoption of decisions relating to the internationalization process and, consequently, a lower export development process speed than for non-family businesses.

2.5. Family firms, a lack of resources and export development speed

Family firms are by definition independent organizations and their decisions are oriented towards protecting this characteristic. For example, with regard to financial resources, only a small proportion of family firms are public; most of them will avoid losing control of ownership to large capital providers (Cruz et al., 2021) and refuse high levels of debt from banks or other financial companies (Souder et al., 2016). Something similar occurs in relation to human capital: family firms prefer to select managers and board members from the family, despite the potential adverse consequences of nepotism (Schulze et al., 2001). Family involvement is a characteristic that defines this type of company (Astrachan & Shanker, 2003) and has both positive and negative impacts on the internationalization process (Boellis et al., 2016; Sciascia et al., 2013).

As noted above, one consequence of family firms' desire for independence of is the lack of resources. Since the seminal work by Edith Penrose (1959), it has been recognized that firm growth is limited by its access to resources, particularly those that Penrose calls managerial resources. This idea has been supported in later investigations from the resource-based view of the firm (RBV). For example, in their review of firms' growth strategies, Wiklund et al. (2009) state that "firm resources and managers' personal attitudes directly and/or indirectly influence the growth of small businesses" (p. 351). International expansion is almost always a growth process, and therefore faces the same barriers as those to domestic growth, as well as the barriers that are specific to the international environment. Internationalization requires managers who are capable of rolling out the process. The role of management teams (TMT) in the internationalization of their businesses has been widely studied (Ditchl et al., 1990; Reuber & Fischer, 1997), as has its importance in the internationalization of family firms (Segaro, 2012; Segaro et al., 2014).

Family firms in which the family wishes to maintain control tend to have fewer managerial and financial resources to dedicate to their internationalization (Pukall & Calabrò, 2014), which slows down this process, as Penrose observed more than fifty years ago (1959). Firstly, these firms do not generally have managerial resources, or the required knowledge or experience of international business (Segaro, 2012); Fernández and Nieto (2006) state that family firms usually have a low number of qualified staff. Secondly, the owning family's desire for financial control is reflected in their efforts to maintain the greatest possible financial autonomy, avoiding excessive debt and entry into new capital partnerships (Gallo & García-Pont, 1996). In summary, the scarcity of resources leads to slow decision-making about the internationalization process and, consequently, the speed of the export development process is lower than among non-family firms.

LTO, risk aversion and lack of resources are the result of the family firm's desire to preserve their

SEW, putting non-economic goals ahead of financial performance. We therefore propose that the internationalization process for family businesses will be slower than the same process for non-family businesses, specifically in the export development process, and we put forward the following hypothesis:

***Hypothesis**: The export development process of family firms is slower than the export development process of non-family firms.*

We also propose that this hypothesis is valid regardless of a firm's size, age, or degree of internationalization. Previous literature has found that international commitment depends on the firm's characteristics, outlined above (Bonaccorsi, 1992; Calof, 1994; Jones & Coviello, 2005), and has also identified a relationship between the proportion of family businesses and the variables described (Casillas et al., 2015). It is not therefore unreasonable to expect some form of relationship moderation. This interaction effect would show that the lower speed of the export development process in a family firm depends on its characteristics, with a higher or lower intensity for larger, older, and more international firms. Our hypothesis proposes the opposite; that the family nature of businesses will always slow down the export development process, regardless of size, age or previous export behavior.

3. METHOD

3.1. Data collection

The source of our data is the Survey of Business Strategies (SBS), generated by the Spanish Government. This is a firm-level database and a representative sample of Spanish manufacturing firms with more than 10 employees. The validity of the sample is achieved by adopting a combination of exhaustive criteria and random sampling. Two groups were established: in the first group all of the firms with over 200 employees were invited to participate, and the second group consisted of firms with 10-200 employees that were selected through stratified sampling. This survey has been used in prior studies, since it encompasses various aspects of Spanish firms' strategic behavior and international activities (Fernández & Nieto, 2006; Golovko & Valentini, 2011). Due to the issue of the availability of some variables of our research, we have taken information from 2006 to 2014. We only included exporting firms with no foreign subsidiaries, in order to work with a homogeneous sample, and to avoid mixing exporting firms with MNCs. The average number of firms per year is 1,033 (ranging from 849 in 2014 to 1,172 in 2010), with a total of 9,303 observations (firm-year). We do have information relating to the year 2005 (except for the independent variable), so growth variables are available from the first year (2006). We have also controlled for outliers, removing those firms whose speed of export development is greater than 200 per cent in a single year (35 cases).

3.2. Variables

3.2.1. Dependent variable

As stated above, speed can be measured as a ratio between a distance and time, with either the former or the latter being fixed. In our case, we fixed the time - one year. We used the percentage increase in export volume as a measure of the distance between two consecutive years: (Export volume j - Export volume i) / Export volume i. We have used export volume rather than export intensity (the ratio between export volume and total sales) because a ratio is right-censored, as a percentage, so being closer to 100 per cent it is more difficult to sustain growth, compared being closer to 0 per cent. We have also relativized export development speed to the total increase in export volume for each industry and year, with 20 different industries included in the survey. By deducting the industry-year growth of export volume we can be sure that we are measuring the speed of the export development process at the firm-level.

3.2.2. Independent variable

The survey asks if a family group is actively involved in the company, controlling ownership and participating in management. These are the two principal characteristics for identifying a family firm (Astrachan & Shanker, 2003; Boellis et al., 2016; Fernández & Nieto, 2006). It is a binary variable, ascribing the value of 1 to a family firm and 0 to non-family firms and has been used in previous studies (Fernández & Nieto, 2006; Nieto et al., 2015). The distribution between family and non-family firms is nearly balanced, with 5,268 observations (56.63%) corresponding to non-family businesses and 4,035 (43.37%) to family businesses.

3.2.3. Control variables

We include seven control variables in our models that might influence the speed of a firm's export development process. First, we controlled by *firm size*, which has a demonstrable influence at the international stage of companies and even on export commitment (Bonnacorsi, 1992; Calof, 1994). Firm size was taken to be the number of employees in the year before the growth period, measured by the dependent variable —increase in export volume. In order to satisfy the normality condition for regression analysis, we used this number as the logarithm (Log Size i). Second, we controlled by *firm age*. Firm age encompasses a

number of different characteristics that can influence the speed of the export development process, including international experience (Eriksson at al., 1997; 2000), the amount and typology of resources generated over time (Barney, 1991; Tan & Mathews, 2015), or the impact of past history (Teece et al., 1997). Like size, the firm's age was measured as the logarithm of the year prior to the growth in export volume (Log Age i). Third, according to the path-dependent perspective (Teece et al., 2007), past export commitment can potentially influence subsequent decisions for export growth. For this reason, we have included two different control variables: export volume before growth, measured in log-form (Log Export volume i); and export intensity —year i— which is usually applied as a measure of export commitment or export performance (Bonaccorsi, 1992; Chang & Rhee, 2011; Hilmersson & Johanson, 2015; Sleuwaegen & Onkelinx, 2014). Financial performance was also included as a control variable, using the Return on Asset —ROA i (Chang & Rhee, 2011; Singla et al., 2014), and R&D intensity —year i— as the ratio between R&D expenditures and total sales, to measure firms' innovative behavior and technological development, given the demonstrated relationship between innovation and internationalization strategies (Golovko & Valentini, 2011; Kumar, 2009; Singla et al., 2014). Finally, we controlled by capacity slack (capacity slack i), measured as the percentage of under-used capacity, as this could be an incentive for going abroad to seek new opportunities to improve resource efficiency.

3.3. Statistical model

We use cross-sectional time-series regression models with a common first-order auto-regression AR(1) structure. Our panel covers nine years and is unbalanced. This specification is appropriate for panels where observations are not equally spaced over time (Baltagi & Wu, 1999). Prior to selecting this model, we tested for pooled models using the Breusch-Pagan test and Restrictive F of Lagrange test. The results reject pooled analysis compared to the fixed effect model but not the pooled analysis compared to the random effect. Furthermore, the Hausman test recommends the application of a fixed effect model. However, using the Wooldridge test to control for serial correlation we saw that there were auto-correlation problems, and so we used a model with first-order auto-regression AR(1). Using this instrument we discarded firms with only one year's-worth of data, but the panel had a sufficient number of firms with two or more years to return robust results. We first estimated the model using only the control variables, and subsequently included the independent variable.

4. Results

Table 1 describes the variables for the whole sample and then the same variables, splitting the sample into two groups: family and non-family firms. In this table, we have not altered any variables, to enable a clear understanding of the characteristics of the firms. The average number of employees is over 200, with family firms being smaller than non-family firms (136 versus 256 employees). However, both sub-samples are homogeneous with regard to firm age, with an average of 32 years. There are few differences in ROA, R&D intensity, or capacity slack. However, family firms show a lower volume of exports (measured in euros), and slightly lower export intensity than non-family firms. As for the dependent variable, we can see that family businesses have a lower export development speed, in line with our hypothesis. Table 2 shows the zero-order correlations among the variables in the models. With the exception of the high correlation between export volume with two variables: firm size and export intensity, all correlations are below 0.3. However, all variable inflation factors are below the threshold of 5 (see Table 1).

Table 1. Descriptive statistics

	Total Sample Observations: between 7,517 & 7,846				Family Firms Observations: between 3,260 & 3,357				Non-Family Firms Observations: between 4,257 & 4,489				
	Mean	s.d.	Min	Max	Mean	s.d.	Min	Max	Mean	s.d.	Min	Max	VIF
Employees	203.55	474.18	1.00	8840	136.22	309.87	1.00	8840	253.90	561.52	1.00	7529	2.70
Age	32.61	19.99	1.00	141	32.28	18.05	2.00	119	32.85	21.31	1.00	141	1.05
ROA	0.38	0.30	0.00	12.07	0.37	0.25	0.00	3.26	0.40	0.34	0.00	12.07	1.07
R&D / Sales	0.95	2.76	0.00	76.02	0.95	2.80	0.00	76.02	0.95	2.73	0.00	61.051	1.02
Capacicty slack	76.27	16.99	2.00	100	74.79	17.24	8.00	100	77.38	16.72	2.00	100	1.05
Export intensity	28.13	28.53	0.10	99.9	26.57	27.24	0.10	99.9	29.29	29.42	0.10	99.9	1.82
Export volume[1]	28.10	162.00	0.05	6740	14.30	130.00	0.05	6740	38.40	182.00	0.07	4390	3.97
Export speed	2.14	47.76	-1.09	1.99	1.04	8.67	-1.09	1.99	5.97	137.47	-1.09	1.99	n.d.

[1] In million of euros

Table 2. Correlation matrix

	Variables	1	2	3	4	5	6	7	8	9
1	Export speed	1.00								
2	Employees	-0.02	1.00							
3	Age	-0.02	0.26	1.00						
4	ROA	0.00	-0.14	-0.09	1.00					
5	R&D / Sales	-0.01	0.13	0.02	-0.04	1.00				
6	Capacicty slack	0.01	0.17	-0.02	0.06	0.02	1.00			
7	Export intensity	-0.02	0.19	0.08	-0.02	0.10	0.08	1.00		
8	Export volume	-0.01	0.75	0.24	-0.20	0.12	0.18	0.55	1.00	
9	Family firm	-0.01	-0.18	0.01	-0.04	0.00	-0.09	-0.06	-0.16	1.00

Table 3 sets out the regression results of the fixed effect with AR(1). The first model is the baseline model, containing only the control variables (CV), while model 2 includes family as the predictor variable (IV) of the speed of the export development process (DV). The F-wald statistic in both models shows statistical significance, with p-value< 0.001, and the rho statistic above 0.830 justifies the use of panel data rather than pooled analysis, capturing the internal heterogeneity of the data. The R-squared (>0.250) is not very high, indicating that there should be other explanatory variables for the speed of the export development process. This was to be expected, given that internationalization speed is a complex process, influenced by a number of internal and external variables, which are not investigated in our research. The number of individual observations (firm-year) is 5,845, relating to 1,348 different businesses. Some cases are excluded from the analysis (those with only one year of observations) when controlling for auto-correlation, but the number of years covered by the panel provides a sufficient overall number of observations.

No hypotheses were proposed regarding the effects of the control variables. However, Table 3 shows that size, age, and previous export activity have a significant influence on DV. Both size and age have a negative regression coefficient with a significance level above the 99 percent confidence level (p-value < 0.001). This result highlights the fact that smaller and younger firms increase their export volume faster than larger and older ones, supporting the argument that proposes some of the advantages of this type of firm in relation to learning (Autio et al., 2000). At the same time, previous export volume and export intensity are seen to have a positive impact on DV: in the first case with the significance level above 99 percent, and in the second, export intensity is above 95 percent (p-value = 0.035 in the baseline model and p-value = 0.030 in the final model). In other words, firms that are exporting now are the ones that continue to increase their export activities. In summary, the results show that small, young, and highly intensive exporters are faster exporters than large, old and low-intensity exporters. Finally, looking at the family influence on the

Table 3. Fix effect regression analysis with AR(1). General model

DV: Export development speed	Model 1. Control variables				Model 2. Independent variable			
	Coef.	SE	z	p > z	Coef.	SE	z	p > z
Employees	-0.283	0.052	-5.460	0.000	-0.284	0.052	-5.500	0.000
Age	-0.304	0.050	-6.040	0.000	-0.301	0.050	-5.980	0.000
ROA	0.013	0.041	0.310	0.755	0.013	0.041	0.330	0.744
R&D / Sales	-0.001	0.003	-0.180	0.857	0.000	0.003	-0.140	0.890
Capacicty slack	0.000	0.001	0.380	0.703	0.000	0.001	0.350	0.728
Export intensity	0.021	0.010	2.100	0.035	0.021	0.010	2.170	0.030
Export volume[1]	1.151	0.032	35.510	0.000	1.150	0.032	35.520	0.000
Family					-0.076	0.030	-2.550	0.011
Constant term	0.083	0.044	1.890	0.059	0.118	0.045	2.610	0.009
Observations	5845				5845			
Groups	1348				1348			
R-squared	0.252				0.253			
F-Wald	216.00				190.01			
p-value	0.000				0.000			
Rho_ar	0.191				0.191			
rho	0.831				0.832			

speed of the export development process, Model 2 shows a significant effect (p-value = 0.011) on the dependent variable, with a negative regression coefficient (ß = - 0.076). In fact, although significant, such a small coefficient is interesting *per se*, considering the theoretical basis of the proposed relationship, as it is close to being a non-result case (Bettis et al., 2014, 2016) that requires further theoretical reflection. Even so, our model supports our proposal that the export development process is slower for family firms that non-family firms, in line with the arguments derived from the SEW perspective, as a result of family firms' greater LTO, risk aversion and lack of resources.

4.1. Robustness check

To corroborate the results, we carried out additional estimations and statistical tests. First, we repeated the analysis and changed the dependent variable. We included the same measurement of speed but without the industry effect (DV'), calculating the speed of the export development process only by the percentage of export volume. Our results confirm the same relationships[2]. Again, size and age have a negative and significant influence on DV', and prior export volume and intensity have a positive and significant impact on DV' (in all cases the p-value < 0.05). With regard to family influence, the statistical results are even clearer than the results shown in Table 3. When DV is not industry-corrected, the significance of the effect of the family nature of the firm on the speed of the export development process is higher (p-value = 0.007), with a ß = - 0.081.

As Tables 4 and 5 reflect, none of interaction effects reach a sufficient signification level for support that family control and management of the firm moderate the relationship between firm's size, age, export volume and export intensity on the speed of export development process (all p-value > 0.1). In the four models, independent effects remain significant at the same level and with a very similar Beta-coefficient than the original model (Table 3). In conclusion, family businesses show slower export development process, independently of their size, age, and prior export intensity.

Table 4a. Fix effect regression analysis with AR(1). Size and age effects

DV: Export development speed	Model 3 Interaction between family & size				Model 4 Interaction between family & age			
	Coef.	SE	z	p > z	Coef.	SE	z	p > z
Employees	-0.306	0.054	-5.660	0.000	-0.284	0.052	-5.480	0.000
Age	-0.300	0.050	-5.960	0.000	-0.287	0.052	-5.480	0.000
ROA	0.013	0.041	0.330	0.742	0.014	0.041	0.340	0.732
R&D / Sales	0.000	0.003	-0.130	0.898	0.000	0.003	-0.150	0.885
Capacicty slack	0.000	0.001	0.330	0.742	0.000	0.001	0.340	0.734
Export intensity	0.021	0.010	2.120	0.034	0.021	0.010	2.170	0.030
Export volume[1]	1.152	0.032	35.550	0.000	1.150	0.032	35.520	0.000
Family	-0.080	0.030	-2.690	0.007	-0.074	0.030	-2.480	0.013
Family x Size	0.050	0.036	1.370	0.169				
Family x Age					-0.034	0.033	-1.030	0.304
Constant term	0.125	0.045	2.750	0.006	0.117	0.045	2.590	0.010
R-squared	0.253				0.253			
F-Wald	169.20				169.04			
p-value	0.000				0.000			
Rho_ar	0.191				0.190			
rho	0.832				0.832			

Table 4b. Fix effect regression analysis with AR(1). Export behavior effects

DV: Export development speed	Model 5 Interaction between family & export intensity				Model 6 Interaction between family & export volume			
	Coef.	SE	z	p > z	Coef.	SE	z	p > z
Employees	-0.284	0.052	-5.490	0.000	-0.284	0.052	-5.490	0.000
Age	-0.301	0.050	-5.970	0.000	-0.301	0.050	-5.970	0.000
ROA	0.014	0.041	0.350	0.730	0.013	0.041	0.330	0.743
R&D / Sales	0.000	0.003	-0.110	0.911	0.000	0.003	-0.140	0.891

[2] Complete results are available from the authors.

DV: Export development speed	Model 5 Interaction between family & export intensity				Model 6 Interaction between family & export volume			
	Coef.	SE	z	p > z	Coef.	SE	z	p > z
Capacicty slack	0.000	0.001	0.360	0.718	0.000	0.001	0.350	0.729
Export intensity	0.013	0.012	1.100	0.270	0.021	0.010	2.160	0.031
Export volume[1]	1.149	0.032	35.450	0.000	1.144	0.035	32.290	0.000
Family	-0.085	0.031	-2.790	0.005	-0.075	0.030	-2.530	0.011
Family x Export intensity	0.021	0.017	1.260	0.207				
Family x Export volume					0.013	0.031	0.410	0.681
Constant term	0.121	0.045	2.680	0.007	0.119	0.045	2.620	0.009
R-squared	0.253				0.253			
F-Wald	169.12				168.89			
p-value	0.000				0.000			
Rho_ar	0.190				0.190			
rho	0.832				0.832			

Table 5. Additional analysis (not for publication): GMM regression analysis

DV: Export development speed	Model 1. Control variables				Model 2. Independent variable			
	Coef.	SE	z	p > z	Coef.	SE	z	p > z
Lag DV	-0.032	0.008	-3.860	0.000	-0.033	0.008	-3.870	0.000
Employees	-0.639	0.498	-1.280	0.199	-0.721	0.499	-1.440	0.149
Age	-4.803	0.423	-11.370	0.000	-4.850	0.423	-11.460	0.000
ROA	0.120	0.400	0.300	0.763	0.115	0.400	0.290	0.773
R+D / Sales	0.002	0.032	0.060	0.955	0.003	0.032	0.080	0.936
Capacicty slack	0.002	0.007	0.280	0.776	0.002	0.007	0.240	0.808
Export intensity	-0.007	0.004	-1.850	0.064	-0.006	0.004	-1.810	0.071
Export volume[1]	1.300	0.110	11.780	0.000	1.304	0.110	11.810	0.000
Family					-0.607	0.300	-2.020	0.043
Constant term	-18.609	1.588	-11.720	0.000	-18.353	1.593	-11.520	0.000
Observations	5991				5991			
Groups	1395				1395			
# instruments	56				57			
F-Wald	332.46				336.68			
p-value	0.000				0.000			

Finally, using panel data is easy to face with potential endogeneity problems, due to future export growth could be related to past export developments. In order to deal with this issue, we repeated the analysis using generalized method of moments (GMM), suitable for cases with endogenous variables (Jean et al., 2016; Yi et al., 2013). We selected a robust method to estimate GMM regressions models, using the Sargan test to determine any over-identifying restrictions for all models. The main model[3] (and also the baseline model) is overall significant (F-Wald = 336.37; p-value<0.001), using 5,991 observations corresponding to 1,395 firms. The Sargan test (Blundell & Bond, 1998) confirms the validity of the instruments (p > 0.05). To control for potential multi-collinearity we ran the Arellano-bond test (abond) satisfying the threshold recommended (p > 0.05). Results using a 1-year lag of DV support the negative (β = - 0.607) and significant (p-value = 0.043) influence of being a family business on the speed of export development process.

5. Discussion and Conclusion

Our paper aims to explore the speed of the internationalization process in family and non-family firms. Interest in researching the "speed" of internationalization is growing for a number of reasons. The first reason is that new international firms have emerged, which undergo 'rapid' international expansion (Chetty et al., 2014; Jones et al., 2011; Knight & Cavusgil, 2004). Secondly, time has largely been neglected in decades of

[3] Complete results are available from authors (see file with additional information for reviewers).

research (Eden, 2009), despite the "process" nature of internationalization (Welch & Paavilainen-Mäntymäki, 2014). And thirdly, because time cannot be analyzed simply as a context parameter; a place where things happen. Time influences decisions and there are unique relationships that are specifically connected to time. For example, learning is a process with a clear time connection (Casillas & Moreno-Menéndez, 2014), with phenomena such as time compression diseconomies (Jiang et al., 2014; Pacheco-de-Almeida, 2010). Most research has taken a variance approach, adopting cross-sectional methodologies, on the premise that "low" is similar to "slow". For example, with specific regard to family business, it is easy to find theoretical arguments oriented towards the sequential and gradual behavior of family firms, based on their "lower" level of internationalization than their non-family counterparts. We would argue here that a lower degree of internationalization only automatically reflects a slower internationalization process if all firms start the process at the same time.

Recent literature proposes that ownership is relevant (Cruz et al., 2021; Fitza & Tihanyi, 2017; Poza, 2021), specifically when a family group controls the ownership and when their members also perform a management role within the family businesses (Fernández & Nieto, 2006). Family firms incorporate SEW into their decision-making process, jointly, or even primarily, for economic objectives (Gómez-Mejía et al., 2007, 2011). This phenomenon has been identified in different strategic decisions (Detienne & Chirico, 2013; Gómez-Mejía et al., 2010; Souder et al., 2016), including internationalization (Pukall & Calabrò, 2014, for a review). All of the research shows that family firms seek to generate and preserve not only the economic welfare of their main shareholders, specifically family members (as dominant stakeholders), and also other, non-economic resources, which is embedded in the concept of SEW (Berrone et al., 2012; Gómez-Mejía et al., 2012; Miller & Le-Breton Miller, 2014).

We propose a single hypothesis: that family firms' international expansion is slower than non-family firms, based on the SEW perspective (Gómez-Mejía et al., 2007, 2011). We argue that the dominance of generating and preserving SEW in a family firm affects three different attitudes and the resource configuration within this type of business, creating a step-by-step decision-making process for internationalization. The first is the LTO of family firms (Lumpkin & Brigham, 2011; Lumpkin et al., 2010), whose aim is to pass on a legacy to the next generation. LTO gives some advantages in terms of "patient capital" (Sirmon & Hitt, 2003), and allows strategic behavior to be developed over an extended time-span, rather than focusing on immediate outcomes. The second is the family firm's attitude towards risk. The SEW literature shows that family firms are more risk-averse when performance is good, but they demonstrate a riskier behavior when there is a potential loss of SEW (Gómez-Mejía et al., 2010; Souder et al., 2016). According to the stage model approach (Johanson & Vahlne, 1977) the behavioral perspective argues that firms expand gradually to minimize the risks of internationalization. Like Pukall and Calabrò (2014), we argue that family firms fit well with the Uppsala propositions, which promote a slow international expansion process. Thirdly, preservation of SEW encourages family firms to configure their resources in a way that preserves their independence and avoids the control of external agents such as banks, financial providers or non-family decision makers - non family directors and CEO, external managers, and so on. As a result, family firms suffer from a lack of financial resources and human capital (Fernández & Nieto, 2006; Gallo & García-Pont, 1996; Segaro, 2012), which slows down the internationalization process.

Due to the intrinsic complexity of the internationalization process (Casillas & Acedo, 2013; Eden, 2009; Reuber et al., 2017), we have focused on the export development process. By selecting the simpler, initial stage of international expansion (Pukall & Calabrò, 2014), we avoid the heterogeneity arising from a mixture of exporters and MNCs. The empirical research is based on panel data on more than 1,000 Spanish exporters, for the period 2006-2014. To avoid the external influence of the various levels of international exposure in different industries, we have measured the speed of the export development process of the firms relativized by the average export growth of their respective industry. By doing this, we capture the firm-level dimension of speed, isolating it from the industry effect.

Our results support the proposed hypothesis. The speed of the export development process of family businesses is lower than the speed for non-family businesses, due to the effect of SEW, risk avoidance and lack of resources. However, the low level of the regression coefficient calls for new research questions regarding possible moderation effects or time-variable effects. We have also controlled the potential interaction effect of the demographic and the static export profile of the firms in the year prior to measuring their speed (Jones & Coviello, 2005). Our results show that, while the speed of the export development process is higher for smaller, younger and more international companies, there is no interaction effect between these variables and the family nature of the firm. In other words, the lower export development process speed among family

firms is not related to their size, age, or prior level of export intensity, but likely with the family nature and their specific role of SEW in their international decisions.

To summarize, our paper makes three new contributions to both the international business and the family business literature. Our first contribution is to the theoretical understanding of the determinants of the speed of export development in particular and, by extension, the speed of the internationalization process. We point out that ownership matters (Fitza et al., 2017) and explains the speed of international expansion. Our results show that family firms seek to preserve SEW, through their LTO and risk aversion, which slows down their international expansion process, and encourages a resource configuration in which financial and human capital are weaker than in non-family firms. Using these three mechanisms, family firms develop a step-by-step process, which "slowly" develops their export involvement, in accordance with the Uppsala proposal. Our second contribution deals with the concept of speed according to the accepted definition, in relation to one of the two possible alternatives. We conceptualize and measure speed as the change in a variable over a fixed period of time (Casillas & Acedo, 2013; Chetty et al., 2014), and we choose not to combine the different dimensions of speed (export intensity, market diversity and cultural distances, modes of entry, etc.) in order to extract small but clear conclusions, considering that there is evidence for different development pathways within the various dimensions of the internationalization process (Hashai, 2011). Thirdly, our paper makes a methodological contribution; as far as we know, we are the first to measure firm-level speed relativized by industry-level speed. Although the paper only proposes and tests one hypothesis, it does consider the potential joint effect of the family nature and other demographic characteristics of the firms, which also influence the speed of the export development process (prior size, age, and export intensity). We acknowledge that the research design is simple, but this is deliberately in order to make it easier to control for potential heterogeneities, facilitate interpretations and enable possible future replications (Bettis et al., 2016).

Like most studies, ours has limitations that could be seen as opportunities for future research. We have focused only on exporters, leaving out MNCs or other types of international operation, such as joint ventures, international alliances, foreign acquisitions, franchises, and so on. Our study is of a small part of the greater picture, gaining precision but losing perspective. Our measurement of the family nature of the firms can clearly be improved. We were restricted by the amount of information provided by the panel data, but we acknowledge that not all family businesses are the same, and "familiness" should be considered more as a continuous variable (Astrachan et al., 2002), bearing in mind the level of ownership control and the involvement of the family group. Furthermore, we have only captured one dimension of speed (Casillas & Acedo, 2013), related to international commitment, and no other dimensions, such as the speed of market expansion or the speed of entry mode decisions. Context is also a limitation in our research; the analysis was focused on a single country (Spain) and over a specific time period (2006-2014), which included a period of financial crisis. This context might make it difficult to generalize the results.

However, these limitations open doorways to future research. With regard to the speed of the internationalization process, new investigations should extend the results to include more complex and developed modes of internationalization, using longitudinal datasets of MNCs, and international firms that adopt other modes of operation. At the same time, new research is needed to explain why the lower speed of family firms is less intense, and to analyze the potential moderation, curvilinear, and time-based effects. New methodologies could also be used for capturing dynamic processes such as speed. For example, the use of growth curves, temporal series, or dynamic models based on panel data might bring about some advances in research into the time of the internationalization process. It would also be relevant to consider speed not as a single concept, but to examine how it changes, and how changes within the determinants of speed (such as family control) can accelerate or decelerate the internationalization process. With regard to the family, more in-depth analyses of family processes and relationships are required. Dynamic processes, such as succession, training, the legitimization process for family members on boards and TMTs also exist at the family level, which have a potential impact on internationalization speed. And finally, there are new avenues to study the network approach in family firms and the speed of the internationalization process, and how family social capital can be used to accelerate or slow down the international expansion of firms.

In conclusion, basing our proposals on the SEW proposals, we compare the speed of the export development process in family and non-family firms. We consider three ways in which SEW influences the speed of export development among family firms: their LTO, risk aversion and lack of financial and human resources. These three processes work together to cause a slower rate of

export expansion in family firms compared to non-family firms. Our concept of speed is growth over a fixed period of time, and we have relativized its measurement to growth within the corresponding industry. In addition, we verify that the lower speed of export expansion among family firms is independent of their previous size, age, and export intensity level. The results support the SEW arguments and suggest new opportunities for advancing our understanding of the internationalization process over time.

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The Role of Family Firms' Heterogeneity on the Internationalisation and Performance Relationship

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Family involvement, Heterogeneity, Performance, Internationalisation, Spanish hotel industry

Abstract Many papers have addressed the influence of different characteristics of family businesses on strategic decisions, including those of internationalisation. However, little is known about the relationship between the internationalisation of family firms and firm profitability. For this reason, from the socioemotional wealth perspective, in this paper, we focus on the moderating role of some heterogeneous characteristics of family firms on the relationship between internationalisation and business performance. Specifically, we analyse a sample of 76 companies belonging to the Spanish hotel industry, one of the most internationalised sectors and with a large presence of family businesses. The results show that family involvement in ownership and management, as well as generation, moderate the relationship between internationalisation and profitability in the Spanish hotel industry.

CÓDIGOS JEL
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PALABRAS CLAVE
Implicación familiar, Heterogeneidad, Rendimiento, Internacionalización, Industria hotelera española

El papel de la heterogeneidad de las empresas familiares en la relación entre internacionalización y resultados

Resumen Muchos trabajos han abordado la influencia de las diferentes características de las empresas familiares en las decisiones estratégicas, incluidas las de internacionalización. Sin embargo, poco se sabe sobre la relación entre la internacionalización de las empresas familiares y la rentabilidad de la empresa. Por ello, desde la perspectiva de la riqueza socioemocional, en este trabajo nos centramos en el papel moderador de algunas características heterogéneas de las empresas familiares sobre la relación entre la internacionalización y los resultados empresariales. En concreto, analizamos una muestra de 76 empresas pertenecientes a la industria hotelera española, uno de los sectores más internacionalizados y con una gran presencia de empresas familiares. Los resultados muestran que la participación de la familia en la propiedad y la gestión, así como la generación, modera la relación entre la internacionalización y la rentabilidad en la industria hotelera española.

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1. Introduction

Nowadays, the internationalisation of family firms (FFs)' research continues studying the influence of distinctive aspects of the family on this strategy. Different theories try to explain the behaviour of FFs in order to balance the two more important issues in that companies: the family and the business. Emotional aspects can be against, or in the same sense, as the managerial and organizational aspects.
Some studies highlight that FFs link emotional and managerial aspects, and this link leads to the firm to take less risky decisions. Precisely, decisions related to the internationalisation process are considered as riskier because they could entail uncertainty to the managers (Gómez-Mejía et al., 2010; Kraus, 2016; Pukall & Calabrò 2014). Internationalisation implies enter to a new market, usually with different rules, which in many cases is unknown, and which requires a significant investment. In FFs, the socioemotional-wealth (SEW) theory has studied this area of research and it points out that this kind of firms could be less internationalised.
Even though an increasing number of studies have dealt with different aspects of the internationalisation process in the context of FFs, such as their propensity to international growth (Calabrò et al., 2017; Pukall & Calabró, 2014), the entry mode choice (Andreu et al., 2020; Boellis et al., 2016; Mariotti et al., 2021; Yamanoi & Asaba, 2018), or the influence of firm's capabilities (Alayo et al., 2021; Hernández-Perlines, 2018), few studies have carried out an in-depth analysis of the relationship between international activity and performance considering different aspects of family involvement, being one of the main topics that needs a further attention (Kim & Gao, 2013).
Therefore, more studies are needed on the relationship between internationalisation and performance in FFs. In this regard, we address this relationship in the case of the Spanish hotel sector. Within Spanish tourism, the hotel sector has achieved great importance worldwide. The Spanish hotel sector enjoys great recognition on the international scene (Martorell et al., 2016). In last decades, this sector has reached a high level of internationalisation by growing the number of hotels abroad (Andreu et al., 2020; Brida et al., 2015). In relation to the internationalisation strategy, one of the most researched topics has been the choice of entry mode, since this sector has certain peculiarities, such as the use of management contracts, franchising or leasing agreements (Contractor & Kundu, 1998). Moreover, the Spanish hotel industry is characterized by a high percentage of FFs (Andreu, et al., 2018, 2020). However, little is known about the influence of family character on international strategies of these firms. The status of the Spanish hotel industry as one of the most globalised industries and with a high percentage of FFs, makes it interesting to focus our study in this sector.
For all that reasons, drawing on the SEW perspective, we investigate whether the characteristics of FFs affect the internationalisation-performance relationship of Spanish hotel chains. The SEW perspective helps us to know why FFs accept more or less risk in their international decisions. Risk and international decisions are linked with the need of these FFs to obtain long-term benefits. More precisely, we try to analyse the influence of certain family factors as moderating variables of the degree of internationalisation and performance relationship of family hotels. This analysis allows us to evaluate the impact of different characteristics associated to FFs involvement on internationalisation, and to underline the importance of considering the heterogeneity in FF research.
This study aims to contribute to our understanding of the internationalisation-performance relationship and how family involvement influences it. First, we have explored the influence of the family characteristics on internationalisation-performance relationship. Second, we have examined FFs in an under-research context. One possible explanation of different results in FF research could be related with the industry. The vast majority of the studies are focused on manufacturing sector, and further research is needed in other contexts. Third, we have enlarged the papers focus on the SEW theory, including a sample of hotels based in Spain, and corroborating the ideas of this perspective in the service sector.
The paper is structured as follows. The next section includes a revision of different studies on internationalisation-performance relationship focusing on the hotel industry, including several hypotheses related to the internationalisation-performance relationship and the moderating effect of family involvement. Later, the methodology section describes the sample and the variables included in our study. Subsequently, the results section shows the main results and the confirmation of the previous developed hypotheses. The paper continues with a discussion, conclusions and future research section, which explains the relations we found linking with the SEW premises.

2. Literature Review

2.1. Internationalisation, hotel chain performance and family involvement

Despite the costs associated with internationalisation, related to the need to handle possi-

ble cultural differences (Hofstede, 1980) which increase the risks and costs involved in undertaking or making progress in this type of corporate strategy (Ruigrok & Wagner, 2003), there are actually many benefits to becoming internationalised. A number of theories postulate advantages derived from the chance to obtain economies, and reduced costs, as a result of being positioned in various markets (Buckley & Casson, 1976; Caves, 1971). Others refer to possible advantages concerning risk diversification (Elango, 2004; Levy & Sarnat, 1970). And, from a perspective closer to management, internationalisation is associated with the increase or creation of specific competences resulting from the transfer of resources between different international units. The resource-based view and the theory of organisational learning propose the consideration of global resources and basic skills as drivers of organisational learning and knowledge development inside enterprises (Wernerfelt, 1984). These theories might explain the real impact of internationalisation on performance (Ruigrok & Wagner 2003). International expansion can be considered a learning process that provides opportunities to access to new resources (Casillas et al., 2009; Luo, 2002). Companies are collections of knowledge and their learning capacity determines their growth strategies and their possibility of achieve a sustainable competitive advantage.

In relation to FFs, Alayo et al. (2021) found that innovation provides important resources and capabilities to international strategies. The internationalisation of FFs offers potential benefits as access to new markets and resources, cost saving opportunities, risk diversification, therefore expecting a positive effect of internationalisation on performance (Debicki et al., 2020; Graves & Shan, 2014; Lu et al., 2015; Tsao & Lien, 2013). As Debicki, et al. (2020) point out from the SEW perspective, FFs can internationalise to preserve their socioemotional goals, for example, by giving a family member a position of responsibility related to international operations, capitalizing on family social ties, and increasing their commitment and attachment to the firm.

In the specific case of the hotel sector, different studies found a significant positive relationship for the hotel industry, insofar as performance improves with the degree of internationalisation (Brida et al., 2016; Lee et al., 2014). In the FFs context, recent research reveals that family hotels improve the performance when there is a greater degree of internationalisation and the number of hotels and rooms they have abroad increases (Lee et al., 2014; Rienda et al., 2020). According the above arguments, a positive relationship between the internationalisation and performance can be expected, as we proposed in the following hypothesis:

Hypothesis 1*: There is a positive relationship between the degree of internationalisation and performance in hotel chains.*

However, different studies point out that the link between internationalisation and performance is more complex and other variables related to the heterogeneity of *familiness* need to be considered as they can moderate this relationship (Assaf et al., 2016; Debicki et al., 2020; Lu et al., 2015; Stieg et al., 2018).

2.2. Family involvement as a moderating variable in internationalisation-performance relationship

The SEW perspective is one of the main theoretical approaches in the FF field and helps to explain the distinctive behaviour of some FFs. This perspective suggests that family owners take advantages from the socio-emotional aspects of the business (Gómez-Mejía et al., 2011). In this context, the FF usually chooses strategies that fulfil its motivations to preserve and enhance the SEW (Liang et al., 2014). Nowadays, the SEW approach is a dominant perspective in FF research. However, the influence of SEW on long-term decisions seems to be inconsistent (Chiu, 2015; Strike et al., 2015). Hence, a more in-depth analysis about SEW's propositions becomes necessary to explain FF behaviour (Kraus et al., 2016).

International decisions create uncertainty for both FFs and non-family firms (NFFs) (Mensching et al., 2016). Most studies consider that FFs try to preserve family SEW by avoiding risky international strategies (Gómez-Mejia et al., 2010; Kraus et al., 2016; Pukall & Calabrò, 2014). These past studies focus only on the aware of potential SEW losses for FFs. Following this approach, FFs tend to be less favourably disposed than NFFs toward risky strategies when going abroad (Ray et al., 2018). Nevertheless, family involvement influences risk preferences and long-term orientation, thus affecting international strategies in different ways (Liang et al., 2014).

The influence of family involvement on internationalisation has been widely studied, finding different results (Arregle et al., 2017; Pukall & Calabrò, 2014). On the one hand, we found studies that emphasize the aversion to risk of FFs and how this aversion could hamper international activity of these businesses, which tend to concentrate on local or regional markets (De Massis et al., 2016; Graves & Thomas, 2006). On the other hand, other authors stress the positive attributes of FFs and how they can positively affect inter-

nationalisation process (Carr & Bateman, 2009; Zahra, 2003). In addition, some academics find no differences between FFs and NFFs regarding their internationalisation process (Cerrato & Piva, 2012; Claver et al., 2007).

Similarly, with regard to the link between FF status and firm performance, the existing studies are far from conclusive. On the one hand, some authors stress that these enterprises characteristically reveal greater affinity of their owners-managers with the firm's mission; they prioritise the continuity of the business in the future and pay considerable attention to the relationships existing inside the firm (Davis et al., 2000). In turn, such an attitude is likely to help generate distinctive capabilities and to produce a better financial performance in the long run (Anderson & Reeb, 2003; Miller & Le Breton-Miller, 2006). On the other hand, we can find the opposite relationship with the characteristics of FFs being negatively associated with results (Filatochev et al., 2005; Westhead & Howorth, 2006). From this perspective, stronger commitment or the need to perpetuate the business over time makes them more risk averse and leads them to adopt decisions that may prove detrimental to performance. Some studies even insist on the absence of a direct connection between a higher level of family involvement and performance (Kim & Gao, 2013; Villalonga & Amit, 2006).

One of the reasons for this lack of conclusive results are the different definitions of FFs considered (Abdellatif et al., 2010; Andreu et al., 2020; Arregle et al., 2017; Casillas & Acedo, 2005; Kraus et al., 2016). In any case, there is a consensus to identify these companies when family members own a majority of shares, are involved in management, are present in the board of directors and wish to transmit the firm to subsequent generations (Mazzi, 2011). Family involvement brings a new point of view about the definition of FFs. Multiples studies focus on determine if a firm is familiar or not, but it is more interesting to analyse the degree of *familiness* showing the heterogeneity in FFs. *Familiness* is considered as the identification of "resources and capabilities that are unique to the family's involvement and interactions in the business" (Pearson et al., 2008). Considering different aspects related to the family in business may contribute to a better understanding of the FFs' characteristics (Alayo et al., 2019; Chua et al., 2012). As Sciascia et (2012) highlight, only a few studies distinguished the effects of family ownership from those of family involvement.

According to Ray et al. (2018), the most recognized sources of heterogeneity among FFs are family ownership and family involvement in management. When family possesses a great percentage of firm ownership, following the SEW perspective, the need for control increases and it implies that internationalisation process could be affected. Family usually tries to reduce the risk associated to internationalisation strategy and the consequences of this risk-averse behaviour could negatively influence on the internationalisation strategy (Fernández & Nieto, 2006; Ray et al., 2018) and, therefore, on firm's performance. Debicki et al. (2020) argue that family ownership has a negative moderating effect on the internationalisation-performance relationship. In their study, the relationship between international expansion and performance was weaker in firms with higher family ownership.

For the hotel industry, previous studies have shown the existence of a relationship between family ownership, internationalisation and performance in FFs (Rienda et al., 2020, 2021) being the role played by family owners essential (Xiao et al., 2012). So, according to these arguments based on SEW perspective, we propose the following hypothesis:

Hypothesis 2*: The family ownership negatively moderates the degree of internationalisation-performance relationship in hotel chains.*

The SEW also justifies the behaviour of FFs through the presence of family members on top management teams. When family members are involved in management, decisions related to the internationalisation are taken cautiously (Zahra, 2003). The individuals may seek maximizing revenues from foreign markets rather than aggressively pursuing internationalisation (Abdellatif et al., 2010). Managers tend to invest most of their wealth in the firm and, consequently, their decisions should be more risk-averse (Cerrato & Piva, 2012), affecting the internationalisation process. When there is a high ratio of family members on top management positions, the firm has less diversity of skills and knowledge to undertake international strategies and negatively affect the internationalisation of the FFs (Alayo et al., 2019). Family-managed firms internationalise less than NFFs (Ray et al., 2018). External managers may have the necessary talent to expand into new countries. Besides, non-family managers can enhance the legitimacy of the firm, may be considered a sign of professionalism of the management and, consequently, could affect the performance achieved by the firm. Therefore, it is expected that FFs with a high percentage of family managers will negatively moderate the relationship between internationalisation and firm performance (Lu et al., 2015), as we propose in the following hypothesis:

***Hypothesis 3**: The family management negatively moderates the internationalisation-performance relationship in hotel chains.*

Finally, we consider the generation as another heterogeneity factor of FFs that may act as a key moderating variable to influence profitability (Sciacia et al., 2014). With respect to the generation which run the firm, several studies found that founder or first generations outperform better and later generations are associated with a decrease in performance (Miller et al., 2011; Morck et al., 2000; Villalonga & Amit, 2006), although the opposite relationship also exists (Sraer & Thesmar, 2007).
For internationalisation strategy, the results about the influence on the generation ruling the firm are also inconclusive (Mariotti et al., 2021) and more research is necessary to understand the relationship between the generation and international decisions (Segaro et al., 2014). Following the SEW perspective, in FFs governed by the founder, i.e., first generation FFs, the SEW orientation is dominant (Le-Breton Miller & Miller, 2013). In more advanced generations the interests are less concentrated, and managers take lesser conservative decisions. New ideas coming from these generations changing the trend followed by founders (Pongelli et al., 2016). With the new generations, organizational capabilities increase in terms of variety, becoming more suitable to be exploited in different international contexts (Mariotti et al., 2021). As Sciacia et al. (2014) appointed, the emotional attachment of family members is likely to decrease at later generational stages. Therefore, SEW preservation is expected to be a less relevant goal than economic profitability in subsequent generations. According to these ideas, advanced generations may have more propensity to undertake riskier strategies as internationalisation in order to achieve a higher financial wealth. Consequently, a positive effect is expected between the advanced generations of the FFs and the internationalisation-performance relationship, as we propose in the last hypothesis:

***Hypothesis 4**: An advanced family generation positively moderates the internationalisation-performance relationship in hotel chains.*

The proposed model is shown in figure 1.

3. Methodology

3.1. Sample

The sample was collected from the Alimarket Hotel and Catering Yearbook for the year 2016. Database contains financial and commercial data of the most important hotel chains with Spanish based headquarters (including both national chains and international groups). From a total of a 697 hotel chains, we selected only internationalised chains, i.e., those that had at least a hotel outside Spain, whether under property, management contract, leasing or franchised. 76 internationalised chains were identified, with a total of 2,378 hotels, 981 of which are located abroad (beyond Spain's borders). Moreover, 60.83% of these 76 internationalised hotel chains have family characteristics with different degrees of family involvement. Table 1 reports a description of the sample.

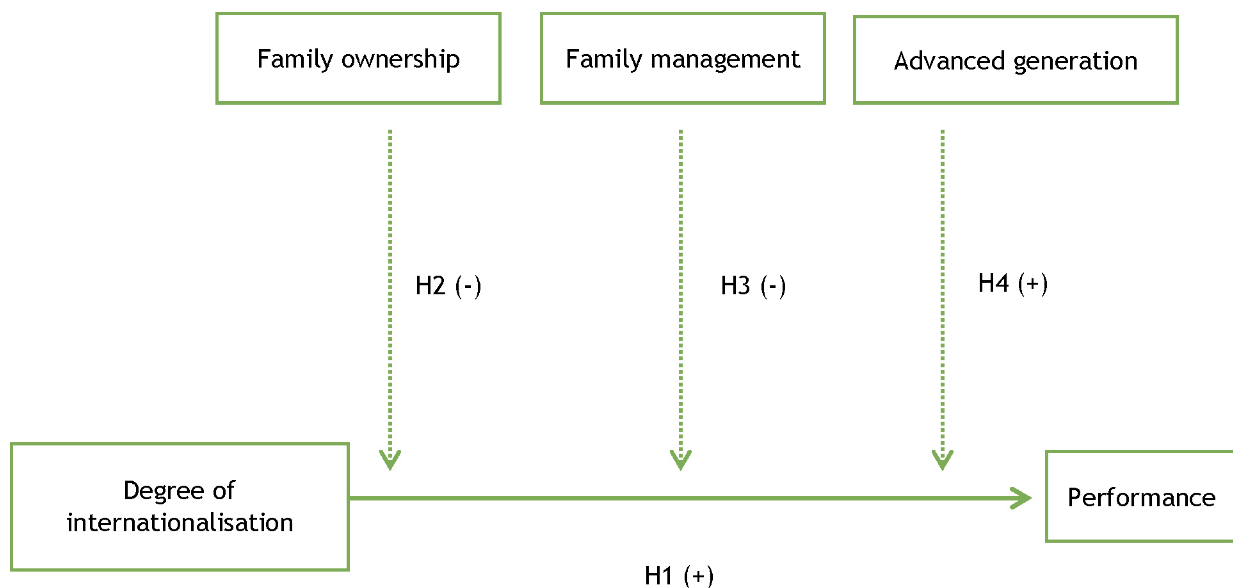

Figure 1. Model research

Table 1. Sample description

Variables	
Degree of internationalisation (mean)	58.62% rooms abroad about total room
Family ownership (mean)	47.29% of capital in family hands
Family management (mean)	18.71% of family directives
Generation	25.7% First generation (founder) firms 74.3 % Advanced generation
Firm size (mean)	3,101 number of employees
Firm age (mean)	26.47 number of years of the chain
Performance (mean)	0.032 revenue per available room

3.2. Measures

Firm *performance* has been examined from different perspectives and contexts. In our case, performance was measured through the Revenue Per Available Room (RevPAR), a specific performance variable for the hotel industry (Namasivayam et al., 2007; Sainaghi, 2011; Schwartz et al., 2017). This variable was calculated by dividing the hotel's total guestroom revenue by the number of available rooms and the number of days during the measured period. We opted for the logarithm in order to normalise the values.

Regarding the *degree of internationalisation (DOI),* the ratio of sales abroad over total sales is often used (Grant et al., 1988; Miller et al., 2008). In the case of hotel industry, the most frequently used ratio is the number of rooms abroad over the total number of rooms (Lee et al., 2014). This variable shows us that the higher the ratio, the higher the degree. It has been used in previous studies on internationalisation in this industry (Brida et al., 2016; Lu & Beamish, 2004; Ramón, 2002; Tallman & Li, 1996).

One definition of family business basically considers that the majority of ownership and management of the firm should be in family hands as a requirement to categorize it (Claver et al., 2009; Graves & Thomas, 2004). Nevertheless, the classification between FF and non-FF could be more detailed when we include different situations that show the heterogeneity of FFs. Family involvement in our study collects three related variables:

- *Family ownership,* measured with the percentage of the firm's equity held by the family. This measure was also used in previous studies (Astrachan & Kolenko, 1994; Sciascia et al., 2012).
- *Family management*, measured with the percentage of family member in management positions. Family involvement increases when managerial position is occupied by a family member. The influence exerted by these owners who simultaneously hold top management positions enjoy the discretion of acting with the possibility to influence corporate decisions (Miller & Le Breton-Miller, 2006). The percentage also indicates to what extent the firm uses managers outside the family. Other FFs research also included this variable in their studies (Cerrato & Piva, 2012; Chua et al., 1999).
- G*eneration,* which was collected through the information of different databases and consulting the corporate websites of those hotel chains with some degree of family involvement. Some previous studies analysed the influence of generation on the FFs' internationalisation. More precisely its impact on international commitment (Claver et al., 2009; Fernández & Nieto, 2005) and other decisions such as entry mode abroad (Andreu et al., 2020; Claver et al., 2008). The FF literature suggests a variety of differences between first-generation FFs and later-generation FFs (Aronoff, 1998; Sonfield & Lussier, 2004; Westhead et al., 2002). Following the study of Beck et al. (2011), we introduced a dummy variable which take the value 0, for founder or first-generation FFs, and the value of 1, for later or advanced generations. A greater family involvement is related with the first generations of FFs.

Finally, our study included some control variables. Firms may adopt different patterns of internationalisation based on their financial and managerial resource limitations (Brida et al., 2015). Hence, we controlled for *firm size* using the average employees of each hotel chain in the last three years, with a logarithmic transformation to normalise the variable distribution (García de Soto & Vargas, 2015; Pla Barber & León Darder, 2004).

We also included the *firm age* of the hotel chain. Firm age has been included in different studies to their possible influence on performance (Cuc-

culelli et al., 2014). Moreover, older firms are expected to be more conservative in their strategic orientations (Zahra et al., 2008).

The *category of hotels* abroad was determined by means of a categorical variable according to the number of stars that each hotel has (between 1 and 5). This variable has already been used in several studies to assess the importance of a hotel's intangible assets understanding that, the higher the level of importance, the more control the firm will want to exert over it, which in turn can influence entry mode abroad (León-Darder et al., 2011; Plá et al., 2011).

4. Results

A correlation analysis is presented in Table 2, together with the multicollinearity analysis (VIF). In Table 3 is showed the linear regressions results including different models.

As we can see in the last table, model 3 and model 7 show a positive relationship between the DOI of Spanish hotel chains and performance, in line with hypothesis 1. In the model 4 and model 7, with respect to our hypothesis 2, the results show a negative moderating effect of family ownership on the internationalisation-performance relationship, as we proposed according to the SEW theory. This result allows us to confirm the hypothesis 2 of our model.

Model 5 is related to our hypotheses 3. We can observe that the moderating effect of family management on DOI is negative for performance. Nevertheless, if we observe the final model (model 7), we found a non-significant moderating effect when all relationships are included. Therefore, our hypothesis 3 is partially confirmed.

Finally, in relation to the generation that runs the firm (model 6 and model 7), we proposed that advanced family generation positively moderates

Table 2. Descriptive statistics and correlations

	VIF	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) Performance	-							
(2) DOI	1.49	0.232**						
(3) Family ownership	2.12	0.291**	-0.154**					
(4) Family management	3.11	0.156**	-0.281**	0.581**				
(5) Advanced generation	2.29	-0.081*	0.415**	-0.292**	-0.661**			
(6) Firm size	2.41	0.532**	0.351**	0.204**	-0.188**	0.161**		
(7) Firm age	2.85	0.318**	0.311**	0.161**	-0.331**	0.373**	0.701**	
(8) Hotel category	1.13	0.251**	0.224**	0.201**	0.100**	0.053	0.181**	0.156**

*Correlation is significant at the 0.05 level (2-tailed); ** Correlation is significant at the 0.01 level (2-tailed)

Table 3. Results of linear regressions for internationalisation-performance relationship

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Control variables							
Firm size	0.161***	0.159***	0.140***	0.136***	0.139***	0.135***	0.131***
Firm age	-0.002***	-0.002***	-0.001†	-0.001	-0.001	-0.001	0.000
Hotel category	0.042***	0.041***	0.027***	0.026***	0.027***	0.028**	0.027***
Independent variables							
DOI		0.001	0.001***	0.001**	0.001***	0.006**	0.006**
Family ownership			0.016*	0.095***	0.015*	0.017**	0.109***
Family management			0.031***	0.032***	0.089*	0.025**	0.002*
Advanced generation			-0.041	0.000	0.020	0.107	0.127*
Moderator variables							
DOI x family ownership				-0.001***			-0.001***
DOI x family management					-0.001**		0.001
DOI x advanced generation						-0.005**	-0.005**
Adjusted R^2	0.322	0.322	0.373	0.386	0.378	0.376	0.388
F	154.022***	115.669***	83.283***	76.932***	74.609***	73.963***	62.301***
N = 76							

*** p < 0.001, ** p < 0.01, * p < 0.05, † p < 0.10.

the internationalisation-performance relationship in family hotels. However, in our models this variable negatively moderates the relationship raised in the paper. Therefore, the hypothesis 4 is not confirmed.

In order to illustrate all these moderating effects, we have included the following figure that allow us to better interpret the results obtained. The graphs show that all considered characteristics of the *familiness* of Spanish hotel companies, negatively moderates the relationship between internationalisation and profitability. With regard to the control variables, firm size, age of the hotel chain and category of the hotels open abroad, the most of them have turned out to be significantly related to business performance.

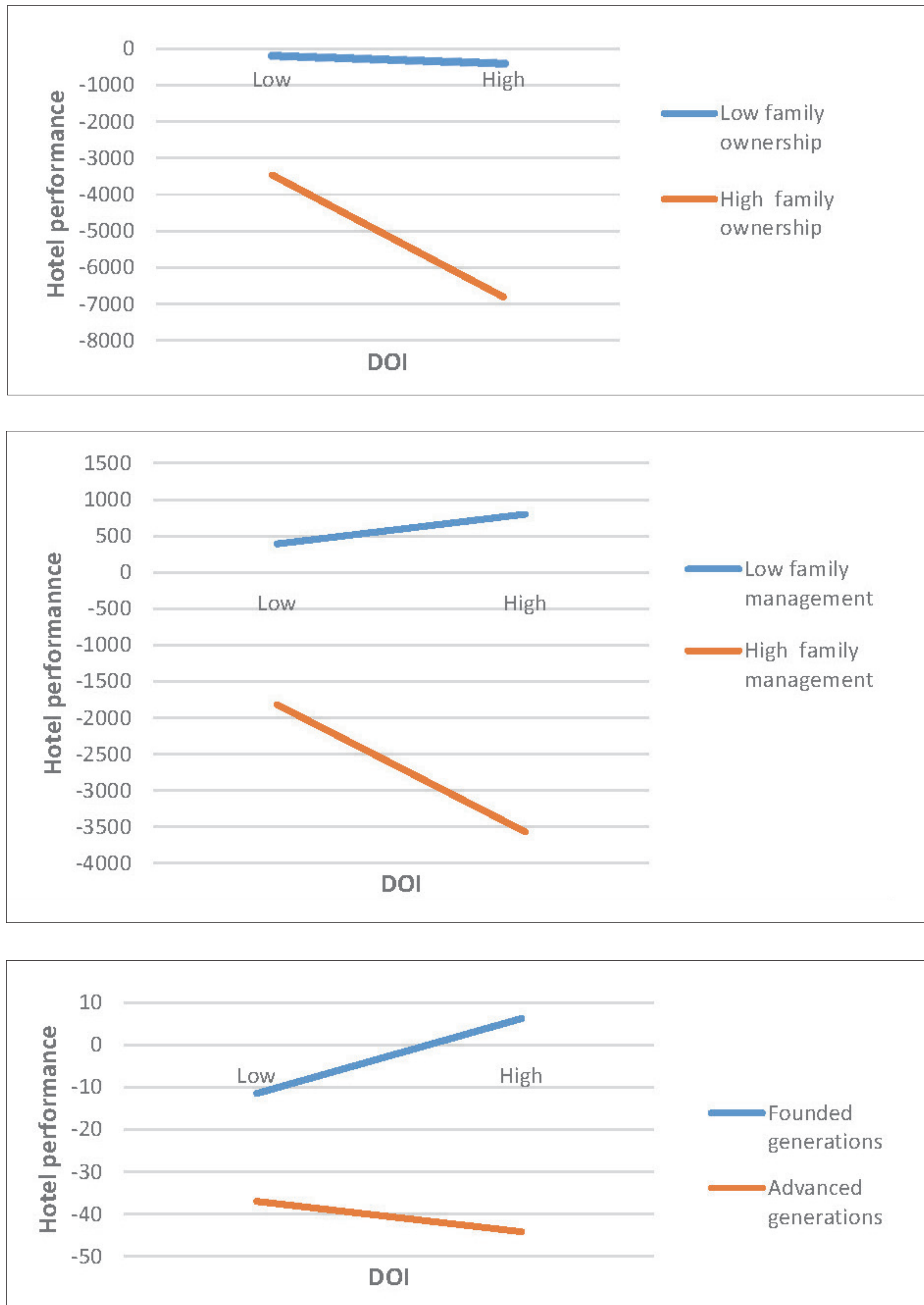

Figure 2. Moderating effect of family involvement on internationalisation-performance relationship

4.1. Robustness check

We carried out several robustness checks in order to verify the evidence that the coefficients are robust (Lu & White, 2014). To check the robustness of the model, we consider various alternatives. First, we change the dependent variable of our model and consider the EBITDA (Earnings Before Interest Taxes Depreciation and Amortization) as new performance measure (Anderson & Reeb, 2003; Chrisman et al., 2004; Granata & Chirico, 2010). With this dependent variable, we run the regression analysis and the results were consistent with those reported in Table 3. Second, we excluded, the firm that accumulates the largest number of investments covered by our sample. After removing this company, we performed the regression analysis and the results support our fourth hypotheses with similar levels of statistical significance.

5. Discussion, Conclusions and Future Research

Following the SEW theory, FFs may be risk-averse in order to protect the family wealth (Miller et al., 2010). Owners evaluate strategic decisions based on risks against financial returns, avoiding risks in order to preserve the family's SEW (Gómez-Mejía et al., 2010). The reason is that "family principals prefer to avoid risk because the costs of negative outcomes more than outweigh any benefits that might accrue through the pursuit of a high-risk/high-return strategy" (Gómez-Mejia et al., 2011, p. 665). Families act to preserve the business and, for this reason, they may become significantly risk-averse (Faccio et al., 2011). FFs have less incentive to undertake large-scale investments in distant countries due to worries about managerial control (Chen et al., 2009). However, recent studies have shown the positive benefits that FFs may gain by the internationalisation (Boellis et al., 2016; Löhde & Calabró, 2019).

The results obtained in our study support the ideas of the SEW perspective attending to family ownership, that is to say, the firm acts in the market with the aim of preserving SEW, and FFs should prioritise family wealth over financial or economic profit (Zellweger et al., 2012). Family members are preoccupied with assuring the continuity of the business and the benefit of future generations (Miller et al., 2008). Considering that family ownership should be more risk-averse, the decisions related to internationalisation should also be affected and, hence, the firm performance. In our paper, the family ownership impact negatively to the relationship between internationalisation and performance, similarly to the studies of Debicki et al. (2020) or Lu et al. (2015).

In the same way we expected, family management negatively moderates the performance obtained with internationalisation. Nevertheless, the general model presents a non-significant moderating effect attending to the last variable. Other measures related to family management could be included to analyse this relationship in more detail. For example, the presence of a family CEO could be another important factor in international decisions. Family CEO can facilitate the alignment of interests between ownership and management. Besides, a family CEO may provide a better internal control mechanism and a better access to resources (Peng & Jiang, 2010). Therefore, if family CEO shows a long-term orientation for firm's survival, the level of internationalisation would be positively influenced (Zahra, 2005) since growing across borders helps to strengthen the business in the long-run (Pukall & Calabrò, 2014). A specific analysis of the characteristics of CEO could add more important information on the influence of he/she in strategic decisions of family hotels. Moreover, in the case of hotel industry, there are different entry modes that allow the firm entry to different markets without an important risk (Rienda et al., 2021). This is the case of the entry modes named "assets lights", which include management contracts and franchises. This specific decision concerning the internationalisation, not much investigated, could be a future line of research.

Contrary to what we expected, advanced generations moderate also negatively the internationalisation-performance relationship. Although new generations could be associated with a higher degree of internationalisation and new ideas (Pongelli et al., 2016), a great divergence of interest, due to the greater number of family members incorporated in the firm over time, could negatively affect this strategy and its effect on the FFs' performance. This relationship may be argued from the stewardship theory. This approach considers that the family increases in complexity with successive generations, and firm managers will perceive more risk from the search for market information, customer needs, or the firm's internal relations, increasing market threats and reducing the exploitation of market opportunities (Bobillo et al., 2013). More studies and different measures about the role of the generation are needed. In this regard, Mariotti et al. (2021) differentiated between the second generation and the first and third-and beyond generations. Miller et al. (2011) simultaneously considered whether the founder was the largest shareholder and serve as CEO of the company. There are also studies that analyse the influence of the founder on performance (Morck et al., 2000; Villalonga & Amit, 2006) or the impact

of family generation on different firm's decisions at international scene as entry mode (Mariotti et al., 2021), which raises future research topics.

Two main contributions arise from this paper. First, from a SEW theory, our results contribute to reinforce the role of family involvement on firm's strategic decisions and the influence on firm performance. We can conclude that for Spanish hotel chains, family involvement differently moderates international-performance relationship. It is interesting to analyse the different aspects that are included in family involvement to a better understanding the results associated with some corporate strategies such as internationalisation. Second, this study helps to explain how family involvement affects internationalisation and hence contributes to FFs and internationalisation literature, particularly to hotel industry. We have examined some family variables in an under-research context and have enlarge the studies focus on the service sector.

With regards to the limitations of our study, firstly, we based our empirical analysis on secondary data sources. For this reason, we were unable to capture the managers' perceptions about the influence of different types of FF managers, their motivations and strategic objectives during international expansion, the level of professionalisation and how long the manager has been working at the company. The ability of the family managers to commit to internationalisation and enhance their performance may depend on their capability in gaining the consensus of the family owners (Graves & Thomas, 2008).

Secondly, our study focuses on a single industry from a particular country, which means that the results cannot be extrapolated to other industries and countries. Future studies could include different industries or countries with the aim to compare the results obtain here and expand our knowledge of hotel chains and the influence of *familiness* on internationalisation and performance.

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Family and Non-Family Businesses in Iran: Coupling among Innovation, Internationalization and Growth-Expectation

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Abstract Gallo and Sveen, in 1991, problematized whether family businesses can implement factors facilitating internationalization. Focusing on innovation, export and growth-expectation in a family business, we consider how these three outcomes are aligned, with a coupling that may be loose or tight, a synergy that benefits the business. This raises a further issue, is governance of a business affecting not only each of the outcomes, but also their coupling? A representative sample of 530 businesses in Iran was surveyed in 2018 for Global Entrepreneurship Monitor. Innovation, export and growth-expectation are found to be lower in family businesses. Coupling between innovation and export, and also between export and growth-expectation, are found to be looser in family businesses. Findings suggest that coupling among performance outcomes in family businesses can feasibly be tightened, thereby reinforcing performance. The findings contribute to ways of enhancing performance endeavors of family businesses with practical implications as advocated by Gallo and Sveen.

CÓDIGOS JEL
M1, O30

PALABRAS CLAVE
Acoplamiento, Empresa familiar, Expectativas de crecimiento, Exportaciones, Innovación, Irán

Empresas familiares y no-familiares en Irán: acoplamiento entre innovación, internacionalización y expectativas de crecimiento

Resumen Gallo y Sveen, en 1991, se plantearon si las empresas familiares podían implementar factores que facilitasen la internacionalización. Centrándonos en la innovación, las exportaciones y las expectativas de crecimiento en la empresa familiar, consideramos cómo estos tres factores se alinean, con un acoplamiento que puede ser débil o fuerte, una sinergia que beneficia al negocio. Esto plantea una cuestión adicional: ¿la gobernanza de una empresa puede no solo afectar a cada uno de los factores, sino también a su acoplamiento? Una muestra representativa de 530 empresas de Irán fue encuestada en 2018 para el *Global Entrepreneurship Monitor*. Se demuestra que la innovación, las exportaciones y las expectativas de crecimiento son menores en las empresas familiares. El acoplamiento entre innovación y las exportaciones, y también entre las exportaciones y las expectativas de crecimiento, son más suaves en las empresas familiares. Los hallazgos sugieren que el acoplamiento entre los resultados en las empresas familiares pueden ser fortalecidos, reforzando así la rentabilidad. Los resultados contribuyen a mejorar la rentabilidad de las empresas familiares con implicaciones prácticas, como lo defienden Gallo y Sveen.

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1. Introduction

Miguel Angel Gallo and Jannicke Sveen contributed a seminal manifesto, *Internationalizing the Family Business: Facilitating and Restraining Factors* (1991). They suggested that if a family business *"is unable to take advantage of the factors that facilitate internationalization or overcome the factors that restrain it, the process will probably fail"* (p. 181). With this suggestion, they identified a gap in our knowledge of family business and emphasized the importance of filling the gap. Moreover, they set an agenda for research on facilitating and restraining factors of internationalization of family business. A review of the three decades of research on family firms internationalization by Debellis and coworkers also points to the earliest article as that of Gallo and Sveen in 1991 (Debellis et al., 2021). Still, identifying factors facilitating and restraining internationalization remains a gap in family business research which continues to draw attention of researchers (Casillas & Moreno-Menéndez, 2017).

Standing on their shoulders, we here focus on a factor that expectedly facilitates internationalization of a family business. We hypothesize that internationalization will be facilitated by coupling internationalization with innovation and with the pursuit of growth of the business. Let us elaborate on the strategy of pursuing outcomes with a coupling.

If you watch the members of the board in a meeting in a family business, you witness that family considerations and traditions enter into a wide range of decisions. In a family firm, board members, the CEO, and even executive senior directors are usually members of the same family. Consequently, they will make decisions, strategies and goals, which appear to be different from those in non-family businesses (Soler et al., 2017). The family firm affects business through participation in the board of directors and management teams (Casillas & Moreno-Méndez, 2017). Bodolica et al. (2015) found that a specific strategy for managing family-business boundaries is able to retain an optimal governance configuration for securing its continued success. Moreover, the goals adopted by managers will affect performance. Shapiro et al. (2015) concluded that corporate governance affects innovation. Conversely, prominence of family members in managerial positions may constrain international entrepreneurship processes (Alayo et al., 2019; Boellis et al., 2016). Following this, Bauweraerts et al. (2019) found a negative effect of CEO on the export scope. This raises the question of whether family firms' decisions work better. Martínez and colleagues (2007) found that public family firms perform better than public non-family firms according to evidence from public companies in Chile. According to Singh and Gaur's study (2013) governance matters for innovation and internationalization strategies as performance outcomes of firms. However, family participation in governance may have a negative effect on innovation input and a positive influence on innovation output (Matzler et al., 2015). But the performance of a company is multi-dimensional, so it is important to consider how governance will affect performance outcomes, notably innovation, exports, and growth-expectations. We elaborate on this by adding a focus on coupling among outcomes.

Coupling between innovation and financing in a business is a capability (Wang & Schøtt, 2020). Coupling among performance outcomes can be an advantage in accord with Gallo and Sveen's manifesto (1991). Coupling is of importance for facilitating and reinforcing internationalization. Thus, we pose a research question: *what are the effects of family versus non-family governance upon innovation, internationalization, and growth-expectations? Specifically, what is the effect of governance upon coupling among outcomes?*

This research question is here addressed by analyzing effects of family vs non-family governance and three-fold performance. We analyze effects of governance on performance outcomes, then coupling among outcomes, and then analyze how governance moderates coupling.

A major contribution of our study is an account of how coupling among outcomes differs between family businesses and non-family businesses. Specifically, a contribution is to show that coupling is loose within family businesses and tighter within non-family businesses, at least in our studied society, Iran. Our examination of coupling between internationalization and other performance outcomes thereby contributes to the research direction initiated by Gallo and Sveen (1991).

The following sections describe the theoretical perspective on family versus non-family governance and performance, develop hypotheses concerning effects of governance on performance, describe our research design, and report results. The conclusion elaborates our contribution to the agenda set by Gallo and Sveen (1991).

2. Theoretical Perspective on Family Governance and Performance

Family firms differ from non-family firms in some ways such as their objectives, corporate governance, and entrepreneurial behavior (Love & Roper, 2013), which can be caused by family traditions and orientation to different values (Kirsipuu, 2013). Family business in terms of

ensuring its continuity over several generations is a sample of an arduous task in order to build a firm (Gallo, 2021). Moreover, goals are of importance in the prediction of firm performance (De Massis et al., 2018). Family firm goals comprise both family-centered and business-centered goals (Chrisman & Patel, 2012). Family goals and business-centered goals are financial such as financial gains or non-financial in nature like positive self-image and well-being (Binz et al., 2017; Dyer Jr & Whetten, 2006; Gómez-Mejía et al., 2007). Family ownership interacts with the presence of non-economic goals to gain economic benefits and influence firm performance (Randolph et al., 2019). Firms may direct their innovation strategies to support long-term survival in support of dynastic succession intentions, rather than maximizing profits (Chrisman & Patel, 2012; Gómez-Mejía et al., 2011). Family business goals are formed and outcomes are achieved through mechanisms (Basco & Calabrò, 2017; De Massis et al., 2018; Williams Jr et al., 2018).

Governance, and resources of family firms are the main determinants of outcomes, the continuation of family involvement, firm survival and renewal, and financial performance (Chrisman et al., 2013). Family control has an important impact on entry modes (Sestu & Majocchi, 2020). An increase in ownership concentration has a positive impact on innovation (Shapiro et al., 2015; Singh & Gaur, 2013). Family participation in governance has a negative effect on innovation input but a positive influence on innovation output (Matzler et al., 2015). The influence of family governance on performance is moderated by the nature of new products introduced (Cucculelli et al., 2016).

Family firms perform better (Basco, 2014; Martínez et al., 2007) when following a product differentiation strategy and balance their family and business-oriented decision-making (Basco, 2014). While non-family firms develop rapidly to attract outside resources, family firm proprietors adopt a cautious approach to growth (Kotey, 2005). Non-family small- and medium- enterprises (SMEs) focus on broader network relationships, such as universities, public institutions, and fair trade organizations (Basco & Calabrò, 2016). As this brief review indicates, studies of the effect of governance on outcomes have mostly concluded that family businesses perform less well than non-family businesses, in terms of innovation, exporting, and profit, partly because family business are less focused on such outcomes.

What, then, is the coupling among performance outcomes? Both financing and innovation are important for a new venture to succeed and coupling between innovation and financing is a capability (Wang & Schøtt, 2020). Given Chou and colleagues' study (2016), coupled open innovation is positively related to incremental performance outcomes but not with radical outcomes.

Family businesses play a critical role in the economic development as well as globalization efforts of their countries, which is of importance (Yildirim-Öktem, et al., 2018). The favorable ownership structure of a company reinforces the positive impact of research and development abilities on internationalization (Singh & Gaur, 2013). Family firm prevalence has a moderator positive impact on export performance (Carney et al., 2017), and also the presence of non-family and family businesses moderates the relationship between family ownership and internationalization strategy (Ray et al., 2018). Networking in the transnational sphere and in the sphere of business operations promotes outcomes such as innovation, exporting, and growth expectations. As this brief review indicates, performance outcomes tend to be loosely coupled, and rarely tightly coupled. Family businesses behave differently compared to non-family firms due to family traditions and orientation to different values. Non-family businesses focus on their financial performance, whereas family businesses focus both on financial performance and on creating socio-emotional well-being for the family. The lesser focus on financial performance in family businesses implies, theoretically, that family businesses have lower performance outcomes in terms of innovation, exporting and growth-expectations. The stronger focus on financial performance in non-family businesses also implies, theoretically, that coupling will be weaker in family businesses.

The theoretical perspective on governance and performance is three-fold. First, governance affects performance outcomes. These effects are the three thick arrows in Figure 1. Second, performance outcomes are coupled. Their coupling is the three medium thick arrows. Third, governance moderates coupling among outcomes. These moderating effects are the three thin arrows.

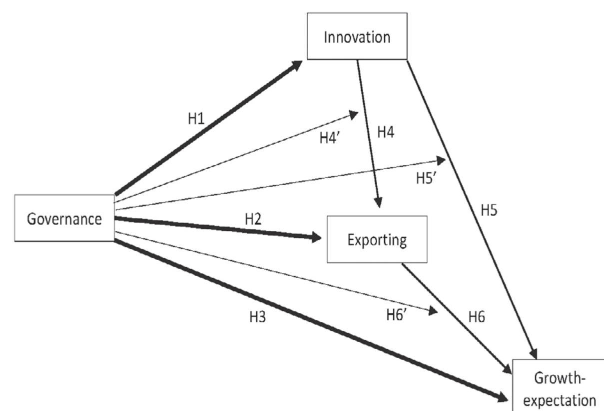

Figure 1. Hypothesized effects

The scheme indicates hypotheses to be developed in the next section.

3. Hypotheses

3.1. Family vs non-family governance affecting performance outcomes

3.1.1. Governance affecting innovation
Is governance affecting innovation, i.e., does innovation differ between family businesses and non-family businesses in Iran?
Theorizing around innovation in family business revolves around risk and uncertainty. Family businesses tend to be averse to risk and avoid uncertainty. But innovative work is inherently risky and uncertain. Therefore, theoretically, family businesses may avoid innovative work. Let us elaborate and consider the evidence before specifying the hypothesis. Innovation plays a significant role in family and non-family firms (Price et al., 2013). Family businesses differ from non-family ones in product innovation and the innovation process (De Massis et al., 2015). Family firms may be more innovative than non-family firms (Tolba et al., 2020) and (Llach & Nordqvist, 2010), have a higher propensity to invest in innovation (Classen et al., 2014), and benefit from innovative orientation (Lodh et al., 2014).
The distinctive strategic goals of the family firm are driven by the family's willingness (De Massis et al., 2018). The family member as owner and manager results in a higher propensity towards initiatives (Boellis et al., 2016). The difference between family and non-family business in their innovation, in several other countries than Iran, leads us to specify our first hypothesis about businesses in Iran:

***Hypothesis 1**. Governance affects innovation, in that family businesses innovate less than non-family businesses.*

3.1.2. Governance affecting exporting
Let us now consider a second performance outcome, namely exporting. Does governance affect exporting, i.e., is exporting higher or lower in family businesses than in non-family businesses in Iran?
In internationalization processes, family businesses behave differently from non-family businesses. Entering foreign markets and internationalization can be risky. Some businesses are averse to such risk-taking. We rely on the theorizing that family businesses are focused on conserving wealth for the family and therefore avoiding risk. During thirty years, the impact of family ownership, management, and governance on internationalization have been explored though at the 2014 declining stage, little research is known about the process of family firms' internationalization and the role of the family in shaping this process (Debellis et al., 2021).
Family members' values are related to their attitude to risk and international networks, (Casillas et al., 2017). In view of Lin's result (2012), family ownership is of significant effectiveness in a firm's internationalization processes. There is a negative relationship between internationalization and family ownership (Fernández & Nieto, 2006; Hanley et al., 2020). In internationalization, the ability of family businesses to make quick decisions is of importance (Kontinen & Ojala, 2010). It seems that family firms do not behave fundamentally differently from non-family firms in their internationalization (Arregle et al., 2017), yet they internationalize slower, and in the long-run more than non-family firms (Gallo & Estapé, 1992; Pukall & Calabrò, 2014). When family firms induce a regional strategy, their leaders are most beneficial (Banalieva & Eddleston, 2011).
Not only in the family firms but also in non-family businesses, there is a positive and significant tie between foreign investors' ownership and the level of international sales (Calabrò et al., 2013). Families better internalize the long-run benefits of internationalization (Minetti et al., 2015). They perform better than non-family businesses in trading (Rettab & Azzam, 2011). Exports are low for small family and non-family firms (Kotey, 2005). The capabilities of management in family business lag behind those of their non-family counterparts as they expand internationally (Graves & Thomas, 2006), and are less likely to be internationally active (Thomas & Graves, 2005).
This brief review of theorizing and the mixed evidence leads us to specify a hypothesis about Iran:

***Hypothesis 2**. Governance affects exporting, in that family businesses export less than non-family businesses.*

3.1.3 Governance affecting expectation for growth
Let us briefly consider a third outcome, namely the expectation for growth of the business. Does governance affect growth-expectation, so that expectation is higher or lower in family businesses than in non-family businesses in Iran?
Family and non-family firms react differently in acceptance of new technology, and in changing strategy. Family firms are risk-averse and behave traditionally. They may adopt new measures to a lesser extent than non-family firms. The family business is less likely to adopt modern management techniques (Bloom & Van Reenen, 2007).

In terms of economic development and growth, family businesses are of significance (Beck et al., 2009). Aguilera and coworker express the idea (2016) that given the more recent developments of capitalism in Asia, focused ownership structures along with families being large shareholders play an underlying role.

Family businesses on average have higher growth rates than non-family businesses (Miroshnychenko et al., 2021). Family firms appear to lack effective management (Bertrand & Schoar, 2006; Mehrotra et al., 2013; Miller et al., 2015).

Innovative orientation in the family business is both directly and indirectly associated with firm growth (Stenholm et al., 2016). Family firms establish form enduring ties with other family businesses to promote joint commercial interests and essentially growth (Breton-Miller et al., 2011; Salvato & Melin, 2008). Firms staying listed on the prime Standard perform well (Bessler et al., 2018). Non-family businesses manage to take new action more than family businesses. This brief review of studies leads us to suggest a further hypothesis concerning Iran:

Hypothesis 3*. Governance affects growth-expectation, in that family businesses expect less growth than non-family businesses.*

The above hypotheses are our baseline hypotheses. The hypotheses are not new, but they have not been tested in the case of Iran. More importantly, they are our starting point for developing new hypotheses.

3.2. Coupling of innovation and export differs between family and non-family businesses

The first issue about coupling is whether innovation and exporting are interrelated in a business. Innovation can make a contribution to a company for internationalization and will facilitate exporting. An innovative firm is trying to enter an emerging market due to increasing market share. There is a positive relationship between market orientation and innovation in a family firm (Beck et al., 2011), and a strong positive association between firm productivity and exports (Cassiman & Golovko, 2011). Product innovation rather than process innovation induces small non-exporting firms to enter the export market (Cassiman et al., 2010; Cassiman & Martinez-Ros, 2007; Love & Roper, 2013). Furthermore, process innovation independently has a positive impact on the decision to export (Añón & Driffield, 2011). While exporting status remarkably may increase the likelihood of introducing product innovations (Bratti & Felice, 2012; Vanyushyn et al., 2018), innovation persuades firms to improve and increase their export activities (Kunday & Şengüler, 2015; Monreal-Pérez et al., 2012). There is a strong positive link between exporting and productivity, which is largely moderated via (product) innovation (Cassiman et al., 2010; Love & Roper, 2013). There is a positive influence of first-generation family firms on the learning-by-exporting effect on product innovation (Sánchez-Marín et al., 2020). These studies of innovation and exporting support the proposition that innovation affects exporting, in that high innovation increases exporting. This proposition is depicted as an arrow in Figure 1 and is reconfirmed in our analysis below. This proposition is not new, but it here serves as our baseline or starting point for considering how the coupling is influenced by governance.

Some businesses prefer to capitalize on being global (Bloom & Van Reenen, 2007; Filbeck & Lee, 2000). Corporate governance plays a significant role in firms' performance (Arregle et al., 2017; Minetti et al., 2015; Ray et al., 2018). Governance also affects internationalization (Kalhor & Ghalwash, 2020). Family ownership plays a significant role in productivity and the decision to export (Arregle et al., 2017; Minetti et al., 2015; Ray et al., 2018). Sánchez-Marín et al.'s findings in 2016 demonstrate that family businesses give rise to a greater orientation towards the clan culture, while non-family businesses show their preference in order to not only the market also but hierarchy cultures. Family commitment culture may operate against internationalization (Segaro et al., 2014).

There are important diversities among family and non-family SMEs in the matter of open innovation search strategies (Basco & Calabrò, 2016). Ray and coworkers (2018) demonstrated how the presence of non-family ownership and family business moderate the relationship between family ownership and internationalization strategy. High involvement of non-family members in governance structure affects positively family firms' pace of the process of making something international so that this relationship is mediated through the international entrepreneurial orientation of the firm (Calabrò et al., 2017). These studies lead us to specify our next hypothesis:

Hypothesis 4*. Governance moderates the effect of innovation on exporting, in that the effect of innovation on exporting is less in family businesses than in non-family businesses.*

3.3. Coupling of innovation and growth-expectation differs between family and non-family businesses

Let us consider another coupling, namely the coupling between innovation and growth-expectation in Iran. When a firm is innovative, undoubtedly it will adopt new actions. Innovative companies try to develop with the contribution of new technol-

ogies. The more a company innovates, the more growth-expectation increases. Entrepreneurs who have innovation also have higher growth-expectations. Given experienced entrepreneurs usually is more careful concerning growth-expectations (Poblete, 2018). Radical innovations are able to be an association with sales growth (Forsman & Temel, 2011). Some high-technology firms pursue a high R&D investment strategy (Gomez-Mejia et al., 2014) and exhibit a higher internationalization propensity (Piva et al., 2013).

Growth motivations are the outcome of expected growth (Verheul & Van Mil, 2011). A firm's innovation-related activities are able to drive its competitive performance (Liao & Rice, 2010). Family firms that are professionals are more effective and play a significant and positive role in firms' ability (Clausen & Pohjola, 2013; Diéguez-Soto et al., 2016). This brief discussion of innovation affecting growth-expectation support the proposition that innovation affects growth-expectation, in that high innovation increases growth-expectation. This proposition is depicted as an arrow in Figure 1 and is reconfirmed in our analysis.

Coupling between innovation and growth-expectation may be influenced by governance. Family firms differ from non-family firms in some ways when it comes to being innovative and growth-expectation rates. Although family businesses may innovate more than non-family businesses, they do not adopt new action very well. So, it is likely that the effect of innovation on growth-expectation is less in family businesses than in non-family businesses.

This leads us to specify another hypothesis, about the effect of innovation on growth-expectation:

Hypothesis 5*. Governance moderates the effect of innovation on growth-expectation, in that the effect of innovation on expectations is less in family businesses than in non-family businesses.*

3.4. Coupling between innovation and growth-expectation differs between family and non-family businesses

Let us also consider yet another coupling, namely the coupling between exporting and growth-expectation in Iran. Family firms behave differently in comparison with non-family firms with regard to internationalisation and growth-expectation. Family businesses perform better than non-family businesses in internationalisation. On the other hand, they are less likely to adopt new action very well. It is likely that exporting increases growth-expectation in the family business albeit less than in non-family firms.

Kunday and colleague in 2015 expressed that policymakers tend to increase the internationalization of SMEs. There is a negative tie between necessity-driven entrepreneurship and both business growth and business growth-expectations, yet the positive relationship between opportunity-driven entrepreneurship and both business growth and business growth-expectation is observed (Zali et al., 2013). These studies support the proposition that exporting affects growth-expectation, in that high exporting increases growth-expectation. This proposition is depicted as an arrow in Figure 1 and is reconfirmed in our analysis below. This coupling may be influenced by governance. Kunday and colleague in (2015) reveal a moderating role of the motive of operation on the export orientation. In internationalization, one of the important points in family businesses is their ability to make quick decisions (Kontinen & Ojala, 2010).

Iranian entrepreneurs in the diaspora have larger networks, which have positive impacts on their innovativeness, exporting, and growth-expectation (Cheraghi & Yaghmaei, 2017). Locus of control, entrepreneurship education and some other factors tend to have significant consequences for the growth intentions (Neneh & Vanzyl, 2014). Following these studies, our hypothesis posits:

Hypothesis 6*. Governance moderates the effect of exporting on growth-expectation, in that the effect of exporting on expectation is less in family businesses than in non-family businesses.*

These hypotheses are tested in the following.

4. Research Design

The ideas concern family and non-family businesses. This 'population' is here studied within one country, Iran, which has a very traditional culture where life revolves around the family. We use data from the Global Entrepreneurship Monitor, GEM (www.gemconsortium.orgwww.gemconsortium.org).

4.1. Sampling

GEM conducts an annual survey of the adult population, aiming at a national probability sample, in Iran more than 3,000 adults annually, with a core of questions that is the same from year to year and in all participating countries (www.gemconsortium.org; Bosma, 2013). The survey design is proposed by the national GEM team of researchers in the Faculty of Entrepreneurship at Tehran University. The design is reviewed, perhaps revised, and eventually approved by the data team of the global GEM consortium. The interviews are carried out by dozens of graduate students from the Faculty, mostly around their hometowns across the country, coded by the team of researchers, and submitted to the

data team of the global consortium for checking quality and for harmonization and pooling with the survey data from the other countries around the world (Bosma, 2013). The pooled data are initially available to the members for analyses, and then made publicly and freely available on the website www.gemconsortium.org.

The questionnaire asks the sampled adults whether they own and manage a starting or operating business. In 2018, questions were added to identify family businesses and non-family business, as described below. Thereby a representative sample of 530 family and non-family businesses in Iran was obtained.

4.2. Measurements

The measures are well-established in two decades of GEM research (Bosma et al., 2013), except the questions identifying family business, which were added in 2018.

4.2.1 Family versus non-family governance

A respondent who reported to be owning and managing a starting or operating business was asked about ownership and management, (a) *Will this business for the most part be owned by you and your family and relatives?* And (b) *Will this business mostly be managed by you and your family and relatives?* A business that is mostly owned, and also mostly managed by the family, is a family business. A non-family business is thus a business that is not mostly owned or that is not mostly managed by the family. One-person businesses (with one owner-manager and no others) are excluded from our study.

4.2.2. Innovation

Innovation is measured by an index based on three questions asking about process-innovation, product-innovation, and competitiveness, (a) *How long have the technologies or procedures used for this product or service been available?* And (b) *Will all, some, or none of your potential customers consider this product or service new and unfamiliar?* And (c) *Right now, are there many, few, or no other businesses offering the same products or services to your potential customers?* Each question was answered on a three-point Likert scale. The three measurements are positively correlated, so they are averaged into an index of innovation. This index is used in numerous studies (e.g., Ashourizadeh, 2017; Schøtt & Jensen, 2016; Schøtt & Sedaghat, 2014).

4.2.3. Exporting

Exporting is measured as the percentage of sales that are to customers abroad, *What percentage of your annual sales revenues will usually come from customers living outside your country?* The percentage is logged to reduce skewness of the distribution. This measure is used in numerous studies (e.g., Ashourizadeh, 2017; Bosma, 2013).

4.2.4. Growth-expectation

The owner-manager was asked how many persons work for the business at present and how many are expected to work for the business five years later. (a) *How many people are currently working for this business?* And (b) *How many people, including both present and future employees, will be working for this business five years from now?* The expectation for change is then measured as Log (persons expected in five years) – Log (persons at present), where we have taken logarithms to reduce the skew. This measure of growth-expectation is used in numerous studies (e.g., Ashourizadeh, 2017).

4.2.5. Control variables

The GEM survey enables us to control for several characteristics, which are related to innovation, export and growth-expectation (Bosma et al., 2013). The control variables are included; (a) Motive for the business as either opportunity (coded 1) or necessity (coded 0); responding to the question, *Are you involved in this start-up to take advantage of a business opportunity or because you have no better choices for work? (b)* Age of the business, coded in year, and logged to reduce skew; (c) Owners, as the count of owners, logged; (d) Size of the business, as persons working for the business at present, as quoted above, logged; (e) Sector, with four categories, the extractive sector, the transformative sector, the business service sector, and the consumer service sector; (f) Gender, coded 0 for women and 1 for men; (g) Age of the entrepreneur, coded in years; and (h) Education, as years to highest completed degree.

4.3. Techniques for data analysis

Background of the family and non-family businesses are described by the frequencies and averages of the organizational characteristics (Table 1).

Differences between family and non-family businesses in outcomes are ascertained by averages of innovation, export and growth-expectation, and each difference is tested by a t-test (Table 2).

The hypotheses are tested, with controls, in multiple regressions. We use linear regressions because the dependent variables are all numerical. The hypothesis about an effect of family vs non-family governance directly upon an outcome is tested by a regression coefficient with a t-test of its significance (Table 3, Models A, B, C, D, G, H). Coupling between two outcomes is ascertained in

a multiple linear regression where one outcome is dependent variable and the other outcome is an independent variable; their coupling is then indicated by the regression coefficient with a t-test of its significance (Table 3, Models D, H).

A hypothesis about an effect of family vs non-family governance upon coupling of one outcome with another outcome is tested in a linear regression of one outcome upon governance and the other outcome and including their interaction term, the product of governance and the former outcome. How family vs non-family governance moderates the coupling is then ascertained as the interaction effect, indicated by the regression coefficient of the interaction term, with a t-test of its significance (Table 3, Models E, F, I, J, K).

5. Results

5.1. Background of the businesses

Background of family and non-family businesses is seen in the frequencies and averages of their characteristics, Table 1.

Family businesses are seen in Table 1 to be older than non-family businesses, and their owner-managers likewise, which is typical. According to Table 1, it seems that the business age of family firms is higher than non-family companies. In addition, the age of family business owners is slightly lower than non-family companies, but this is not much different. The size of family businesses is almost the same as non-family businesses, which is related to the number of manpower and owners. The level of knowledge (higher education) of the responding owner-managers of non-family companies is higher than that of family companies. Differences between family and non-family businesses in outcomes are seen in averages, Table 2.

Results demonstrate that governance is related to performance outcomes; innovation, exporting and growth-expectations. That is, performance outcomes differ between family businesses and non-family businesses in Iran. Specifically, family businesses are innovating less than non-family businesses, Table 2. This lends some support for

Table 1. Averages and percentages in the sample

		All	Family	Non-family
Sample	N businesses	530	360	170
Governance: family	Percentage	68%		
Motive: opportunity	Percentage	55%	56%	53%
Age of business	Mean years	7.8	8.2	6.4
	Median years	5	7	2
Owners of business	Mean owners	1.8	1.6	2.3
	Median owners	1	1	2
Size of business	Mean persons	9.4	9.4	9.3
	Median persons	2	2	2
Sector: extractive	Percentage	7%	8%	6%
Sector: transforming	Percentage	25%	26%	23%
Sector: business services	Percentage	18%	16%	23%
Sector: consumer oriented	Percentage	50%	50%	48%
Gender of owner-manager	Percent males	76%	77%	75%
Age of owner-manager	Mean years	38.8	40.4	35.3
Education	Mean years	15.9	15.2	17.5

Table 2. Performance outcomes, by governance

	Innovation		Exporting		Growth-expectation	
	Family businesses	Non-family businesses	Family businesses	Non-family businesses	Family businesses	Non-family businesses
High performance	15%	26%	3%	7%	53%	71%
Medium performance	24%	24%	18%	23%	33%	19%
Low performance	61%	50%	79%	70%	14%	10%
Total	100%	100%	100%	100%	100%	100%
Mean	1.21 ***	1.32	1.66 **	3.41	0.44 ***	1.02
N	358	170	350	165	237	118

+ p < .10 * p < .05 ** p < .01 *** p < .001 (one-sided t-test of difference)

H1 when no other conditions are controlled for. Family businesses are exporting less than non-family businesses, Table 2. This supports H2 when no other conditions are controlled for. Family businesses have lower growth-expectations than non-family businesses, Table 2. This supports H3 when no other conditions are controlled for. We shall see that these relationship between governance and performance largely vanish when other conditions are controlled for, in the next section.

5.2. Effects of governance upon performance

Our hypotheses are all about effects of family vs non-family governance upon performance, specifically innovation, export, and growth-expectation. The effects are ascertained by multiple linear regression, Table 3, controlling for other conditions.

Hypothesis 1 states that governance affects innovation, in that family businesses innovate less than non-family businesses. This hypothesis is tested in the regression in Model A, in Table 3. The effect is significant and negative as hypothesized (ß = - 0.14; p = 0.001). This supports Hypothesis 1, when no other conditions are controlled. Interestingly, when holding other conditions constant, in Model B, the effect of governance on innovation seems to vanish. That is, innovation is lower in family businesses than in non-family businesses, but this is not because of the governance itself, but rather because of some other conditions such as gender, education, and age of the head of the business, which promote innovation in non-family businesses more than in family businesses.

Hypothesis 2 holds that governance affects exporting, in that family businesses export less than non-family businesses. This hypothesis is tested in Model C in Table 3. The effect is significant and negative as hypothesized (ß = - 0.12; p = 0.004). This supports Hypothesis 2. Interestingly, when holding other conditions constant, in Model D, the effect of governance on export seems to vanish. That is, export is lower in family businesses than in non-family businesses, but this is not because of the governance itself, but rather

Table 3. Innovation, exporting and growth-expectation affected by governance

	Innovation		Export				Growth-expectations				
	Main effects only	Main effects only	Main effects only	Main effects only	Inter-actions	Inter-actions	Main effects only	Main effects only	Inter-actions	Inter-actions	Inter-actions
	Model A	Model B	Model C	Model D	Model E	Model F	Model G	Model H	Model I	Model J	Model K
Governance: Family	-0.10 *** H1	-0.03	-0.23 ** H2	-0.05	0.58	0.47	-0.57 *** H3	-0.15	-0.08	-0.26	-0.18
Innovation				0.30 *	0.94 ***	0.56 *		0.93 ***	1.46 ***		0.87 ***
Export								0.11 *		0.51 ***	0.17 *
Governance x Innovation					-0.60 ** H4	-0.41†			-0.26 H5		0.07
Governance x Export										-0.31 * H6	-0.09
Age of business		0.00		-0.03		-0.03		-0.39 ***			-0.39 ***
Owners		0.11 **		0.26 **		0.25 **		0.16			0.15
Size of business		0.00		-0.08 †		-0.08 †		-0.39 ***			-0.39 ***
Sector: extracting		0.04		-0.54 **		-0.53 ***		0.02			0.01
Sector: transforming		0.08 †		-0.16		-0.15		0.24 †			0.23 †
Sector: business services		0.10 *		0.07		0.05		0.24 †			0.24 †
Gender: male		-0.10 *		-0.23 *		-0.26 *		-0.07			-0.07
Age of owner-manager		0.00		0.00		0.01		0.00			0.00
Education		0.01 *		0.02 *		0.02 *		0.02			0.02 †
Intercept	1.32 ***	1.14 ***	0.64 ***	-0.03	-0.58 *	-0.38	1.05 ***	0.20	0.95 *	0.62 ***	0.23
N businesses	528	405	515	396	515	396	355	331	354	348	331

Linear regression with metric coefficients.
For sector, the consumer-oriented sector is the reference that each other sector is compared to.
† p < .10 * p<.05 ** p < .01 *** p < .001

because of some other conditions such as gender, education, and age of the head of the business, which promote export in non-family businesses more than in family businesses.

Hypothesis 3 posits that governance affects growth-expectation, in that family businesses expect less growth than non-family businesses. This hypothesis is tested in Model G. The effect is significant and negative as hypothesized ($ß = - 0.20$; $p \leq 0.\ 0001$). This supports Hypothesis 3. Interestingly, when holding other conditions constant, in Model H, the effect of governance on expectation largely vanishes. That is, expectation is lower in family businesses than in non-family businesses, but this is not because of the governance itself, but rather because of some other conditions such as gender, education, and age of the head of the business, which promote expectation in non-family businesses more than in family businesses.

The analysis reconfirms that innovation and exporting are coupled in that innovation promotes exporting. This is reconfirmed in Model D, where the coefficient is positive, reconfirming the proposition. Hypothesis 4 is taking this one step further by claiming that the coupling between innovation and exporting is moderated by governance, in that the effect is weaker in family businesses than in non-family businesses. This interaction is tested in model E. The interaction effect is negative, i.e., the effect of innovation on exporting is weaker in family businesses than in non-family businesses, supporting H4 ($ß = - 0.40$; $p = 0.006$).

The proposition that innovation and growth-expectations are coupled in that innovation promotes expectations is tested in Model H. The coefficient is positive, reconfirming the proposition. Hypothesis 5 takes this one step further by claiming that the coupling between innovation and growth-expectation is moderated by governance, in that the effect is weaker in family businesses than in non-family businesses. This interaction is tested in model I. The interaction effect is insignificant ($p = 0.23$), i.e., the evidence gives no support for our H5.

The proposition that exporting and growth-expectations are coupled in that exporting promotes expectations is tested in Model H. The coefficient is positive, supporting the proposition. Hypothesis 6 takes this one step further by claiming that the coupling between exporting and growth-expectation is moderated by governance, in that the effect is weaker in family businesses than in non-family businesses. This interaction is tested in model J. The interaction effect is significant and negative as hypothesized ($ß = - 0.19$; $p = 0.012$). This supports H6. The above findings are discussed in the concluding section, below.

6. Discussion

Gallo and Sveen contributed their seminal manifesto, *Internationalizing the family business: Facilitating and restraining factors,* in 1991. Accordingly, our analyses of family and non-family businesses in Iran, addressed the question, *what are the effects of governance upon innovation, internationalization, and growth-expectations? Specifically, what is the effect of governance upon coupling among outcomes?* Here we consider our findings in relation to the literature, specify how the findings make a contribution to theorizing, point to their practical relevance, admit limitations, and suggest future research.

6.1. Findings

Our findings show that governance affects innovation and family businesses are innovating less than non-family businesses when no other conditions are controlled for, which is in agreement with studies by Llach and coworker (2010) and De Massis and colleagues (2015). Additionally, this differs from some previous studies (Basco & Calabrò, 2016; Classen et al., 2014). So when controlling for other conditions, there will be near-zero and insignificant coefficient for effect of governance upon exporting and it is in line with Basco and coworker's studies (2016) and Classen and colleagues' research (2014).

Our results are in accord with studies indicating that governance has impacts on exporting, in that family businesses are exporting less than non-family businesses, when no other conditions are controlled for (Gallo & Estapé, 1992; Graves & Thomas, 2006; Rettab & Azzam, 2011). Our result illustrates that governance has influences on growth-expectation, in that family businesses have lower growth-expectations than non-family businesses, and it matches those found by Bloom and coworker's study (2007). Interestingly, expectations are not lower in family businesses when other conditions are controlled for.

As Kunday and Şengüler in (2015) and Monreal-Pérez and colleagues in (2012) found, innovation induces firms to improve and increase their export activities. Our findings are similar, innovation and exporting are coupled in that innovation promotes exporting. Our result are consistent with results obtained in Kalhor and Ghalwash's study (2020) since our finding express that the coupling between innovation and exporting is moderated by governance, in that the effect or coupling is weaker in family businesses than in non-family businesses. Importantly, the interaction effect is negative, that is, the effect of innovation on exporting is weaker in family businesses than in non-family businesses, as some previous research illustrated (Arregle et al., 2017; Minetti et al.,

2015; Ray et al., 2018). That is, the coupling between innovation and exporting is weaker in family businesses than in non-family businesses.

When our study finds innovation and growth-expectations are coupled in that innovation promotes expectations, it is consistent with other research like Forsman and Temel's research (2011). We had hypothesized that family business governance would also weaken the coupling between innovation and growth-expectation. However, we do not discern any significant moderating effect of governance.

As put forward by Kunday and colleague in (2015), the evidence we found that exporting and growth-expectations are coupled in that exporting promotes expectations. Our research found that the coupling between exporting and growth-expectation is moderated by governance, in that the effect is weaker in family businesses than in non-family businesses.

6.2. Contribution

The broad field of management is split into numerous specializations. Even the study of performance is split into specializations, namely according to performance outcome. Innovation as a performance outcome is the focus of a research stream. Internationalization is the focus of another research stream. Growth of businesses is the focus of yet another research stream. This split also pervades research on family business, in that one focus is innovation in family business, another focus is internationalization of family businesses, and yet another focus is growth of family businesses.

A contribution here is to bring these foci together. We bring them together under the concept of coupling, a concept well established in organizational studies, for understanding the relations among components of an organization (Weick, 1976). Coupling has a structure and variation; it is tight in some organization and loose in other organizations. Coupling has antecedents, in that coupling is loose in some kinds of organizations, notably in public organizations, and tight in some other kinds of organizations, notably in commercial enterprises. Coupling has consequences, in that tight coupling is a capability that presumably promotes efficiency (Wang & Schøtt, 2020).

Our contribution to family business studies is twofold. The first contribution is showing that family businesses and non-family businesses differ in performance, in that family businesses tend to perform less well than non-family businesses, not just on one outcome but across all three performance outcomes, when no other conditions are controlled for. However, the differences largely vanish when other conditions are held constant. The second contribution is showing that family businesses and non-family businesses differ in coupling among performance outcomes, in that coupling tends to be loose within family businesses and tighter within non-family businesses, at least in our studied society, Iran. Iran is a traditional society where people behave differently from secular societies and even other traditional societies in the world due to their culture. In traditional societies, gender, respect for parents, respect for elders, trust in family and close friends are important. Research results according to the data collected in Iran make a substantial contribution to coupling among performance outcomes among family and non-family businesses, which is loose and tighter, respectively.

Our findings demonstrate that coupling among performance outcomes facilitates internationalization, particularly in Iran on the ground that exporting in Iran is of more importance due to more different disruption like foreign sanctions compared to other countries. This coupling is an advantage in order to reinforce internationalisation. This advantage occurs in family business less frequently than in non-family businesses and ought to be reinforced, as Gallo and Sveen advocated (1991).

6.3. Relevance for practice and policy

These findings have significant implications for understanding how decisions, different policies, and governance in family businesses promote their performance.

Given the family roles in family firms, the members of the board need to make different policies and strategies to control threats, and obtain and grab efficient opportunities, so that this weakness becomes a strength. Coupling among performance outcomes entails mutual support and reinforcement among the outcomes and thereby promotes efficiency. Therefore, it will be advantageous for practice and policy to promote coupling. The gain may be especially high in family businesses where the coupling tends to be looser than in non-family businesses.

6.4. Limitations

The most important limitation lies in the fact that family firms are studied in only one country, a limitation shared with by far most studies of family business. An issue that was not addressed in this study was whether results are likely to differ between secular-rational and traditional societies. Family and non-family businesses in Iran as a traditional society in Middle East need to be compared with a secular-rational country.

6.5. Further research

It would be interesting to assess the effects of governance upon innovation, internationaliza-

tion, and growth-expectations among family business and non-family firms in different countries in respect to secular-rational and traditional societies at least in the Arab world contrasted to other traditional societies and to secular-rational societies.

We suggested that the association of these factors is investigated in future studies in the different industries among family and non-family businesses. Governance policies in different industries can be effective and of significance among family firms and non-family businesses. For instance, family and non-family businesses in financial markets due to being high risk and the high speed of decision behave differently.

Focusing specifically on performance outcomes, it is interesting to contextualize the gaps found in this study, i.e., examine whether they are typical for the societies in the Middle East, are typical for emerging economies, or are typical for the world, or, conversely, are dependent on type of society and its institutions.

Focusing even more specifically on coupling, it is interesting to contextualize coupling, i.e., to examine whether coupling is related to not only family governance but also to type of society.

To assess the effects of governance upon performance outcomes, the association of these factors in the different industries among family/non-family businesses at the global level are underlying factors in future research as factors that are able to facilitate internationalization or overcome the factors that restrain it to progress successfully, as was suggested Gallo and Sveen (1991).

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Comparison of International Family Business Supply Chain Integration and Non-International Family Business Supply Chain Integration of the Food Industry Sector of Michoacán, Mexico

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Supply chain integration, International family business supply chain integration, Non-international family business supply chain integration, Supplier integration, Customer integration

Abstract The purpose of this research is to compare the integration of supply chains in international family businesses and non-international family businesses in the food industry sector of Michoacán, México, in order to analyse the differences between the relationships of these businesses with their suppliers and customers in the international context. Supply chain integration was measured through the methodology of arcs of integration to graphically represent the integration of suppliers and customers. The measurement instrument was applied to 93 manufacturing companies, of which only 14 companies participated in an international context. Statistical tools such as analysis of variance were used to analyse the data and obtain valid results. The study determined that the internationalisation of family businesses contributes significantly to supply chain integration in terms of suppliers, but not in terms of customers.

CÓDIGOS JEL
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PALABRAS CLAVE
Integración de la cadena de suministro, Integración de la cadena de suministro de la empresa familiar internacional, Integración de la cadena de suministro de la empresa familiar no internacional, integración de proveedores, integración de clientes

Comparación de la integración de la cadena de suministro de empresas familiares internacionales y la integración de la cadena de suministro de empresas familiares no internacionales del sector de la industria de alimentos de Michoacán, México

Resumen El propósito de esta investigación es comparar la integración de la cadena de suministro de las empresas familiares internacionales con la integración de la cadena de suministro de empresas familiares no internacionales en el sector de alimentos de Michoacán, México, con el fin de analizar si existen diferencias entre las relaciones de las empresas con sus proveedores y clientes dado el contexto internacional. La integración de la cadena de suministro se midió a través de la metodología de arcos de integración, para representar gráficamente la integración hacia proveedores o clientes, ilustrada a través de un arco. El instrumento de medición se aplicó a 93 empresas familiares de fabricación de alimentos, de las cuales solo 14 empresas participaban en el mercado internacional. Se utilizaron estadísticas como ANOVA para analizar los datos y obtener resultados válidos. El estudio determinó que la internacionalización de la empresa familiar contribuye significativamente a la integración de la cadena de suministro en cuanto a proveedores, pero no en cuanto a clientes.

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1. Introduction

Competitive global markets have a significant impact on businesses, both local and international, and supply chain integration is an important part of global markets (Sofyahoğlu & Öztürk, 2012). As trade barriers have been reduced, and information and logistics technologies have improved, buyer-supplier relationships increasingly involve not only domestic partners but also international partners (Li et al., 2010). Supply chain partners such as suppliers, customers, and service providers need to work closely because supply chain activities are becoming more dispersed, sometimes internationally (Leuschner et al., 2013). Thus, organisations are creating relationships of cooperation, collaboration, and mutual benefit with their supply chain partners to help them obtain competitive advantages and improve organisational performance.

Supply chain integration is the degree to which the suppliers, customers, and the activities within an organisation are integrated together. Supply chain integration helps companies reconfigure their resources and capabilities, internally and externally, to consolidate their supply chain as a whole in an effort to improve long-term performance (Huo, 2012; Huo et al., 2014). It is a collaborative process in which companies work together to achieve mutually acceptable results; however, this necessitates effective communication between all members of the supply chain.

Most papers discuss integration only at local levels and local cultures (Öberg, 2014); there is a lack of research on whether firms should follow local market strategies or develop their businesses on a global scale (Melén et al., 2017). Additionally, studies on supply chain integration have worked with companies from different countries in the same study; however, whether these companies work in a global or local market has been under-researched. There is still a lack of consensus on the efficacy of supply chain integration, especially when involving cross-country supply chain partners with different national cultures. Danese, Romano, and Formentini (2013) studied the use of an international supplier network. Wong, Sancha, and Gimenez (2017) and Durach and Wiengarten (2019) analysed the role of national culture and national collectivism values in supply chain integration.

It is similarly understudied whether internationalisation orientations with a more global scope can improve supply chain integration among small and medium-sized enterprises (SMEs), and family businesses (Knight & Cavusgil, 2004; Loane & Bell, 2006), and if so, how international SMEs and family businesses can benefit from locally oriented internationalisation strategies (Dodd & Hynes, 2012; Kibler, 2013). Therefore, there is a need for more studies that focus on the effects of local contexts on international development.

We attempt to address this gap in research by comparing the supply chain integration of international family businesses with that of non-international family businesses in the food industry sector of Michoacán, Mexico, to analyse whether there are differences between businesses' relationships with their suppliers and customers in the international context. This study empirically analysed manufacturers' supply chain integration strategies using evidence from a study of manufacturing strategy, and tested the relationship between supply chain integration and the international context. Frohlich and Westbrook's arcs of integration was selected as methodology (Childerhouse & Towill, 2011; Frohlich & Westbrook, 2001; Schoenherr & Swink, 2012; Wong et al., 2017) after comparing ten different methodologies to measure the level of supply chain integration. Using survey responses from 93 manufacturing companies, we obtained the arcs of integration for group memberships generated in international and non-international family businesses, rationalised the classification scheme, and assessed the impact of supply chain integration strategies in an international context.

Therefore, an important goal of this study was to simultaneously consider upstream supplier and downstream customer integration during the analysis. This study develops a new way of characterising and comparing the level of supply chain integration, and thus defines different supply chain strategies for family businesses to participate in an international context. Finally, some implications of these findings for operations management strategy research and practice are suggested.

2. Literature Review and Hypothesis Development

2.1. Supplier integration

Supplier integration is the integration of the upstream supply chain which involves a relationship between the company and the upstream supplier. Saleh (2015) defines supplier integration as the process of cooperation between the supplier and the organisation, which facilitates the exchange of information, knowledge, materials, and experiences. Organisations can integrate suppliers for various benefits, such as to acquire their resources and capabilities, accelerate time-to-market, improve innovation capacity, lower production costs, and improve quality (Perols et al., 2013).

With supplier integration, suppliers provide information and participate in decision making. The integration of suppliers refers to the acquisition

of the supplier's operational, technical, and financial information. Manufacturers and suppliers can share information, including on production, demand, and inventory levels. This information exchange results in improved production and product requirements, and improvements by utilising the capabilities and cost structure of the supplier and factory.

Dealing with foreign suppliers may be difficult due to variances in business practices, managerial attitudes, and cultural mores (Carter, 2000). To achieve an interorganisational exchange, incompatibilities and incongruences between the allied organisations in terms of their structure, culture, technology, and geography must be overcome (Smith & Barclay, 1997). This requires a positive relationship between trust and mutual satisfaction in channel relationships. Reciprocal facilitation, to facilitate meaningful communication between companies and communication at the same time, and a positive causal path from trust to cooperation and from trust to the functionality of conflict, which are the efforts to resolve disagreements, would facilitate the achievement of these results (Anderson & Narus, 1990). Additionally, sharing information, interaction frequency, and commitment will also be required to achieve these results (Rinehart et al., 2008).

Perceived task performance, which is the extent to which partners jointly expect fiduciary responsibility in the performance of their individual roles and believe that each will act in the best interest of the partnership, is also important to relationship effectiveness and mutual perceived trustworthiness. This mutual perceived trustworthiness has four dimensions: *character* (the way partners perceive each other's personal attributes, or integrity, responsibility, dependability, consistency, discreteness, honesty, and willingness to be flexible for the benefit of the relationship), *role competence* (degree to which partners perceive each other as having the skills, abilities, and knowledge necessary for effective task performance), *judgement* (the belief that each partner is able to decide and act in an appropriate manner for furthering the joint interests of the partnership), and *motives or intentions* (good faith behaviours) (Rinehart et al., 2008; Smith & Barclay, 1997).

2.2. Customer integration

Customer integration refers to the degree to which a company collaborates with its customers to improve visibility and enable joint planning (Fisher et al., 1994; Wong et al., 2011). Furthermore, it refers to the acquisition of technological, marketing, production, and inventory information from customers. Customer integration considers customer opinions and involves them in the production process through methods that facilitate the relationship between customers and manufacturers (Lofti et al., 2013). It involves the integration of downstream supply chains.

The integration between manufacturers and customers positively influences performance results. Close relationships between manufacturers and customers help improve the accuracy of demand information, which helps reduce product design and production planning time for manufacturers. A high level of integration with customers reduces inventory, obsolescence, and costs (Flynn et al., 2010). Customer integration helps the manufacturer to better respond to customer needs, create greater value, and detect changes in demand more quickly, which leads to a better understanding of market expectations and the opportunities it brings (Swink et al., 2007).

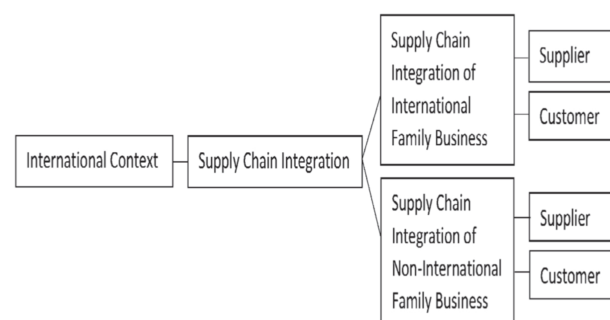
The literature on internationalisation refers to acquisitions as one of several modes to reach new markets. The literature on acquisition describes the motives, methods for integration, and performance of mergers and acquisitions (Öberg, 2014). International acquisitions are considered ways of entering new markets, cultural differences at both company and country levels, knowledge transfer, and the creation of value from such acquisitions.

Customers' motives to internationalise include cost reduction (production or resources are achieved at a lower price), revenue enhancement (creation of value), risk diversification through being less vulnerable to the financial situation in specific countries, coordination redeployed between firms (brands, sales forces, and marketing expertise), and the attainment of representation in a market where the acquirer already has customers, but lacks direct contact with them or administers them from abroad (Öberg, 2014).

2.3. Conceptual model and research hypothesis

A conceptual model was developed to explain the relationships between the constructs in the context of family businesses. Figure 1 illustrates the proposed conceptual model.

Figure 1. Conceptual model



Source: Own elaboration

Supply chain integration of international family business, in this study, refers to family businesses that participate internationally, while supply chain integration of non-international family business refers to those that do not participate internationally. This leads to the hypothesis that we wish to examine:

Hypothesis 1*. Family businesses with the greatest arcs of supplier and customer integration are those that participate in the international context.*

3. Research Methods

3.1. Sample

The food sector, beverages, and tobacco economic activity includes 13 economic branches: meat industry, dairy products, canned food, processing and milling of cereals and other agricultural products, bakery products, nixtamal milling and tortilla manufacturing, edible oils and fats, sugar industry, cocoa, chocolate and confectionery, other food products, prepared animal food, beverages, and tobacco industries. However, for the purposes of this research, only the food sector was taken into account, without considering the prepared animal food, beverage, or tobacco industry. The National Institute of Statistics and Geography of Mexico (INEGI, 2019) defines the food industry as an economic unit mainly dedicated to the preparation, preservation, and packaging of food products for human consumption and for animals.

We took the definition of food industry from ProMéxico (2013) and Actinver (2015) and their classification for the food industry. Table 1 shows this classification with the frequency of companies in the food industry sector of Michoacán, denoting the sectors where international family businesses and non-international family businesses participate.

The companies were not classified by company size because we wanted to integrate as many companies as possible from the food industry sector. However, it is important to know the age of the companies in the sample to better understand their supply chain integration, and to be able to analyse companies that have embraced internationalisation. Table 2 shows the age of the companies.

Table 3 shows the frequencies and percentages of the profile of the companies participating in the research, with reference to the position of the interviewee in the company, the number of suppliers, the number of clients, and the number of employees.

Table 1. Frequency by food industry sector from the sample companies

	Sector	**Frequency**	
		International family businesses	Non-international family businesses
1	Grinding grains and seeds	2	9
2	Obtaining oils and fats	2	2
3	Confectionery with and without cocoa	5	16
4	Canned fruits	2	5
5	Vegetables and prepared food	2	30
6	Dairy products	1	1
7	Meat and poultry processing	0	6
8	Preparation and packaging of fish and seafood	0	1
9	Bakery and tortillas	0	9
	Total	14	79

Source: Own elaboration based on the collected data

Table 2. Age of the companies in the sample

	International family businesses	Non-international family businesses
Up to 5 years	5	37
5–20 years	9	13
More than 20 years	0	29

Source: Own elaboration based on the collected data

Table 3. Analysis of the companies participating in the research

Dimension		Frequency	Percentage
Position of the interviewee in the company	Supply chain coordinator	2	2.15
	Owner	31	33.33
	Administrator	12	12.90
	Director	13	13.98
	Manager	29	31.18
	Manufacturer	6	6.45
Number of suppliers	1-20	66	77.65
	≥20-40	9	10.59
	≥40-60	4	4.71
	≥60-80	2	2.35
	≥80-100	1	1.18
	>100	3	3.53
Number of customers	1-20	42	59.15
	≥20-40	9	12.68
	≥40-60	10	14.08
	≥60-80	1	1.41
	≥80-100	2	2.82
	>100	7	9.86
Number of employees	0-100	85	94.44
	≥100-200	2	2.22
	≥200-350	1	1.11
	>500-1000	1	1.11
	>1000	1	1.11

Source: Own elaboration based on the collected data

As we intended to compare the local context with the international context, it was important to know the origin of the companies' supplies and the places where the companies sold their products (Table 4). Only the locations were collected, without mentioning sales, volumes, revenues, or any other monetary information, because of safety concerns in Michoacán.

Table 4. International context of family business in the food industry sector of Michoacán

Origin of supplies	United States, Asia, Central America, North America, China, Italy, India, Sri Lanka, Chile.
Main places where the products are sold	United States, Europe, Canada, China, Central America, The Caribbean, Colombia, South of the United States, Laredo Texas, Salem Oregon, Twin falls Idaho, Atwater California.

Source: Own elaboration based on the collected data

3.2. Methodology

The methodology we used to measure the level of integration of the supply chain was the arcs of integration of the supply chain proposed by Frohlich and Westbrook (2001), which measures the level of integration of the chain of external supply with suppliers and customers. In this method, the companies are classified according to the level of external integration into five categories: (1) inward-facing, (2) periphery-facing, (3) supplier-facing, (4) customer-facing, and (5) outward-facing.

The factor score for supplier integration was used to rank each manufacturer in the upper, middle, or lower quartiles. Similarly, the factor score for customer integration was used to rank each manufacturer in the correct quartile. Companies were classified according to the quartile in which they are located according to their level

of integration with both customers and suppliers. Specifically, there are three different levels: the level below the Q1 quartile, the level above the Q3 quartile, and the intermediate level between both quartiles. With this criterion, five mutually exclusive groups were defined, as seen in Table 5, where the operationalisation of the integration arcs is presented (Molina-Quintana et al., 2021).

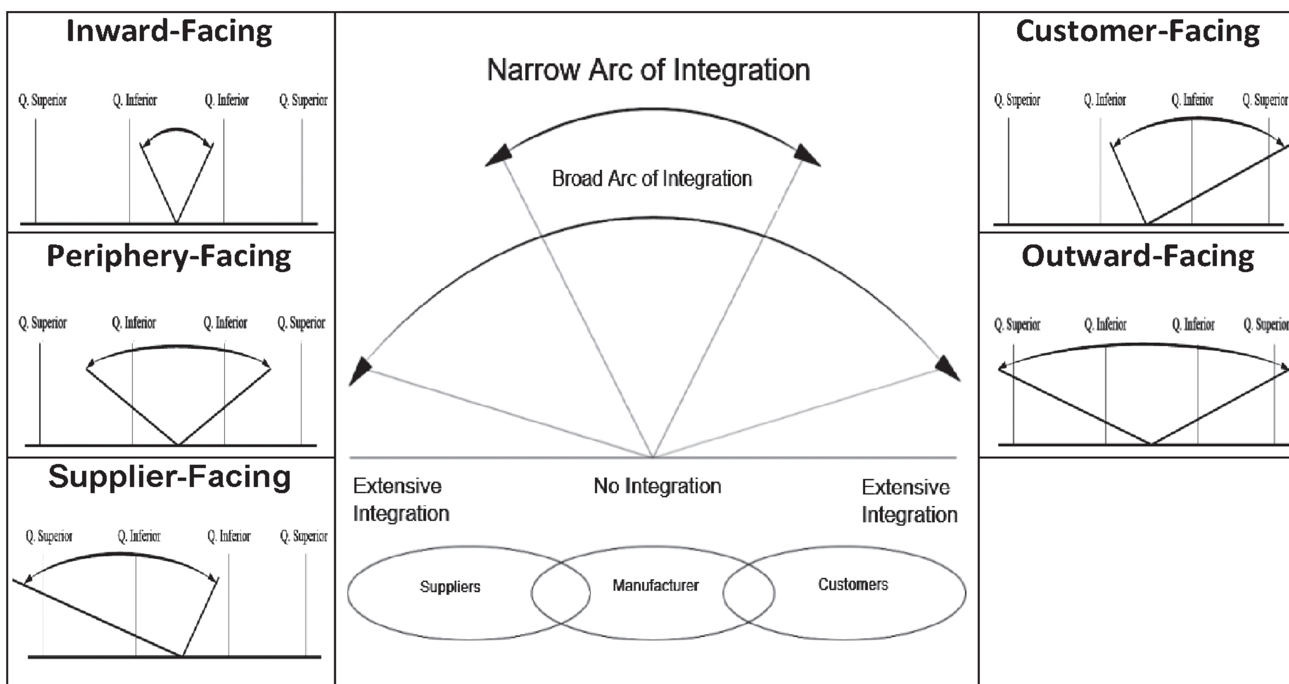
Table 5. Criterion of operationalisation of arcs of integration

Arc of integration	Classification criterion
Inward-facing	In lower quartile for suppliers, and in lower quartile for customers.
Periphery-facing	Above lower quartile for suppliers or customers, but below upper quartile for suppliers and customers.
Supplier-facing	In upper quartile for suppliers, and below upper quartile for customers.
Customer-facing	In upper quartile for customers, and below upper quartile for suppliers.
Outward-facing	In upper quartile for suppliers, and in upper quartile for customers.

Source: Frohlich and Westbrook (2001)

Figure 2 presents a graphical representation of the integration arcs, which measure the level of integration of the external supply chain with the key dimensions to represent graphically through an arc, a strategic position, such as direction towards customers and/or suppliers, and degree of integration. The measurement instrument was applied to 93 family businesses in the food industry of Michoacán, México. A five-point Likert scale was used to determine how organisations have been implementing supply chain management in general. The participants were presented with statements or judgements to which they indicated their level of agreement with regards to their company. The statements or judgements had a positive, favourable, negative, or unfavourable direction. A five-point scale option was used because reliability balances out after a five-range scale, and there is minimal progressive utility when more than five points are used on a scale. An additional advantage of using Likert scales is the variability of the scores that result from the scale, which helps determine the percentage of positive and negative responses for an item.

Figure 2. Arcs of integration



Source: Based on Frohlich and Westbrook (2001)

3.3. Statistical analysis

For a comparison of more than two groups, one-way analysis of variance (ANOVA) was determined to be the appropriate method instead of a t-test. As ANOVA is based on the same assumption as the t-test, the interest of ANOVA is also on the locations of the distributions represented by the means, because when the number of means is large, the relative location of the multiple group means can be more conveniently identified by analysing the variance among the group means than by comparing the many group means directly (Hae-Young, 2014). The different types of ANOVA are based on the null hypothesis that the mean of the variables studied is the same in the different groups, in contrast to the alternative hypothesis that the means differ significantly. ANOVA allows multiple means to be compared through the study of variances.

The basic operation of an ANOVA consists of calculating the mean of each of the groups and then comparing the variance of these means (variance explained by the group variable, intervariance) to the average variance within the groups (the one not explained by the group variable, intravariance). Under the null hypothesis that the observations of the different groups all come from the same population (they have the same mean and variance), the weighted variance between groups will be the same as the average variance within the groups. As the group means are further apart from each other, the variance between means will increase and will no longer be equal to the average variance within the groups.

The statistic studied in the ANOVA, known as F_{ratio}, is the ratio between the variation of the means of the groups and the average of the variation within the groups. This statistic follows a distribution known as Fisher-Snedecor's F. If the null hypothesis is fulfilled, the F statistic acquires a value of 1 because the intervariance will be equal to the intravariance. The greater the means of the groups, the greater the variance between means compared to the mean of the variance within the groups, leading to values of F greater than 1 and a lower probability that the distribution will acquire extreme values (lower the p-value). In the case of ANOVA, the two conditions are the normality of the groups and the homoscedasticity of variance. The adequacy of the model for the data was examined previously, and the normality of the error terms, or independence in the data, was verified. We validated the model by confirming that the basic hypotheses of the model did not contradict the observed data. For this purpose, simple graphical methods and statistical procedures were used.

First, we analysed the means of international and non-international companies referring to suppliers and then analysed the means of international and non-international companies referring to customers. The analysis of variance statistical technique, ANOVA, allows us to compare the mean of the integration of suppliers of international companies with the mean of the integration of suppliers of non-international companies and, in turn, the mean of integrating customers of international companies with the mean of non-international companies. Where design is A = 2, the independent variable or factor has two conditions: international family businesses and non-international family businesses.

The relationship between the group means using the F-ratio of the ANOVA would show whether there is a statistically significant difference between the means of the two conditions – companies that participate internationally and those that do not.

4. Data Analysis and Results

4.1. Analysis for suppliers

Table 6 shows the descriptive statistics for suppliers from the international family businesses and non-international family businesses.

The ANOVA for suppliers, with p-value = 0.001, indicates a significant effect: international businesses and non-international businesses have different integration levels. Homogeneity of variances can be accepted, as the Levene test p-value = 0.317.

The working hypothesis asks whether there are statistically significant differences between international family businesses and non-international family businesses in the food industry sector of Michoacán. The study of the possible differences between international and non-international com-

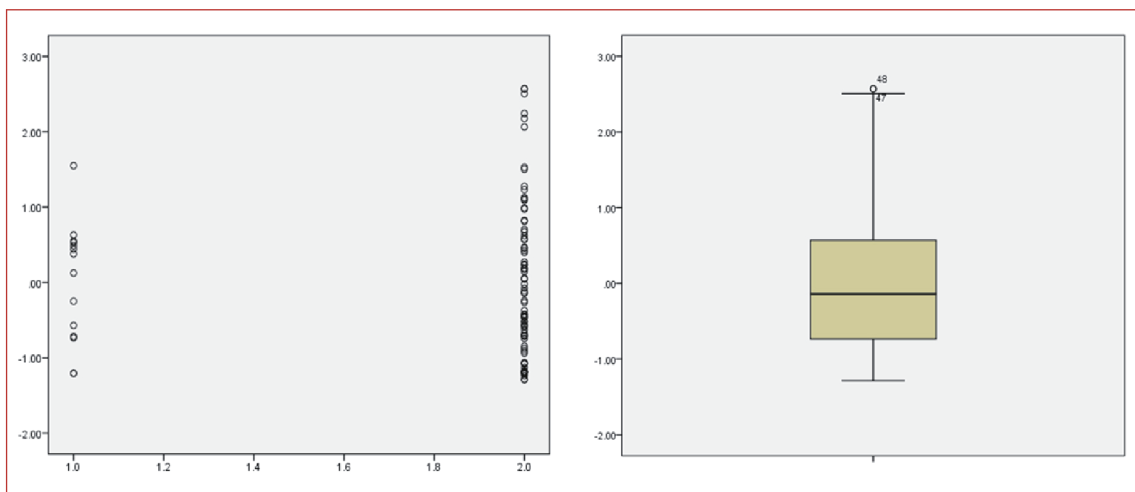
Table 6. Descriptive statistics for suppliers

	N	Mean	Std. Deviation	Minimum	Maximum
International companies	14	0.740357	0.7227617	- 0.3494	2.1395
Non-international companies	79	- 0.131205	0.9295947	- 1.2940	2.1898
Total	93	- 0.000002	0.9511330	- 1.2940	2.1898

Source: Own elaboration based on the collected data

panies in external integration with suppliers indicates that international companies obtain a higher average score (mean = 0.7404, SD = 0.7228, N = 14) than non-international companies (Mean = - 0.1312, SD = 0.9296, N = 79); that is, the difference is statistically significant (F (1.91) = 11.080, p < 0.001). As the intraclass level of significance (sig) is less than 0.05, we reject the hypothesis of equality of means; that is, there are significant differences between the groups. The assumption of homogeneity or equality in the variances of the two groups (international and non-international companies) is fulfilled by Levene F (1.91) = 1.01, p = 0.317).
The graphical methods and statistical contrasts that we used to diagnose the adequacy of the analysis of the variance model are the residual distribution graph and the tests of equality of variances, respectively. The residual distribution graph was used as residuals, which are the estimators of the perturbations, constitute the main tool for the diagnosis of the model.
The residuals are calculated by studying their distribution for diagnostic purposes, because the best way to verify normality is to study the residuals of each observation with respect to the mean of the group to which they belong and the box-plot graphic representation to identify whether there are asymmetries, atypical data, or differences in variances. Both graphs are presented in Figures 3 and 4.

Figures 3-4. Standardised residuals and box-plot model for suppliers



Source: Own elaboration based on the collected data

Figures 3 and 4 show, like Levene, that there are statistically significant differences between group 1 – international companies, and group 2 – non-international companies. The graphic representation of the residuals does not show a lack of homoscedasticity, as the groups seem to follow a symmetric distribution and the size of the boxes is similar for the two levels.

4.2. Analysis for customers

Table 7 shows the descriptive statistics for customers from international family businesses and non-international family businesses.

Table 7. Descriptive statistics for customers

	N	Mean	Std. Deviation	Minimum	Maximum
International companies	14	0.090321	1.0731904	- 1.4218	1.8524
Non-International companies	79	- 0.016003	0.9534478	- 1.2628	1.8524
Total	93	0.000003	0.9669198	- 1.4218	1.8524

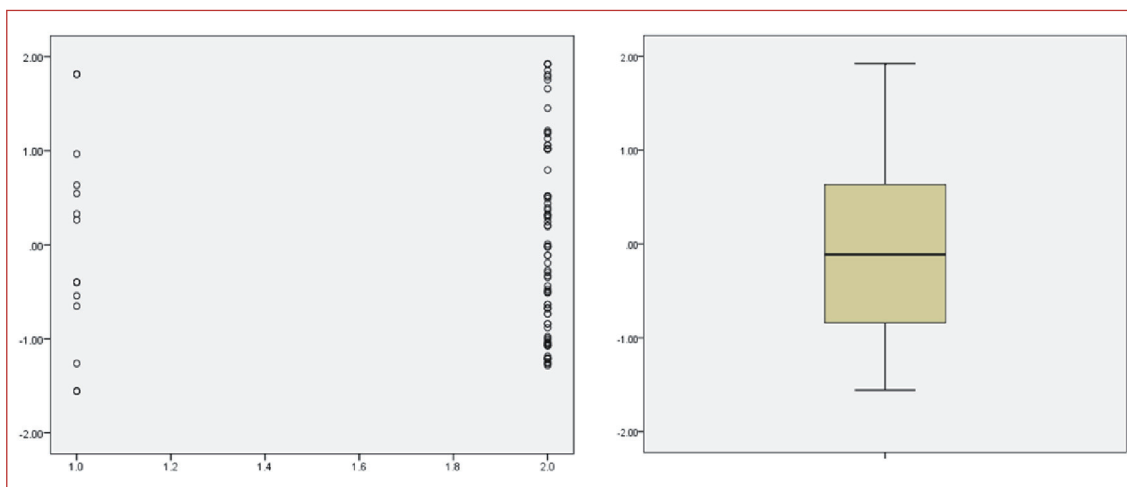
Source: Own elaboration based on the collected data.

A test of homogeneity of variances was performed, and a p-value of 0.616 indicated that the homogeneity of variance assumption was met. The ANOVA for customers, with p-value = 0.142 (greater than 0.05), allows us to accept the equality of means, that is, there are no significant differences between the groups.
The working hypothesis asks whether there are statistically significant differences between international family businesses and non-international family businesses in the food industry sector of Michoacán (Mexico). The study of the possible differences between international and non-international companies in external relationships with customers indicates that international companies obtain a higher average score (Mean = 0.0903, SD = 1.073, N = 14) than non-international com-

panies (Mean = - 0.0160, SD = 0.9534, N = 79), with the difference being statistically significant, F (1.91) = 0.142, p > 0.707). As the intraclass level of significance (sig) is greater than 0.05, we accept the hypothesis of equality of means, that is, there are no significant differences between the groups. The assumption of homogeneity or equality of the variances of the two groups (international and non-international companies) is fulfilled (Levene F (1.91) = 0.253, p = 0.616). The adequacy of the analysis was verified by using the residual distribution graph and equality of variance tests. The graphs are presented in Figures 5 and 6.

The level of supplier integration and customer integration of international companies as well as the arc of integration that corresponds to each company, according to their level of integration, helped us understand the level of integration to fulfil the objectives of this work; therefore, we can compare and analyse if the international context makes a difference (see Appendix A for arcs of integration of international companies). The level of integration of suppliers and customers of non-international companies was similarly analysed (see Appendix B for arcs of integration of non-international companies).

Figures 5-6. Standardised residuals and box-plot model for customers



Source: Own elaboration based on the collected data

Similar to Levene, the figures show that there are no statistically significant differences between the two groups. The graphic representation of the residuals does not show a lack of homoscedasticity as the groups seem to follow a symmetric distribution and the size of the boxes is similar for the two levels.

4.3. Analysis of the integration of supply chains in international family businesses and non-international family businesses

Based on the results obtained in the survey, we individualised the results for each company in a recoded way (H = High, M = Medium, L = Low) to interpret the level of integration for each company. The individualised results for each company are presented below, and the level of integration with suppliers and customers are shown. This recoding allowed us to determine the arc of integration for each company, by measuring the level of integration for each company. The process of developing the methodology and statistics for the analysis of supply chain integration can be seen in detail in Molina-Quintana (2019) and Molina-Quintana et al. (2021).

Table 8 shows the frequencies of the different arcs of integration, as well as the graphic representation of the arc of integration for international family businesses and non-international family businesses.

5. Discussion and Implications

The results of the ANOVA between univariate unifactorial groups of external integration with suppliers indicate that there is a statistically significant difference between the means of family businesses in the food industry sector of Michoacán of international and non-international companies. The assumption of homogeneity in the variances of the two groups was verified. The results show that the group of international family businesses have a higher average score than non-international family businesses.

According to the literature, the differences can be explained in part by the overcommitment of resources or production schedules; increase in prices when there is a shortage of supply of the purchased material or product; costs of international transactions; overestimation of demand to

Table 8. Number of companies for each arc of integration

Arc of Integration Name	Number of International Companies	Arc of Integration Drawing	Number of Non-International Companies
Inward-Facing	**3**	Q. Superior Q. Inferior Q. Inferior Q. Superior	**29**
Periphery-Facing	**2**	Q. Superior Q. Inferior Q. Inferior Q. Superior	**24**
Supplier-Facing	**6**	Q. Superior Q. Inferior Q. Inferior Q. Superior	**6**
Customer-Facing	**1**	Q. Superior Q. Inferior Q. Inferior Q. Superior	**11**
Outward-Facing	**2**	Q. Superior Q. Inferior Q. Inferior Q. Superior	**9**

Source: Own elaboration based on the collected data

gain volume discounts (Carter, 2000); a negative causal relationship between functionality of conflict and conflict; disagreements with the suppliers blocking achievement of the firm's goals, eliciting frustration, and thereby causing feelings of unpleasantness about the partnership (Anderson & Narus, 1990); differences in reputation (the degree to which partners perceive the other's firm as having a better or worse reputation for professional conduct, ethics, and standards); job stability (turnover or differences in terms of the length of time to hold a particular position or territory); strategic horizons (the extent to which firms differ in their planning, strategy, and result orientations); control systems (the extent of incongruence in procedures for monitoring, directing, evaluating, and compensating employees); goals (the extent of incongruence in organisational goals or the tactics used to achieve them) (Smith & Barclay, 1997); and misunderstandings caused by language barriers and communication patterns – quantity rather than effectiveness of information sharing.

The results of the ANOVA between univariate unifactorial groups of external integration with customers indicate that there is no statistically significant difference between the means of family businesses in the food industry sector of Michoacán of international and non-international companies. The assumption of homogeneity in the variances of the two groups was verified. Therefore, the group of international family businesses obtains the higher average score when compared to non-international family businesses.

The lack of significant differences can be explained because customers universally demonstrate a spending pattern. Even though the customer's ability to choose between local and foreign brands has increased, due to a similar level of access to technology and logistics facilities for all brands, there is little difference between buying locally and internationally. Young people are especially interested in buying foreign brands to differentiate their lifestyle or for brand characteristics (perceived quality and emotional value) (Kashi, 2013). Consumers may intend to purchase a particular brand because they perceive the brand offers the right features, quality, or emotional benefits but also tend to purchase by popularity; however this does not really affect food product buyers (as opposed to banking or insurance customers, for example).

Customers today are also more capricious: they keep changing as they have less time but are more conscientious. They shy away from stores and prefer experiences over products (Lobaugh et al., 2019). They tend to purchase goods that express their uniqueness and helps them gain acceptance from others. Additionally, consumers with a high need for uniqueness tend to adopt new products or brands more quickly (Kashi, 2013). The lifestyles of consumers are also changing, as they tend to prefer eating take out or going out to eat rather than cooking.

However, the literature also discusses the global phenomenon of food localisation, where consumers increasingly opt for local products for the benefit of society. These social motives are typically either environmental – to minimise food's ecological footprints – or economic – to support local producers, which is a consumer tendency well-established in the literature on consumer ethnocentrism. Consumers may also consume local food products because of their personal benefits. This benefit may be either functional or symbolic. Functional benefits relate to the quality of food, which consumers typically perceive to be the highest for local food. Consumers tend to judge domestic foods as healthier and more natural than food from anywhere else. Symbolic benefits relate to the consumption of authentic food with tradition and integrity, as consumers associate local brands with authenticity because of their limited size and perceived linkage to a place, heritage, and localism (Rieftler, 2020). These factors tend to balance out the impact of internationalisation on family businesses in supply chain integration of consumers.

6. Conclusions

The internationalisation of the family business contributes significantly to the integration of the supply chain as regards to suppliers, but not customers. This may be because internationalisation of the family business with respect to its relationship with customers is more difficult to achieve. Developing joint objectives and responsibilities, achieving customer participation in the product design processes, establishing long-term relationships, and sharing information through information technologies is difficult. The companies may also have failed in sharing their demand forecasts and production plans, and in getting customers involved in the design processes of products. This could be explained by the low loyalty of buyers of food products (as opposed to banking or insurance customers).

Table 8 which shows the frequency of the level of external integration with suppliers and customers of international and non-international family businesses shows that the supplier integration for both contexts was a tie, 6 versus 6, while the customer integration was 1 versus 11, showing a clear edge for non-international companies. The literature shows that it is easier to get an integration with suppliers than with customers. In general, in the international context, the arc of

integration with most frequency is supplier-facing and the arc with less frequency among all the arcs of integration is customer-facing, because it is difficult to obtain a relationship with customers, especially abroad. In the non-international context, the arc of integration with most frequency is inward-facing as internal integration is a regular way of working for companies. For non-international businesses the one with less frequency among all the arcs of integration is supplier-facing, because it is difficult for them to obtain a relationship with suppliers, especially abroad.

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Appendix A. Arcs of integration for international companies

Company	Suppliers' level of integration	Customers' level of integration	Arc of integration for international companies
Company 1	M	L	Inward-facing
Company 2	H	M	Supplier-facing
Company 3	M	M	Periphery-facing
Company 4	M	M	Periphery-facing
Company 5	H	M	Supplier-facing
Company 6	M	H	Customer-facing
Company 7	H	M	Supplier-facing
Company 8	H	H	Outward-facing
Company 9	H	H	Outward-facing
Company 10	H	M	Supplier-facing
Company 11	H	M	Supplier-facing
Company 12	M	L	Inward-facing
Company 13	M	L	Inward-facing
Company 14	H	M	Supplier-facing

Source: own elaboration base on the collected data

Appendix B. Arcs of integration for non-international companies

Company	Suppliers' level of integration	Customers' level of integration	Arc of integration for non-international companies
Company 15	H	H	Outward-facing
Company 16	M	M	Periphery-facing
Company 17	H	M	Supplier-facing
Company 18	M	L	Inward-facing
Company 19	M	M	Periphery-facing
Company 20	M	L	Inward-facing
Company 21	M	L	Inward-facing
Company 22	M	M	Periphery-facing
Company 23	M	L	Inward-facing
Company 24	M	M	Periphery-facing
Company 25	M	M	Periphery-facing
Company 26	L	M	Inward-facing
Company 27	M	L	Inward-facing
Company 28	M	M	Periphery-facing
Company 29	M	M	Periphery-facing
Company 30	L	H	Customer-facing
Company 31	M	M	Periphery-facing

Company	Suppliers' level of integration	Customers' level of integration	Arc of integration for non-international companies
Company 32	M	H	Customer-facing
Company 33	L	M	Inward-facing
Company 34	M	M	Periphery-facing
Company 35	M	M	Periphery-facing
Company 36	M	M	Periphery-facing
Company 37	L	M	Inward-facing
Company 38	L	H	Customer-facing
Company 39	H	H	Outward-facing
Company 40	L	M	Inward-facing
Company 41	A	M	Supplier-facing
Company 42	L	L	Inward-facing
Company 43	L	M	Inward-facing
Company 44	M	L	Inward-facing
Company 45	H	H	Outward-facing
Company 46	M	M	Periphery-facing
Company 47	H	H	Outward-facing
Company 48	H	H	Outward-facing
Company 49	M	M	Periphery-facing
Company 50	M	L	Inward-facing
Company 51	M	M	Periphery-facing
Company 52	L	H	Customer-facing
Company 53	M	M	Periphery-facing
Company 54	L	L	Inward-facing
Company 55	M	L	Inward-facing
Company 56	L	L	Inward-facing
Company 57	L	L	Inward-facing
Company 58	L	H	Customer-facing
Company 59	M	L	Inward-facing
Company 60	M	M	Periphery-facing
Company 61	M	M	Periphery-facing
Company 62	L	L	Inward-facing
Company 63	M	H	Customer-facing
Company 64	L	H	Customer-facing
Company 65	L	H	Customer-facing
Company 66	L	L	Inward-facing
Company 67	M	M	Periphery-facing
Company 68	M	H	Customer-facing

Company	Suppliers' level of integration	Customers' level of integration	Arc of integration for non-international companies
Company 69	H	L	Supplier-facing
Company 70	M	L	Inward-facing
Company 71	M	M	Periphery-facing
Company 72	M	H	Customer-facing
Company 73	L	M	Inward-facing
Company 74	H	H	Outward-facing
Company 75	H	M	Supplier-facing
Company 76	H	H	Outward-facing
Company 77	M	L	Inward-facing
Company 78	H	H	Outward-facing
Company 79	H	L	Supplier-facing
Company 80	M	M	Periphery-facing
Company 81	L	L	Inward-facing
Company 82	M	M	Periphery-facing
Company 83	M	H	Customer-facing
Company 84	M	M	Periphery-facing
Company 85	L	M	Inward-facing
Company 86	L	M	Inward-facing
Company 87	M	M	Periphery-facing
Company 88	L	M	Inward-facing
Company 89	H	H	Outward-facing
Company 90	M	M	Periphery-facing
Company 91	H	M	Supplier-facing
Company 92	L	L	Inward-facing
Company 93	L	M	Inward-facing

Source: Own elaboration base on the collected data

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International Business Decision-Making in Family Small and-Medium-Sized Enterprises

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M10, M16

KEYWORDS
Family firms, International business, Decision-making, SMEs

Abstract Family firm internationalization has become a topic of interest over the last few decades. However, there has been surprisingly little research about the actual international business decision-making in the family firm literature. The purpose of this article is to highlight specific family firm factors which affect the international business decision-making. Based on examples on international market entry, target market choice, entry mode choice, and entry timing decisions, it is suggested that long-term and regional orientation, knowledge-base and its transfer, bifurcation-bias, and perseverance of family managers are important factors affecting international business decision-making among family small- and medium- enterprises (SMEs).

CÓDIGOS JEL
M10, M16

PALABRAS CLAVE
Empresa familiar, Empresa internacional, Toma de decisions, PYMEs

La toma de decisiones empresariales internacionales en las pequeñas y medianas empresas familiares

Resumen La internacionalización de las empresas familiares se ha convertido en un tema de interés en las últimas décadas. Sin embargo, la literatura sobre empresas familiares ha investigado sorprendentemente poco sobre la toma de decisiones en el ámbito internacional. El objetivo de este artículo es destacar los factores específicos de las empresas familiares que afectan a la toma de decisiones en el ámbito internacional. A partir de ejemplos sobre la entrada en el mercado internacional, la elección del mercado objetivo, la elección del modo de entrada y las decisiones sobre el momento de entrada, se sugiere que la orientación regional y a largo plazo, la base de conocimientos y su transferencia, el sesgo de bifurcación y la perseverancia de los gestores familiares son factores importantes que afectan a la toma de decisiones empresariales internacionales entre las pequeñas y medianas empresas familiares (PYMEs).

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1. Introduction

Internationalization of small and medium-sized enterprises (SMEs) can be described as entrepreneurial behaviour which is affected by factors such as earlier knowledge base (cf. market knowledge from the work of Johanson and Vahlne, 1977, but also studies focusing on international experience), entrepreneur's cognition (e.g., Zahra et al., 2005) and firm's strategic orientation (e.g., Knight & Cavusgil, 2004), and networks (e.g., Coviello, 2006). Internationalization can also be seen as a process of decision-making as there are decisions to be made such as when, where and how a firm should internationalize. Unfortunately, studies focusing on SMEs' strategic decision-making on internationalization, have been scarce (for some exceptions, see e.g., Ahi et al., 2017; Ji & Dimitratos, 2013; Nummela et al., 2014; Petrou et al., 2020). Many extant studies which focus on SMEs' decision-making on internationalization have discussed effectuation logic (Sarasvathy, 2001) and how that could explain internationalization of the firm (see e.g., Chetty et al., 2015; Nummela et al., 2014). Effectuation is "*closer to emergent or non-predictive strategies*" whereas causation is more or less "*…consistent with the planned strategy approach*" (Gabrielsson & Gabrielsson, 2013, p. 1359). In the mainstream international business (IB) literature decision-making, the primary common reference point is rationality, however (Aharoni et al., 2011; Child & Hsieh, 2014). We tend to expect that the larger and more experienced the firm is, the more rational it is in its strategic decision-making. In larger enterprises the rationality may stem from the corporate governance, as there can be an experienced board of directors guiding the top management team. Hambrick, Misangyi, and Park (2015) suggest that to be able to enhance the value creation the board should possess the following qualities: independence, expertise in the focal domain, bandwidth (i.e., capacity to take part in activities), and motivation. Naturally also the top management team need to possess similar qualities.

Family firm (FF) can be defined as "*…one that is majority family owned and has at least one family owner in the management team*" (Graves & Thomas, 2006, p. 208). Being an FF can make a firm different in relation to decision-making structure, governance, resources and strategies when comparing to other type of firms. What would be the decision-making about internationalization like in the FFs and what factors affect the decision-making? FFs typically appear to be less inclined to expand their international activities as they may be focused on longevity and stability instead of risky foreign growth (Casillas et al., 2010; Fernández and Nieto, 2005; Okoroafo, 1999). Further, FFs' governance structures may be heterogenous (D'Angelo et al., 2016). They typically possess a complex, even long-standing stakeholder structure that incorporates family members, top management, and a board of directors (Mustakallio et al., 2002) and this may lead to differences in the internationalization. It has also been noted that FFs differ from other firms in relation to attitudes, orientations and behaviors of decision-makers when internationalizing (Casillas et al., 2010; Graves & Thomas, 2006), and in their internationalization strategies in general (e.g., Boellis et al., 2016; Fernández & Nieto, 2005; Mariotti et al., 2021; Musso & Francioni, 2020).

There are few studies published which have shown that there are different internationalization patterns also among FFs (e.g., Jorge et al., 2017; Kontinen & Ojala, 2012; Musso & Francioni, 2020) and that internationalization of FFs have gained increasing attention (Mariotti et al., 2021). However, a recent JIBS paper suggests that family business scholars would often '*…focus on family-driven phenomena and rarely explore questions motivated by IB theory*" and that "*…existing research has offered varied and at times incompatible findings on how family ownership and management shape internationalization*" (Arregle et al., 2021, p. 1159-1160). Consequently, the goal of this paper is to present and highlight certain specific factors which affect IB decision-making in family SMEs (as most of the FFs are SMEs) and which we feel should be researched about. These are as follows: 1) long-term and regional orientation in IB decision-making, 2) knowledge-based and -transferred IB decision-making within the family, 3) bifurcation-biased IB decision-making and how to avoid it, and 4) unleashing the perseverance of family managers in critical incidents. After discussing each of these factors by providing real-life case examples explicating the decision-making process on international market entry, target market choice, entry mode choice, or entry timing, as a summary we provide a model which shows the factors which we consider affecting especially IB-related decision-making process in in FFs. With this we aim to provide guidance for family business researchers studying internationalization of family SMEs and offer ideas for future research endeavors.

2. Long-Term and Regional Orientation in International Business Decision-Making

Family SMEs tend to make IB decisions with a long-term perspective to the past and the future, emphasizing the strong foreign relationships or partnerships they have built over years. Geo-

graphically, family SMEs tend to target their international market entry-related decision-making in the nearby markets. For example, for Finnish family SMEs, Nordic countries are perceived to have safer and culturally suitable environment (cf. Uppsala model of Johanson and Vahlne, 1977), which would make the often-complex IB decision to be more simplified effort, and which could be seen to bear fruit more easily. *Alpha*, a Finnish provider of wood products, initiated a customer relationship with a Norwegian customer in 1994, since then the relationship has grown into a strong partnership. To respond to the loyalty of the customer, including a big loan this customer provided to *Alpha* to invest in production, *Alpha* provided the customer a ten-year exclusive right to sell their products in Norway in 2010s. This decision was not purely based on benevolence though; *Alpha* and its third-generation family chief executive officer (CEO) estimated that this deal would provide stable cash flow and predictability in the long term. In the sawmill industry, heavily dependent on the development of market prices, *Alpha* has succeeded relatively well, with stable but profitable business.

A similar Finnish-Norwegian case was with *Beta*, a provider of filling stations and tanks. The family CEO of *Beta* had done over ten years of footwork before finalizing a deal with potential Norwegian customer, which eventually became a partner to manage various value chain activities related to filling stations in Norway. A long-term partnership was made to prepare *Beta* to respond to the incoming technological disruptions in the field and not just capitalize on the Norwegian market. The collaboration has been fruitful, with regular communication and meetings.

The combination of long-term orientation and regional orientation to nearby markets in IB decision-making reflects the goal orientations and organizational structures of the family SMEs themselves. FFs tend to make decisions with future generations in mind and in a tight, communal, and trusting group, including not just family members but also employees and customers (Miller et al., 2008). These tendencies manifest in IB decision-making in that business relationships are planned and decided to span years and even decades, with the foreign partner or customer "embedded" in the familial community of the FF. As owning and managing family members tend to build close relationships within their networks, they want to build business relationships in nearby markets to have smooth, trusting and culturally suited operations. The long-term strategies, including internationalization strategies, are easier to control when the geographical and relational distances are not high. As *Alpha* and *Beta* examples show, the decision-making processes can become easier through regular communication and predictable roadmap for both the FF and the customer or partner to follow. Further, it is important to remember that the internationalization process can take a long time and there might be several epochs or episodes containing several IB decisions. All in all, time and the process approaches should be incorporated better into FF internationalization studies (cf. Arregle et al., 2021; Metsola et al., 2020).

3. Knowledge-Based and -Transferred International Business Decision-Making Within the Family

Family SMEs also tend to make knowledge based IB decisions, in the process of which knowledge is effectively transferred within different family generations in the ownership and management positions. *Gamma*, a Finnish manufacturer of mobile hydraulic equipment, internationalized to Sweden and Central Europe in 1990s thanks to the active door-to-door sales by the founder family CEO. Some experiences led to decisions that hold even today and which are embraced by the second-generation Executive Vice President (EVP), who is currently responsible for international sales. Such a decision relates to partners' exclusive rights to sell in the host markets; an ineffective first Swedish partner taught the founder that no exclusive rights to sell should be given, and the consequent multi-channel approach remains today. Active footwork to make foreign deals has endured, with "flight tickets to salespeople being the best investment" and is also reflected in participating in trade fairs and dealer meetings. EVP has further embraced this active approach by promoting production of videos and social media presence, with herself being visible and showing the face of the family business in all types of promotion material.

Accordingly, the advantage of FFs and especially family SMEs can be the effective transfer of knowledge within generations that facilitates decision-making (Davis et al., 2007; Zahra et al., 2004). New generations can benefit from the accumulated knowledge the older generations have gained when building and internationalizing the company, while older generations still involved in the business can benefit from the new and modern ideas newer generations possess. We would encourage more studies which would focus on FF as a knowledge repository, and when focusing on internationally operating FFs, studying in detail what could be advantages of the knowledge creation and transfer also by utilizing IB literature and theories such as works of Kogut and Zander (1992, 1993). Would an FF be a more social com-

munity than another type of firm, for example, and would it create an advantage for FFs?

4. Bifurcation-Biased International Business Decision-Making and How to Avoid It

A critical thing for family SMEs to tackle in their decision-making processes is the avoidance of bifurcation bias, i.e., the '*de facto differential treatment of family or heritage assets versus nonfamily assets*', '*…a unique, affect-based barrier to short and medium run efficient decision making in family firms*' (Kano & Verbeke, 2018, pp. 158, 163). The previous long-term-oriented and knowledge-based decision-making examples show how knowledge can be effectively transferred within family managers and how the pursuit of long-term family legacy provides perseverance, but the dark side can be that the operations within a 'family vacuum' stagnate and even deteriorate IB performance. In practice, this may mean that family managers are biased to prefer family managers over nonfamily managers, even if the latter ones would be more functional and professional for IB decision-making.

This bias stems from the preservation of socioemotional wealth (SEW), which relates to family SMEs or FFs in general preserving various affective needs, such as identity, family control and generational continuity in the business (Gomez-Mejia et al., 2007). In strategic decision-making, FFs engage in so-called 'mixed gamble', by which family managers consider the possible socioemotional gains and losses of different decisions, with general tendency to being risk-averse to decisions that potentially cause losses to SEW, the 'affective wealth-at-risk' (Gomez-Mejia et al., 2014, p. 1354). Decisions that contribute to the SEW endowment are likely to be done (Gomez-Mejia et al., 2018), but that may come with under-utilization of financial opportunities and, thus, financial wealth being at risk (Debicki et al., 2016; Gomez-Mejia et al., 2007).

However, like the bifurcation bias definition (Kano & Verbeke, 2018) indicates, FFs usually learn to cope with the bias and alter actions accordingly in the long run. There is also empirical evidence to support the theory. *Delta*, a Finnish provider of liquid monitoring and control devices, was run by first- and second-generation family CEOs until 2014, with stable but a bit stagnated IB presence. One reason for the unfulfilled IB potential was the deteriorated relationships within the first-generation founder, i.e., the father and his sons, the former of whom exercised an authoritarian role, forcing his sons to be involved in the business but not letting them be strongly involved in decision-making. The constant veto rights of the father hampered rational decision-making. Having served as the CEO for almost 20 years and his father having passed away, the second-generation son decided eventually to professionalize the top management of the company by appointing a nonfamily CEO. The first nonfamily CEO did not prove to be internationally active as was wished, so another nonfamily CEO was recruited, with strong task orientation to initiate new and nurture existing foreign partner (agent) and customer contacts. This time the appointment was successful, and the further fieldwork expanded *Delta*'s international partner and customer network. Through second-generation son's (who is now Chairman of the Board) daughter, who worked in a university, *Delta* gained new additional information about how to develop their partner network. For instance, student assignments showed that there were agents *Delta* had not contacted for a while and they were representing competitors' products.

Overall, *Delta* went through a process from being quite strongly bifurcation-biased to utilizing external and nonfamily resources to be internationally more competitive and growth-oriented. Under the governance of the first-generation founder father, the company was under heavy SEW preservation pressure, with overly restricted, risk-averse and family-centered decision-making that torpedoed financial growth opportunities. The even toxic but strongly instilled family-centered culture made the second-generation son to continue as a family CEO without true motivation, and the transition process to open the company to external expertise took decades. However, he was able to do that and make the needed personnel decisions, in the process of which the realities of competitive global business environment outweighed family preferences in top management positions.

5. Unleashing the Perseverance of Family Managers in Critical Incidents

Although bringing nonfamily expertise have proved to be effective in professionalizing FFs and equipping them better to seize international opportunities, it should not be taken as granted that nonfamily management is superior to family management. There are several cases, including those mentioned earlier in the context of long-term-oriented and knowledge-based decision-making, in which the capabilities of family managers combined with strong motivation and perseverance have led to growth-oriented and profitable internationalization. *Epsilon*, a Finnish manufacturer of sawmill products, has been under family top management team since the establishment in 1952, with fourth-generation family CEO running the company nowadays. The long-

term history of profitable business and an over 90% foreign sales to total sales themselves are manifestations of the capabilities of the family members, but one critical incident in the history shows very well the power of family members to steer the business to the right direction. In the early 1990s, when recession hit Finland hard, *Epsilon*'s domestic sales dropped dramatically. The third-generation family owners and managers worked late into the night after putting three sons to sleep, calculating and figuring out different ways to find ways out of the severe financial situation. They then decided to pack the car with the whole family and drive to Germany to find export markets. Eventually, a significant deal was closed and since then, Middle Europe has become the largest export market for *Epsilon*.

Accordingly, there is certain 'survival tendency' in FFs when the business and family's survival and welfare go hand in hand. In critical incidents, family members converge and are determined to find solutions that engage everyone to the chosen path. Since the business markets have been increasingly global for the last three decades, internationalization paths have proven to be the most profitable ones. The ability to operate in unison and with perseverance create decisions that hold, leading to committed internationalization process. This also makes many FFs resilient when a crisis takes place. Resilience, i.e., "an ability to go on with life, or to continue living a purposeful life after hardship or adversity" (Tedeschi & Calhoun, 2004, p. 2) has been emphasized in some recent entrepreneurship studies (Bullough & Renko, 2013; Bullough et al., 2014), and the long-term perspective and perseverance clearly make many FFs resilient, even if the operating environment becomes volatile and uncertain. From the IB perspective this could be studied from the capability perspective but operating in an international market is also a risk management strategy and this should also be taken into consideration in FF research (cf. Gallo & Pont, 1996). Those firms which have an international outlook and orientation can find more customers residing in different geographical areas and eventually sell more even if the home market demand would not be there.

6. Summary: The International Business Decision-Making Process of FFs

The cases from *Alpha* to *Epsilon* show how family managers are able to make IB decisions on rational grounds, acknowledge the realities of global business environment, and pursue international growth in such a way that family connection does not act as a restraining bifurcation or affective bias. The time these take to realize as well as the degree to which IB expands varies, which reminds us that FFs should be treated in a heterogeneous way. However, the long histories and multigenerational involvement of different family members show that family presence, and perhaps the underlying SEW, can serve as motivational triggers to rational and economically driven decision-making, so that the baton can be passed to future generations. When bifurcation bias is avoided, noneconomic goals do not necessarily outweigh economic goals; on the contrary, they complement each other, and IB decision-making becomes balanced, predictable, and profitable in the end. In Figure 1, the insights from the cases discussed are compiled together with an aim to create an integrative IB decision-making process model of FFs.

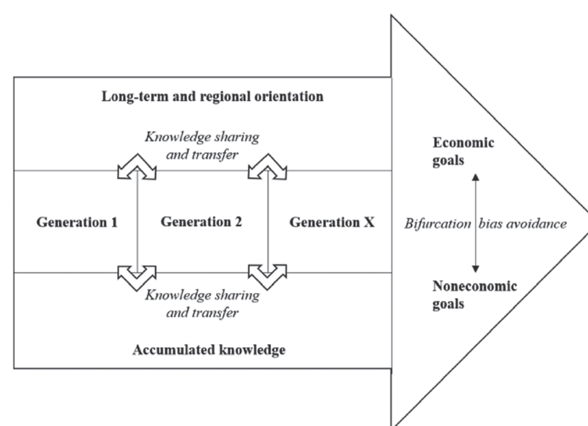

Figure 1. Key factors affecting international business decision-making process in family firms

The arrow-shape in Figure 1 indicates how both economic and noneconomic goals are there in the horizon when FFs make IB decisions, the former of which relating to the financial growth opportunities internationalization provides and the latter of which relating to family involvement and benefit. To integrate these two goal orientations in decision-making, bifurcation bias must be avoided. In this process, knowledge sharing and transfer from generation to generation is vital. This concerns both the accumulated knowledge from the past and the current long-term and regional orientation, including the business relationships FF and its family members have established. Family members should share knowledge on the foreign partnerships and clientele, their perceptions on how the resources and capabilities of the FF match IB needs, and other relevant factors for the decision-making to be balanced in terms of the economic-noneconomic goal division and family versus nonfamily asset division. The italicized bifurcation bias avoidance and knowledge sharing and transfer represent the key actions family members need to consider or execute, so that

they can make effective decisions and be competitive in the international market. In these actions, their strengths as FFs also lie; non-FFs are not able to identify such a promising marriage of family and nonfamily assets combined with effective knowledge sharing and transfer within familial and communal organizational space. However, these actions, if considered in a family-centered way within a bounded rationality, can turn out to be detrimental to FFs.

7. Discussion and Conclusions

Since there are two sides of the coin, and that the academic literature on FF internationalization itself is mixed (Metsola et al., 2020), the most intriguing question to be unraveled is: Is there truly something FF-contextualized literature can provide to FF managers to make better IB decisions, or does general non-FF literature provide them with enough relevant knowledge? With this question we are in a dangerous area questioning the legitimacy of the whole FF academic research, but the question must be asked to push us think deeper and more in a managerially oriented way. Our answer, for now, based on the above discussion and examples, is as follows. In the current global, accessible, yet competitively fierce business environment, small details and nuances in the ways in which a company operates and conducts its business model matter and differentiate it from competitors. This said, FFs and especially family SMEs can derive these small yet powerful factors from family ownership and management and utilize them for better decision-making, e.g., when entering new markets with long-term orientation, transferring IB knowledge within different generations effectively, or enabling smooth balance between nonfamily and family management and ownership. The creation and development of internal knowledge structures can contribute to the identification of international opportunities in the FFs (Musso & Francioni, 2020). In the turbulent times we live, the "soft" and long-term-oriented values and preferences may prove to be competitive as long as the dark sides of dysfunctional family assets are recognized and tackled. The IB decision-making process of FFs presented in this paper and other academic FF IB literature can provide knowledge about these softer, even hidden factors for family managers to supplement their decision-making processes, but also general non-FF literature is worth recognizing. The possible markets are same for FFs and non-FFs, so the general, proven practices to enter them and expand in them apply for both. In this we agree with e.g., Arregle et al. (2021) that FF literature needs to incorporate IB theories better into future studies focusing on FF internationalization and IB decisions. More work would be needed at different levels (entrepreneur, top management team, board) over time, for example about how the decisions are actually done.

Having relevant value-added content academic FF and non-FF IB and decision-making literature can provide for FFs is not enough, as this content must also be effectively shared and transferred to FF managers – just like family members do the knowledge sharing and transfer within generations as depicted in our IB decision-making process model. FF managers, like all managers, constantly operate amidst profusion of alternative decisions, especially in the context of complex IB, with limited time to consider an academic journal article. Scholars must descend from theoretical clouds to the practical grassroots levels of managerial reality and communicate their findings directly to managers or through various effective channels, such as social media and industry events. In the best-case scenario, integrating oneself into the IB operations and decision-making processes of FFs through ethnographic or observational approaches could provide excellent connection between scholars and FF managers when planning and conducting various decisions. While owning and managing family members may have bifurcation bias related to family and nonfamily assets, scholars may have their own bifurcation bias related to academic and practical contribution. Let's avoid our bias to make FF managers avoid their bias in IB decision-making.

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The Role of Family Management and Management Control Systems in Promoting Technological Innovation in Family SMEs

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Abstract This paper seeks to resolve the controversy regarding the relationship between family management and technological innovation outcomes. In contrast to prior studies, we focus on small and medium enterprises (SMEs) and go beyond the traditional input-output statistical analysis, by introducing the mediating effect of the use of management control systems (MCS). We also further examine heterogeneity among family SMEs, studying whether a greater family management influences, directly or indirectly, on technological innovation outcomes. Our results from a data consists of 199 Spanish family-owned small and medium enterprises (FSMEs) were not able to indicate a significant direct influence of the level of family management on technological innovation outcome but supported the notion that the utilization of MCS mediated the above relationship.

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PALABRAS CLAVE
Empresa familiar, PYME, Gestión familiar, Sistemas de control de gestión, Innovación tecnológica

El papel de la dirección familiar y los sistemas de control de la gestión en el fomento de la innovación tecnológica en las PYMES familiares

Resumen Este trabajo participa en el debate académico sobre la relación entre la gestión familiar y los resultados de innovación tecnológica. A diferencia de estudios anteriores, nos centramos en pequeñas y medianas empresas (PYMES) y vamos más allá del tradicional análisis estadístico input-output, introduciendo el efecto mediador del uso de los sistemas de control de gestión (SCG). También examinamos la heterogeneidad entre las PYMES familiares, estudiando si una mayor gestión familiar influye, directa o indirectamente, en la innovación tecnológica. Nuestros resultados, obtenidos a partir de una muestra de 199 PYMES familiares, no pudieron confirmar una influencia directa significativa del nivel de gestión familiar sobre los resultados de innovación tecnológica, pero confirmaron que la utilización de los SCG media en la relación mencionada.

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1. Introduction

Technological innovation is frequently described as the collection of activities utilised by firms to compete outstandingly in both domestic and international markets, through which a business conceives, designs, produces, and introduces a new product, service, process or technique (Coccia, 2017; Ireland et al., 2001; Teece 2001; Teece, 1996; Subramaniam & Venkatraman, 1999). Research has shown that firms that innovate continuously while being risk-taking, anticipate demand, and position new products/ services, may result in stronger performance than those who do not (Sirmon & Hitt, 2003). While innovation has shown to be beneficial to firm performance, innovation requires continuous input of resources and risk-taking attitude. In accordance with prior research, this study defines technological innovation by considering both product and process innovation (Freeman, 1976).

The significance of SMEs can be seen through their contribution to the economy worldwide, and majority of them are family owned and managed (Anderson & Reeb, 2003). The importance of researching on family small and medium enterprises' (FSMEs) innovation ability despite being risk-adverse and unwilling to invest in innovation inputs due to unique family management characteristics can be seen through the increase in research interest in the last decade (Chrisman & Patel, 2012; De Massis et al., 2013; Duran et al., 2016; Sciascia et al., 2015). Nevertheless, the incongruence findings have led to the "paradox of FSME innovation", calling for more research on how FSME heterogeneity will lead to different innovation outcomes (Calabrò et al., 2019; De Massis et al., 2013; Diéguez-Soto et al., 2016; Duran et al., 2016; Matzler et al., 2015).

In their recent study, Diéguez-Soto and Martínez-Romero (2019) suggest a negative influence of family management on product innovation in a private firm context. However, we still know less about how the level of family management could affect technological innovation outcomes in FSMEs, thus giving us the opportunity of analysing this relationship. Further examining the incongruence and contradictory findings in the existing literature, family management, the same factor that impedes innovation and at the same time enables innovation in family firms, might have been identified as a friend but also as an enemy (Duran et al., 2016; Matzler et al., 2015). Researchers have also called for further investigation on the impact of family SME heterogeneity on innovation output (Filser et al., 2018; Werner et al., 2018).

Furthermore, management control systems (MCS) serve as an important management function within an organization that translate goals, intent, and vision (i.e. strategy) into executable actions. MCS do so both in terms of financial and non-financial variables, thus also incorporating elements from the operational, strategic, and human resource domains. Simons (1995) defines MCS as "the formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities". Over the last two decades, the definition of MCS has evolved to include a broad scope of systems, while continuing to provide information for decision making and strategy implementation (Chenhall, 2003; Chenhall et al., 2011; Malmi & Brown, 2008; Simons, 1995, 2005). Specifically, existing research on innovation has highlighted the role of interactive MCS (Bisbe & Otley, 2004; Bisbe & Malagueño, 2009; Davila, 2000; Henri 2006; Lopez-Valeiras, Gonzalez-Sanchez, & Gomez-Conde, 2016), as MCS contribute positively to firm innovative behaviour (Simons, 1995, 2005).

While the application of MCS is expected to improve technological innovation (Chenhall et al,, 2011), the level of family management is also likely to affect how MCS is carried out within a FSME (Helsen et al., 2017; 2017; Tapis et al., 2017). Yet, to date, little research has been done on the implication of the level of family management on the use of MCS in relation to technological innovation. The unique FSME traits, along with socio-emotional wealth (SEW) and family centred non-economic (FCNE) goals, are known to affect how a family firm is being managed, whether professionally or informally (Berrone et al., 2012; Chrisman et al., 2012). Therefore, the level of family management may affect the extend of MCS being utilized for strategic decision-making, where families struggle between ensuring decisions are in line with the culture and value of family firms versus being strategic and professional (Flamholtz, 1983). Nevertheless, family management, through the use of MCS, may encourage a regular reflexive monitoring of rules and patterns (Verhees et al., 2010) and generate debate and free flow of information, which may question the status quo and promote technological innovation (Ylinen & Gullkvist, 2014). Bearing in mind the previous considerations, our research also investigates the mediating role of the use of MCS in the relationship between the level of family management and the achievement of technological innovation outcomes.

Thus, this paper seeks to further examine heterogeneity in FSMEs, specifically, analysing how differences in governance from the family's in-

volvement in management would lead to different varieties of technological innovation outcomes. In this way, we respond specifically to the call on further examine technological innovation in family business while considering their heterogeneity in regard to the level of family management. We draw from the resource-based view (RBV) (Barney, 1991) and SEW (Gómez-Mejia et al., 2011) perspective and use a database built from a survey sampled on 199 Spanish FSMEs to address our research questions. In particular, we focus on family-owned SMEs, as they often have restricted availability of knowledge, expertise and views (Colombo et al., 2014), their innovation outcomes require a deeper analysis (Sciascia et al., 2015), and they are vital for worldwide economies (Memili et al., 2015). Spain is an excellent context to study SMEs as they represent 99.8% of the firms (Gobierno de España, 2018).

This paper has several theoretical contributions. Firstly, our study contributes to the current debate on heterogeneity in family firms (Calabrò et al., 2019; 2019; Chua et al., 2012; Filse et al., 2018), where we analyse whether technological innovation outcomes are dependent on the degree of family management. Secondly, researchers have recently analysed the heterogeneous precedents and the consequences of the use of MCS in the particular field of family business (Helsen et al., 2017; Hiebl et al., 2015; Oro & Lavarda, 2019). However, to the best of our knowledge, this is the first study to address, with empirical data, the combination of family management and technological innovation outcomes in FSMEs as antecedent and effect of the utilization of MCS, respectively. Thus, this study goes beyond the input-output conceptual framework (De Massis et al., 2013), providing more evidence on how to improve family firms' ability to obtain technological innovation outcomes. Specifically, we emphasize the mediating role of using MCS as a key dimension in the relationship between the level of family management and technological innovation outcomes. Hence, this study shows that the impact of the level of family management on technological innovation outcomes depends on the adoption of MCS. Our findings indicate that the degree of family management has an indirect effect on obtaining technological innovation outcomes through the utilization of MCS. Lastly, we draw on RBV and SEW perspectives to justify the hypotheses and explain our findings, somewhat unusual in existing literature on both MCS and innovation topics in family business field (Duran et al., 2016; Helsen et al., 2017), adding new arguments to the current academic debate on FSME heterogeneity and innovativeness.

This paper is structured as follows. Firstly, we review literature and build the theoretical justification of each of the hypotheses in the theoretical background section. Secondly, we outline the research methodology used to answer our research question and test the hypotheses. Thirdly, we test our hypotheses with empirical data and present the statistical findings in the results section. Finally, we discuss our findings and propose future research in the discussion and conclusions section.

2. Theoretical Background and Hypotheses Proposed

Family management is found to play a unique role in innovation decisions, which in turn influences technological innovativeness in FSMEs with concentrated ownership (Brinkerink & Bammens, 2018; Classen et al., 2014). On one hand, there is a negative relationship between family management and spending on achieving innovation in FSMEs (Chrisman & Patel, 2012; Sciascia et al., 2015). This is largely related to family members being risk adverse in view of limited resources and SEW at stake. On the other hand, FSMEs are found to be able to innovate despite investing less in innovation activities (Classen et al., 2014). Such puzzle leads us to investigate further into the relationship between family management and technological innovation outcomes in FSMEs, looking into the mediating role of MCS and further examine FSME heterogeneity.

Previous literature has agreed that formal controls as part of MCS increase the capacity of a firm to obtain benefits from innovation (Bedford, 2015; Bisbe & Otley, 2004; Jørgensen & Messner, 2009; van der Meer-Kooistra & Scapens, 2015). Specifically, a number of studies have found that formal MCS may stimulate and implement creative ideas, which, in turn, lead to greater innovation (Simons, 1990, 1991, 1995). According to Simons, formal MCS increase innovation capability when the use of MCS includes interactive control systems. Thus, formal MCS can be used to expand opportunity seeking and learning throughout the organization, focusing attention and forcing dialogues throughout the organization by reflecting signals sent by top managers (Simons, 1995). Formal MCS can encourage the implementation of new ideas and initiatives (Henri, 2006). Aiken and Hage (1971) claim that there exists a positive relationship between internal communication and innovativeness, with the internal communication facilitating the flow of information and the sharing of ideas necessary to promulgate innovation. Top managers often use internal communication to send messages to the employees on handling strategic risks, put pressure on operating man-

agers, enhance information gathering, incentivize face-to-face dialogues and debates, providing inputs to innovation, and fostering the development of innovation initiatives throughout the organization. Based on the former arguments, some authors have shown that the use of interactive control systems increases innovation in low innovating firms (Bisbe & Otley, 2004). Managerial practices involving the improvement on the use or exchange of information within the organization are able to change the inertia linked to production processes and lead to new process innovation (Hervas-Oliver & Sempere-Ripoll, 2015).

Given that the use of specific MCS encourages a regular thoughtful monitoring of rules and patterns (Verhees et al., 2010) and implies debates and a free flow of information, it may also question the current status quo and promote technological innovation (Ylinen & Gullkvist, 2014). Furthermore, besides the factors originating from the family itself, acquisition of information in family firms, both in terms of the range of information and the speed of obtaining information, is found to be positively related to innovation outcomes in family firms (Craig & Moores, 2006).

2.1. Family management and technological innovation in FSMEs

Schumpeter (1934) argue that the economic development of manufacturing industry is driven by innovation through a dynamic process in which new technologies replace the old, a process he labelled "*creative destruction*" (Oslo Manual, 2005; Schumpeter, 1976). Research has shown that technologically innovative firms may outperform their non-innovative competitors (Gersick et al., 1997). Technological innovation outcomes involve introduction of new products, services, or techniques (Freeman, 1976), where they are relevant not only at the firm-level but for the entire economy as they create economic value and growth (Amit & Zott, 2001), as well as superior performance (Lee et al., 2000).

A FSME itself is a different organization type with its various distinct characteristics and governance structure. Filser et al. (2018) have explored how the different functionalities of FSMEs lead to different decisions in terms of innovation process within FSMEs. In general, the innovativeness of a FSME is considered to be influenced by family management, comprising the degree of family involvement, the degree of family control, the risk appetite of the family, the willingness of the family to innovate, and the capability of the family to innovate (De Massis et al., 2013). Hence, the vast prior literature supports the notion that family management affects the rate of technological innovation in FSME (De Massis et al., 2013, 2014; Filser et al., 2018). However, existing literature presents conflicting results with regards to the behaviour of family firms in relation to technological innovation (Kraiczy et al., 2014; Llach & Nordqvist, 2010) and particular findings regarding the impact of family management on technological innovation outcomes still appear to be mixed in public firms (Block et al., 2013; Matzler et al., 2015). Recently, some authors have developed a more fine-grained understanding of the relation between family management and product innovation outcomes in the context of private firms (Diéguez-Soto & Martínez-Romero, 2019).

However, as far as our knowledge is concerned, the study of the relationship between the level of family management, specifically examining further into family firm heterogeneity, and technological innovation outcomes in the context of SMEs is still at its infancy (Filser et al., 2018). Despite the fact that technological innovation is just as essential as it is complicated to accomplish (De Massis et al, 2013) and the importance of this type of companies in any economy worldwide (Memili et al., 2015).

In the family business sphere, due to the interactions between family unit, business entity, and individual family members, unique systemic conditions are originated, producing a large number of unique resources and capabilities (Chua et al., 1999; Zahra et al., 2004). As FSMEs own human, social, physical, or financial capitals that are valuable, rare, inimitable, and non-substitutable (VRIN), they have the potential to generate sustainable competitive advantages (Barney, 1991). Considering how family management affects the deployment of resources (Sirmon & Hitt 2003), the particular involvement of family members who manage the firm may exert a complex influence on technological innovation. This may enhance our comprehension of how the conformation of the top management team impacts on the process of generating technological innovation (Ridge et al., 2017).

Following this vein, studies based on RBV (Barney, 1991) suggest that family firms possess distinctive capabilities and resources (e.g., social capital configurations) that contribute to their innovation success (Classen et al., 2014; Sirmon & Hitt, 2003). Some researchers argue that family firms are more innovative because they possess unique characteristics of their human, social, and marketing capital (Llach & Nordqvist, 2010), and because of their more flexible structure and decision-making process (Craig & Dibrell, 2006). Furthermore, family firms are further said to be able to adopt and implement decisions quickly

and with more stamina (König et al., 2013). Especially in the case of FSME, the unification of ownership and management allows the family to have a large degree of control on the utilization of resources in various aspects (Brinkerink & Bammens, 2018; Memili et al., 2015).

In addition, companies with a higher level of family management are under less pressure to obtain high short-term profits and have a greater long-term vision than other types of companies, which in turn, can promote entrepreneurial strategies and innovativeness (Casillas & Moreno, 2010). Family-managed firms tend to establish close ties with selected stakeholder groups, characterized by enduring commitment and trust, which can further stimulate product and process innovation through the exchange of new ideas (Classen et al., 2014; Sciascia et al., 2012). Therefore, the former arguments suggest that a larger degree of family management promotes unique resources and capabilities that increase family firm's ability to obtain technological innovation outcomes.

Yet, according to behavioral theory, family managers make decisions based more on protecting SEW (but with uncertain economic profit) than on increasing economic benefits (but a subsequent decrease of SEW), being the loss of SEW the main driver of the strategic behavior of family firms (Berrone et al., 2010; Chrisman & Patel, 2012; Gómez-Mejía et al., 2007). In some circumstances, family managers might not take into account economic rationality nor profitability in their decisions (Casillas et al., 2010; Chrisman et al., 2012) since such family-focused decisions are not aligned to the company mission and strategic plan. Also, decisions that are profit driven and economically rational may need significant investments and/or redesigning the culture, processes, and organizational structures (Zahra, 2005). The motivation behind such behavior is due to the fact that protecting family welfare then assures the longevity and control of the firm (Brinkerink & Bammens, 2018; Chen & Hsu, 2009), as existing research has shown how family managers can exert a conservative and risk aversion behavior (Chrisman et al., 2012; Donckels & Frolich, 1991). As technological innovation implies risk, strong commitment of resources, difficulty to predict results, need for external financing, and appropriate skilled human resources (Chrisman et al., 2014), FSMEs may be less willing to take the risk to innovate.

Consequently, the greater ability that family managers are believed to have in combination with family firms' unwillingness to innovate may have contrary effects on technological innovation outcomes and might explain the different findings and arguments in the existing research with respect to the effect of family management on technological innovation. The greater ability possessed by family managers stems from greater resources derived from family firm unique characteristics, such as social capital and governance structure (Sirmon & Hitt, 2003). Yet the tendency to protect SEW may hinder family managers from utilizing these resources to innovate. Seeing that net effect of family management on technological innovation in FSMEs is ambiguous, we propose the following hypotheses:

H1a: *The level of family management positively affects technological innovation outcomes in FSMEs*

H1b: *The level of family management negatively affects technological innovation outcomes in FSMEs*

2.2 The mediating role of MCS between the level of family management and technological innovation outcomes in FSMEs

Typically, MCS are considered as a set of tools used by organizations to ensure the effective use of resources to achieve desired employee behaviour, and the implementation of strategic organizational goals (Chenhall, 2003). As the topic evolved over the last decades, research branched out into several different approaches towards the use of MCS: financial information-based control, formal/informal control, result control, and behavioural control. Simons (1995) broadened management control to incorporate competing goals other than financial performance such as innovation, and the need to balance both positive and negative forces to steer the organization while simultaneously allowing for learning and renewal. Based on informational aspects, Simons (1995) defines MCS as "the formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities".

The systems utilized for management control often include external information, non-financial information, predictive information, and both informal personal and social controls (Chenhall, 2003; Ittner & Larcker, 2001). Although some firms choose to use formal practices, rules, procedures and standards, other businesses rely more on subjective judgment (Speklé, 2001). In modern times, companies face competing business demands in an uncertain and dynamic environment. "Increasing competition, rapidly changing products and markets, new organizational forms, and the importance of knowledge as a competitive asset have created a new emphasis that is reflected in such phrases as market-driven strategy, cus-

tomization, continuous improvement, meeting customer needs, and empowerment" (Simons, 1995).

The existing literature has investigated some determinants of MCS usage in family business, such as generational stage (Michiels et al., 2013), professionalization and succession within family management (Giovannoni et al., 2011), firm size (Speckbacher & Wentges, 2012), family value (Oro & Lavarda, 2019), emotional attachment (Tapis et al., 2017), and life cycle stages (Moores & Mula, 2000). Other studies have also suggested that MCS are used to a lesser extent by family firms (Craig & Dibrell, 2006; Songini & Gnan, 2015; Speckbacher & Wentges, 2012). However, there is an obvious need for MCS in FSMEs, due to the fact that family members are often involved in various overlapping roles, such as owners, managers, directors, and other key decision-making positions (Barbera & Moores, 2013; Werner et al., 2018). In such case, the use of MCS may decrease altruism, and thus promote efficient collaborations and information exchange (Kim & Gao, 2010).

Prior studies have recognized that the degree of family management may affect how and to what extent family businesses consider the gains and losses of SEW as their main frame of reference in their decision-making, which will ultimately determine the results of technological innovation (Berrone et al., 2012). Subsequently, family management may also affect the use of MCS. For example, family management may lead to utilising management control to transmit and consolidate the intended culture and values of a FSME throughout the organization strategically by means of its centralized decision-making (Flamholtz, 1983). Also, a higher family management may prompt the implementation and use of MCS as they influence how family firm culture is shaped through time (Herath et al., 2006). Likewise, as the level of family management increases, there will be a higher emphasis on long-term orientation or non-economic goals, which may in turn also augment the use of MCS (Senftlechner et al., 2015). For instance, family managers with long-term perspectives may instruct and monitor their staffs on improving the development of family SEW, particularly with regards to MCS implementation, because they inherently preserve the codes, norms, and values of the FSMEs (Gomez-Mejia et al., 2011)

On the other hand, family management, the factor that was found to be both enabling and impeding innovation in family firms can also reduce a FSME's willingness to utilise MCS. For example, FSMEs, due to their size where they rely more on mutual trust and clan control, may be less inclined to adopt and implement professionalization (Dekker et al., 2013; Posch & Speckbacher, 2012). Moreover, family members managing FSMEs may also be limited in terms of knowledge and training to implement MCS (Rausch, 2011). Existing research has also shown that greater level of family influence leads to higher level of family control and lower degree of formalization, thus lowering the utilization of MCS (Hiebl et al., 2015). Another unique trait of family business, altruism, also attribute to a difference governance structure and hiring system within a FSME, therefore may lead to lower usage of MCS (Davis et al., 2010).

Nevertheless, the availability of internal references, such as financial resources availability, existing knowledge availability, cost structure, or profitability, provides crucial information enabling family managers to make decisions. We expect that the consistent use of MCS would act as an internal reference on a FSME's context, as such aiding the owning family in their decision-making by providing a broad range of rationales. When managers possess sufficient and appropriate information, they will be more likely to generate and apply creative ideas and initiatives (Henri, 2006; Simons, 1995), as well as alter the rigidity involved in production processes (Hervas-Oliver & Sempere-Ripoll, 2015), thus increase the chance of obtaining technological innovation outcomes. Therefore, taking into account the above arguments, we may conclude that the proper use of some specific MCS can have a positive impact on technological innovation in FSME. MCS therefore act as a mediating catalyst of the effect of the level of family management on technological innovation outcomes, where it stimulates the best and unique features of FSMEs.

If the level of family management is related to the use of MCS and the use of MCS is related to technological innovation outcomes, then the degree of family management can be expected to have implications for technological innovation outcomes through the induced increase in the use of MCS. Hence, an indirect effect of the level of family management acting through the use of MCS on technological innovation outcomes may be proposed. There should be a relationship between the level of family management and firm technological innovation outcomes, which may be explained in part by an indirect effect whereby family management impacts on the utilization of MCS and in turn influences the probability of technological innovation outcomes. This can be formally expressed as:

H2: *The use of MCS mediates the relationship between the level of family management and technological innovation outcomes in FSMEs.*

3. Methodology

3.1 Sample and Data

This study is based on data sampled on Spanish FSMEs by means of a survey sent to 199 managers of FSMEs in Spain, following the European Commission (2003) recommendation on defining a SME. The sample selection process was designed to characterize the structure of the country, following the stratified sampling principles in finite population. The population of sample firms was segmented by industry and size. The size of each stratum of the sample was determined proportionally to that of the population, according to the Spanish Statistical Institute database (Instituto Nacional de Estadística). We replaced firms that chose not to participate in the project or did not complete surveys with similar (randomly selected) firms in the same industry and geographical area. Table 1 shows the distribution of the sample.

Table 1. Distribution of the sample

	Size (employees)			Generation			Gender of CEO		CEO familiar		Total
Industry	Micro	Small	Medium	1st.	2nd.	3rd. +	Woman	Man	Yes	No	Sample
Manufacturing	27	34	13	19	43	12	14	60	66	8	74
Construction	22	14	3	16	19	4	2	37	38	1	39
Trade	21	15	6	10	27	5	6	36	39	3	42
Services	18	15	11	22	21	1	8	36	37	7	44
Total sample	88	78	33	67	110	22	30	169	180	19	199

We collected information through phone interviews with each of the firm managers of the sample FSMEs between September to November 2017, using a questionnaire addressed particularly to firms' managers. FSME managers are found to be the most important decision makers (Van Gils, 2005), and managerial perceptions exert a significant degree of influence towards the firm's strategic behaviour (O'Regan & Sims, 2008).

Furthermore, we analysed the representativeness of the sample through its power analysis, by using G*Power software. We estimated a priori sample size of 109 survey respondents with the following specifications: Family is F-test family, statistical test is linear multiple regressions (fixed-model, R^2 deviation from 0), and the type of power analysis is a priori (computing required sample size given $\alpha = 0.05$, power = 0.80, and effect size = 0.15 with 8 predictors). Then, since we collected 199 questionnaires, we estimated post-hoc achieved power of 0.998 (given α=0.01, sample size of 199, and determining the effect size from predictor correlations as $f^2 = 0.2386$).

3.2 Variables

3.2.1 Dependent variable - Technological innovation

Existing research and the process-based conceptualization of technological innovation have identified two types of innovation: product innovation and process innovation (Damanpour, 1991). In this sense, we consider technological innovation as a second order construct that aggregates two first order composites: product innovation and process innovation (Aljanabi, 2017). Both of them are measured through 5-points Likert scale with three indicators.

3.2.2 Independent variable - Family management

We consider a family firm as an organization with particularistic vision and goals for the business, a vision that is developed by a dominant coalition controlled by members of the same family or a small number of families, with the goal to sustain across generations of the family or families (Chua et al., 1999). As proposed by Chrisman et al. (2010), the indicators for family vision and goals would be family ownership and involvement in the management, as these allow the family to influence firm decisions in achieving intended goals. Therefore, we adopt the proposition that has been widely accepted by existing research, which is to use family ownership and family involvement in the management to identify a firm as a family-managed firm. Our definition of family-managed firm is restrictive in comparison to others in the literature. Particularly, we use a dummy variable that takes values 0 and 1, to differentiate family firms from non-family firms in the selection of the sample. Then, for all those firms that are family owned, we measure family involvement in the management through a 5-point Likert scale. Respondents were asked if family members occupy the majority of managing positions (Kotlar et al., 2013). With the owning family retaining proprietorship and being involved in the top management, this translates the family's vision and goals in the family firm. Previous studies in this field have used the same measurement to capture the perspective of family-managed firms (Diéguez-Soto et al., 2016).

3.2.3 Mediating variable - Management control systems

Although the concept of MCS is an emerging issue, and its definitions, dimensions, functions and scope have yet to be established academically (Berry et al., 2009; Chenhall, 2003; Hared et al., 2013). Nevertheless, heterogeneous formal MCS are likely to be applied mostly in complex firms (Otley, 1999). Thus, it was required for the purposes of this study to limit a restricted number of very specific control mechanisms that are especially suitable for our research goals. Existing research has shown how specific control mechanisms at different levels in organizations foster innovation (Bedford, 2015; Bisbe & Malagueño, 2012; Bisbe & Otley, 2004; Davila, 2000; Lopez-Valeiras et. al., 2016; Mackey & Deng, 2016).

With the top managers strongly involved in decision-making in relation to technological innovation, diagnostic control systems aid management level to clearly define and precisely specify goals based on the desired outcomes (Bedford, 2015). Though diagnostic control systems provide the goals to be achieved, it does not provide the defined steps to achieve the goals. Therefore, the use of interactive networks lay out the procedures for all levels in the organization to follow in pursuit of the goals defined to top level management (Simons, 2005). The use of interactive control systems provides information for management level to make decision, as well as facilitates the flow of information for members of the organization at all levels to implement effectively and efficiently (Bisbe & Malagueño, 2012; Bisbe & Otley, 2004; Davila, 2000; Lopez-Valeiras et. al., 2016; Mackey & Deng, 2016).

In measuring MCS, specifically, we focus on the degree of implementation of the following aspects: a) Integrative systems, such as ERP, CRM or SCM; b) Managerial accounting; c) Budgeting control; d) Financial statements analysis; e) Strategical planning control; f) Internal auditing; and g) Quality control. To measure these questions, we created a 5-point Likert scale, where 1 indicates that the firm did not use the corresponding MCS system at all and 5 indicates that it was strongly implemented in the firm.

3.2.4 Control variables

We utilized a set of six control variables in our analysis to exclude alternative explanations for the phenomenon under study. In order to control its effects, we first control the importance of continuous training of family managers with a 5-point Likert scale, where respondents were asked to answer the following question: "There is a permanent and continuous training of family managers". Secondly, the degree of technological innovation inputs was controlled by a composite of two measures about the evolution in the last two years of R&D expenditures in product development (rad1) or process enhancement (rad2). Thirdly, we controlled for leverage, by using a debt to total assets ratio. Fourthly, we controlled for family firm age to address the possible potential for higher innovation orientation in younger organizations (Uhlaner et al., 2012). Fifthly, we controlled for firm size (Scheppers et al., 2014), measured as the average number of employees in 2015. Finally, industry effects were measured using four-digit NACE codes (*Nomenclature générale des Activités économiques dans les Communautés Européennes - NACE*).

Table 2 shows descriptive statistics and correlations of indicators, while Table 3 summarizes the definition of variables.

Table 2. Descriptive statistics and correlations of measures

Indicator	Mean	sd	Min	Max	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
1 ipd1	3.21	1.12	1	5	1.00																				
2 ipd2	3.39	1.15	1	5	0.50	1.00																			
3 ipd3	3.18	1.00	1	5	0.44	0.53	1.00																		
4 ipc1	3.13	1.06	1	5	0.36	0.42	0.31	1.00																	
5 ipc2	3.18	1.22	1	5	0.45	0.56	0.42	0.65	1.00																
6 ipc3	2.95	1.00	1	5	0.33	0.46	0.59	0.58	0.65	1.00															
7 mcs1	3.09	1.33	1	5	0.12	0.20	0.09	0.19	0.26	0.19	1.00														
8 mcs2	3.50	1.21	1	5	0.17	0.15	0.09	0.17	0.16	0.17	0.44	1.00													
9 mcs3	3.63	1.23	1	5	0.15	0.26	0.22	0.24	0.36	0.28	0.36	0.57	1.00												
10 mcs4	3.73	1.17	1	5	0.19	0.27	0.20	0.21	0.32	0.30	0.43	0.51	0.66	1.00											
11 mcs5	3.43	1.25	1	5	0.32	0.31	0.25	0.19	0.41	0.26	0.48	0.48	0.63	0.75	1.00										
12 mcs6	3.01	1.49	1	5	0.23	0.32	0.23	0.28	0.37	0.29	0.35	0.42	0.50	0.54	0.58	1.00									
13 mcs7	3.51	1.47	1	5	0.24	0.30	0.25	0.33	0.38	0.30	0.30	0.36	0.49	0.47	0.47	0.53	1.00								
14 fam	3.83	1.51	1	5	-0.03	0.00	0.07	0.00	-0.03	0.01	-0.04	-0.10	-0.06	-0.08	-0.06	-0.14	-0.06	1.00							
15 rad1	2.64	1.26	1	5	0.39	0.48	0.26	0.40	0.44	0.34	0.28	0.23	0.19	0.22	0.24	0.11	0.30	-0.04	1.00						
16 rad2	2.55	1.27	1	5	0.26	0.38	0.29	0.52	0.58	0.51	0.31	0.27	0.24	0.28	0.32	0.28	0.38	-0.11	0.64	1.00					
17 tra	3.69	1.41	1	5	0.14	0.13	0.22	0.18	0.21	0.16	0.20	0.27	0.30	0.34	0.39	0.21	0.33	0.32	0.20	0.20	1.00				
18 lev	46.31	29.18	0	100	0.12	0.02	0.06	0.15	0.04	0.06	-0.01	0.07	-0.07	0.01	-0.02	0.11	0.02	-0.06	-0.01	-0.01	0.05	1.00			
19 age	24.11	12.38	3	76	0.00	0.03	0.02	0.12	0.10	0.11	0.27	0.18	0.14	0.20	0.23	0.12	0.03	-0.07	0.05	0.12	0.13	-0.14	**1.00**		
20 emp	25.91	41.27	1	237	0.16	0.03	0.07	0.19	0.12	0.09	0.20	0.16	0.18	0.21	0.21	0.22	0.13	-0.11	0.12	0.07	0.04	0.13	0.16	**1.00**	
21 ind			0811	9312	-0.03	-0.11	-0.04	-0.10	-0.03	-0.09	0.00	-0.01	-0.03	-0.02	-0.06	-0.12	-0.10	-0.11	-0.01	-0.13	-0.10	0.06	-0.18	0.11	**1.00**

Table 3. Definition of variables, reliability and convergent validity

Construct		Indicators	L [1]	T	VIF	BQ^2	PQ^2
Dependent variables:							
HOC: Technological innovation		*a: 0.76; $?_A$: 0.79; CR: 0.80 AVE: 0.80*					
	LOC1	Innovation in products	0.87	33.60	1.60	0.23	0.17
	LOC2	Innovation in process	0.92	78.69	1.60	0.37	0.34
LOC 1		*a: 0.74; $?_A$: 0.77; CR: 0.85; AVE: 0.66*					
Please indicate the evolution in the last two years of…	ipd1	The number of new products or services introduced per year	0.78	16.71	1.41	0.07	0.12
	ipd2	The pioneering character when introducing new products or services	0.87	36.79	1.58	0.15	0.20
	ipd3	The speed in response to the introduction of new products or services in the industry	0.78	18.95	1.47	0.06	0.09
LOC 2		*a: 0.83; $?_A$: 0.84; CR: 0.90; AVE: 0.75*					
Please indicate the evolution in the last two years of…	ipc1	The number of changes in the processes introduced per year	0.85	32.05	1.83	0.26	0.27
	ipc2	The pioneering character when introducing new processes	0.90	52.16	2.13	0.30	0.34
	ipc3	The speed in response to the introduction of new processes in the industry	0.84	27.84	1.84	0.19	0.23
Mediator:							
Use of MCS		*a: 0.87; $?_A$: 0.88; CR: 0.90; AVE: 0.57*					
Please indicate the degree of implementation of…	mcs1	ERP	0.61	9.92	1.40	0.13	0.12
	mcs2	Cost accounting	0.70	13.97	1.71	0.15	0.16
	mcs3	Budgeting control	0.81	27.21	2.29	0.13	0.15
	mcs4	Financial statements analysis	0.84	32.60	2.74	0.18	0.20
	mcs5	Strategical planning	0.85	40.22	2.81	0.23	0.24
	mcs6	Internal auditing	0.75	19.33	1.77	0.10	0.12
	mcs7	Quality control	0.71	16.39	1.56	0.18	0.18
Treatment:							
Family management	fam	The majority of managing positions are occupied by family members					
Confounders:							
R&D		*a: 0.78; $?_A$: 0.80; CR: 0.90; AVE: 0.82*					
The evolution in the last two years of…	rad1	R&D expenditure for new products or services	0.89	43.10	1.71		
	rad2	R&D expenditure for new processes	0.92	81.70	1.71		
Training	tra	There is a permanent and continuous training of family managers					
Leverage	lev	Total debts on total assets x 100					
Age	age	Number of years since the firm was created					
Size	emp	Number of employees					
Industry	ind	NACE code				.	.

[1] All loadings are significant at $p < 0.001$. L: standardized Loadings. T statistic measured through a 10,000 resampling bootstrapping procedure. VIF: Variance Inflation Factor. BQ^2: Blindfolding cross validated redundancies Q^2 index; PQ^2: Predictive-PLS Q^2 index. α: Chronbach's Alpha; $?_A$: Jöreskog Rho; CR: Composite Reliability; AVE: Average Variance Extracted.
Overall validation criteria: SRMR: 0.04 [99CI: 0.02 - 0.05]; d_{ULS}: 0.26 [99CI; 0.09 - 0.31]; d_G: 0.131 [99CI: 0.04 - 0.132]; x^2:128.22; RMS_{θ}: 0.17. NFI: 0.90.

3.3. Method procedure

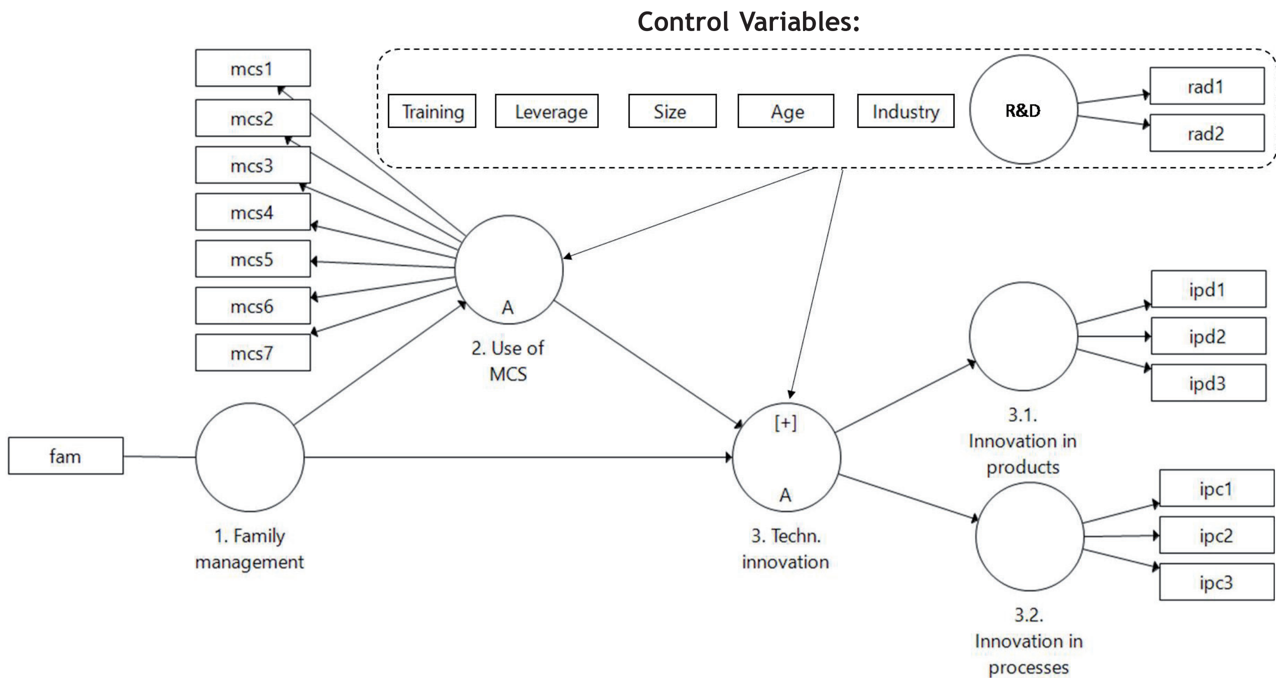
3.3.1. Structural equation modelling selection

We tested our model using Partial Least Squares (PLS), a variance-based Structural Equation Modelling (SEM) largely used in technology-related research (Henseler et al., 2016), family business research (Sarstedt et al., 2014) and management accounting research (Nitzl, 2016). SEM is particularly suitable for testing the proposed theoretical model because it allows for simultaneous estimation of multiple relationships between latent constructs involving mediation and accounts for measurement errors in the constructs (Zattoni et al., 2016). Traditional PLS is chosen in this study as the study uses second order models and does not have a large data set (Reinartz et al., 2009; Segarra-Moliner & Moliner-Tena, 2016). We estimated in Mode A because it performs better when sample size is moderate and indicators are collinear (Becker et al., 2013). This study uses SmartPLS 3.2.7 software (Ringle et al., 2015).

3.3.2. Mediation analyses

Referring to our research model in Fig. 1, H2 posits how the level of family management affects technological innovation outcomes through the use of MCS, following a path mediation model (Hayes, 2009) whereby the total effect of family management on technological innovation outcomes can be expressed as the sum of the direct and indirect effects. The latter is estimated by the product of the path coefficients for each of the paths in the mediational chain (Alwin & Hauser, 1975).

Figure 1. Proposed model



We applied the bootstrapping method for testing mediation, a nonparametric resampling procedure that does not impose the assumption of normality on the sampling distribution (Preacher & Hayes, 2008), and a higher performance than the Sobel test (MacKinnon et al., 2002; 2004). Furthermore, Sobel test cannot be applied with PLS because path coefficients are not independent when computed using PLS, and PLS does not provide raw unstandardized path coefficients (Sosik et al., 2009).

3.4. Validation

Common method variance is often a concern across samples such as the one employed in this study. To test for the presence of common method variance, we followed the procedures outlined by (Podsakoff et al., 2003) and a partial correlation procedure (Lindell & Whitney, 2001). Results suggest that the bias of the common method variance is not relevant in our study. In addition, variance inflation factors (VIF) of all constructs are below its threshold of 3.3, suggesting the model is free of common method bias (Kock, 2015; Kock & Lynn, 2012). Moreover, VIF measures below the threshold of 3.3 suggest that collinearity is not a problem. Based on these results of the multicollinearity and common method variance tests, our data appears appropriate for undertaking the tests of our hypotheses.

Latent variables measured by multiple indicators were evaluated in terms of reliability, nomological validity and composition weights (Henseler, 2017). Significances were obtained by a nonparametric bootstrap procedure (10,000 repetitions). Further, we assessed the predictive ability by using the blindfolding procedure (distance-omission of 7) in order to check that cross-validated redundancies Stone-Geiser Q^2 are superior to 0 (Tenenhaus & Vinzi, 2005), as well as the PLS-Predict procedure to assess the predict q^2 index (10 folds and 10 repetitions).

Overall validation criteria, reliability, and convergent validity of measures are shown in Table 3. Standardized root mean square residual (SRMR), unstandardized least squares discrepancy and geodesian discrepancies values are into their two-tailed 95% confidence intervals, suggesting that our theoretical model is valid (Dijkstra & Henseler, 2015; Henseler, 2017). In addition, most of our reflective indicators load on their respective constructs more than 0.71. However, there are two items that have loadings of 0.61 and 0.70 respectively, but they can be acceptable if their rejection does not improve the model fit (Hair et al., 2017). These two items were tested and rejected, where the rejection indeed did not improve the model fit (not reported due to space limitation). Moreover, all the reliability indicators exceed their shortcuts values. SRMR value less than 0.08 reflects a good fit between our indicators and constructs (Hair et al., 2019). Discriminant validity is verified according to Fornell-Lacker Criterion and HTMT ratios (Henseler et al., 2015), as shown in Table 4, and Cross-Loadings criterion (not reported).

Table 4. Discriminant validity

	1	2	3	4	5	6	7	8	9	10	11
1 HOC: Technological innov.	**0.90**	·	·	*0.53*	*0.01*	*0.26*	*0.68*	*0.03*	*0.09*	*0.11*	*0.10*
2 LOC1: Innov. in products	·	**0.81**	*0.78*	0.37	0.01	*0.59*	*0.23*	*0.03*	*0.03*	*0.09*	*0.06*
3 LOC2: Innov. in processes	·	0.61	**0.86**	0.42	-0.01	*0.73*	*0.23*	*0.04*	*0.14*	*0.13*	*0.10*
4 Use of MCS	0.44	0.44	0.48	**0.75**	-0.12	*0.45*	*0.39*	*0.07*	*0.22*	*0.27*	*0.06*
5 Family management	0.00	0.05	0.02	0.13	**1.00**	*0.07*	*0.34*	*0.05*	*0.06*	*0.18*	*0.13*
6 R&D	0.23	0.46	0.60	0.37	-0.06	**0.91**	0.23	*0.07*	*0.11*	*0.06*	*0.12*
7 Training	0.60	0.19	0.21	0.37	0.34	0.26	**1.00**	*0.07*	*0.14*	*0.07*	*0.11*
8 Leverage	0.03	0.02	0.03	-0.01	-0.05	-0.07	0.07	**1.00**	*0.23*	*0.03*	*0.06*
9 Age	0.09	0.02	0.12	0.20	-0.06	0.10	0.14	-0.23	***1.00***	*0.06*	*0.18*
10 Size	0.10	0.05	0.12	0.25	-0.18	0.05	-0.07	0.03	0.06	**1.00**	*0.09*
11 Industry	-0.09	-0.06	-0.09	-0.06	-0.13	-0.11	-0.11	0.06	-0.18	0.09	**1.00**

HTMT ratio over the diagonal (cursive). Fornell-Larcker criterion: squared-root of AVE in diagonal (bold) and construct correlations below diagonal

Finally, overall predictive relevance of indicators and constructs is supported since their q^2 and Q^2 values are above 0 (Hair et al., 2019). Moreover, both R^2 and adjusted R^2 are superior to 0.10. These results indicate a well performed model. See Table 5 for details.

4. Results

4.1. Inner model results

Our results suggest that family involvement in managing the business has a negative and significant impact on the use of MCS (path = - 0.19***) but it is not relevant in achieving technological innovation. Thus, H1 is not supported. Path coefficient from the use of MCS to the importance of technological innovation was positive and significant (path = 0.26***). These results are in concordance with the hypothesized mediation effect. Path coefficients and their 10,000 resampling bootstrap significance levels are reported in Table 5 and Figure 2.

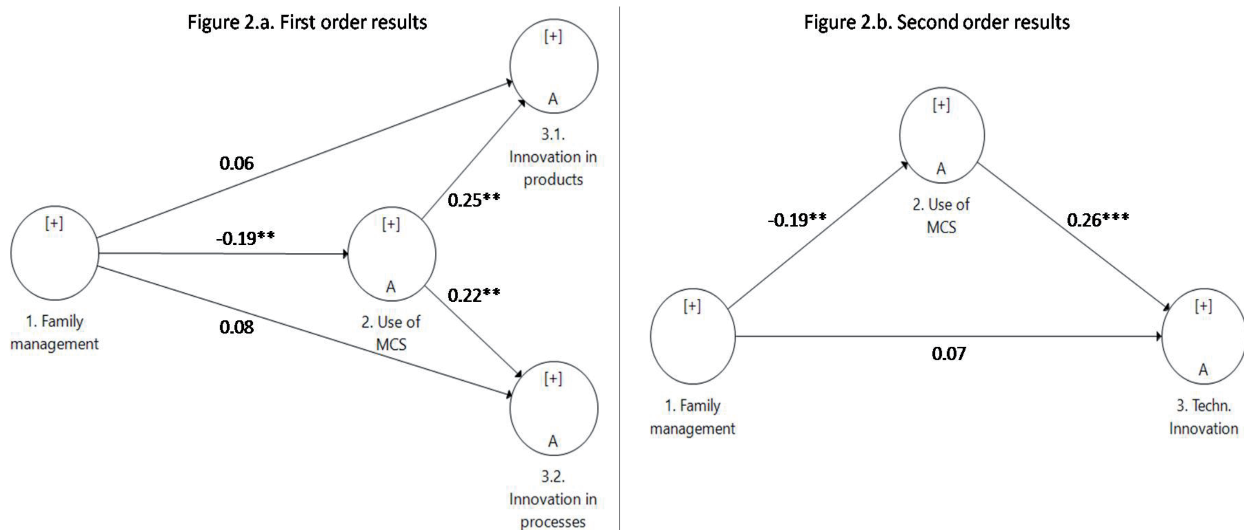
Table 5. Results

	Path		T	LO95	HI95	VIF	f^2	H	Support
High Order Model									
Family management → Use of MCS	-0.19	**	2.76	-0.30	-0.08	1.24	0.04	H2	Y
Control variables									
R&D → Use of MCS	0.25	***	3.98	0.14	0.35	1.10	0.09		
Training → Use of MCS	0.38	***	5.86	0.26	0.48	1.28	0.17		
Leverage → Use of MCS	-0.01		0.15	-0.14	0.11	1.09	0.00		
Age → Use of MCS	0.10		1.59	-0.01	0.19	1.14	0.01		
Size → Use of MCS	0.23	***	4.62	0.15	0.31	1.05	0.07		
Industry → Use of MCS	-0.01		0.25	-0.11	0.08	1.07	0.00		
(R^2: 0.33; Adj. R^2: 0.31; BQ^2: 0.17; PQ^2: 0.16)									
Fam. management → Tech. innovation	0.07		1.15	-0.03	0.18	1.29	0.01	H1	N
Use of MCS → Tech. innovation	0.26	***	3.11	0.12	0.39	1.50	0.08	H2	Y
Control variables									
R&D → Tech. innovation	0.51	***	7.51	0.39	0.62	1.20	0.38		
Training → Tech. innovation	-0.01		0.20	-0.13	0.10	1.49	0.00		
Leverage → Tech. innovation	0.07		1.23	-0.03	0.16	1.09	0.01		
Age → Tech. innovation	0.01		0.15	-0.07	0.10	1.16	0.00		
Size → Tech. innovation	0.02		0.26	-0.09	0.14	1.13	0.00		
Industry → Tech. innovation	-0.01		0.19	-0.11	0.09	1.07	0.00		
(R^2: 0.42; Adj. R^2: 0.40; BQ^2: 0.30; PQ^2: 0.22)									

	Path		T	LO95	HI95	VIF	f^2	H	Support
Low Order Model									
Fam. management → Innov. in products	0.06		0.75	-0.07	0.18	1.29	0.00	H1	N
Use of MCS → Innovation in products	0.25	**	2.83	0.10	0.39	1.50	0.06	H2	Y
Control variables									
R&D → Innovation in products	0.38	***	4.71	0.23	0.50	1.20	0.16		
Training → Innovation in products	0.00		0.03	-0.13	0.14	1.49	0.00		
Leverage → Innovation in products	0.04		0.72	-0.06	0.14	1.09	0.00		
Age → Innovation in products	-0.05		0.80	-0.14	0.06	1.16	0.00		
Size → Innovation in products	-0.02		0.29	-0.15	0.11	1.13	0.00		
Industry → Innovation in products	-0.01		0.14	-0.10	0.09	1.08	0.00		
(R^2: 0.26 Adj. R^2: 0.23; BQ^2: 0.14; PQ^2: -0.09)									
Fam. management ¤ Inn. in processes	0.08		1.24	-0.02	0.18	1.29	0.01	H1	N
Use of MCS → Innovation in processes	0.22	**	2.75	0.09	0.35	1.50	0.06	H2	Y
Control variables									
R&D → Innovation in processes	0.53	***	8.29	0.41	0.62	1.20	0.40		
Training → Innovation in processes	-0.02		0.36	-0.13	0.09	1.49	0.00		
Leverage → Innovation in processes	0.08		1.36	-0.02	0.18	1.09	0.01		
Age → Innovation in processes	0.05		0.96	-0.04	0.14	1.16	0.00		
Size → Innovation in processes	0.04		0.75	-0.05	0.14	1.13	0.00		
Industry → Innovation in processes	-0.01		0.18	-0.11	0.09	1.08	0.00		
(R^2: 0.42 Adj. R^2: 0.39; BQ^2: 0.28; PQ^2: 0.26)									

Significance, T and confidence intervals are based on a 10,000 resampling bootstrapping procedure. VIF: Variance inflation factor; f^2: effect size; BQ^2: Cross-validated redundancies Q^2 index (distance of 7); PQ^2: PLS - predictive relevance q^2 index (10 folds and 10 repetitions). *: $p < 0.05$; **: $p < 0.01$; ***: $p < 0.001$

Figure 2. Results



4.2. Testing mediation effects

We applied the analytical approach described by Preacher and Hayes (2008) to test our hypothesis on mediation effect (H2). The indirect effects are specified and contrasted with the mediator (i.e., the use of MCS). We also examined the total and direct effects of family management on technological innovation outcomes. Following Chin's (2010) suggestions, we chose the bootstrapping procedure to test the indirect effects. This generates 95% bias-corrected confidence intervals (CI) for each individual indirect effect and sequential mediation (see Table 6).

Table 6. Mediation effects

	Path		T	LO95	HI95	VAF	H	Accept
2nd Order Model Indirect Effects								
Fam. management → MCS → Tech. innovation	-0.05	*	2.12	-0.10	-0.02	-1.83	H2	Y
1st Order Model Indirect Effects								
Fam. management → MCS → Innovation in products	-0.05	*	2.04	-0.09	-0.02	-4.41	H2	Y
Fam. management → MCS → Innovation in processes	-0.04	*	2.00	-0.09	-0.02	-1.23	H2	Y
Significant indirect effects for control variables:								
2nd order model								
R&D → MCS → Tech. innovation	0.06	**	2.38	0.03	0.12			
Training → MCS → Tech. innovation	0.10	**	2.82	0.05	0.16			
Size → MCS → Tech. innovation	0.06	**	2.48	0.03	0.10			
1st order model								
R&D → MCS → Innovation in products	0.06	*	2.23	0.02	0.12			
Training → MCS → Innovation in products	0.09	**	2.53	0.04	0.16			
Size → MCS → Innovation in products	0.06	**	2.34	0.02	0.10			
R&D → MCS → Innovation in processes	0.06	*	2.19	0.02	0.11			
Training → MCS → Innovation in processes	0.08	**	2.57	0.04	0.14			
Size → MCS → Innovation in processes	0.05	*	2.28	0.02	0.09			

Leverage, age and industry effects were insignificant (not reported). Significance, T and bias-corrected confidence intervals based on a 10,000 resampling bootstrapping procedure. VAF: indirect effect on total effect ratio. *: $p < 0.05$; **: $p < 0.01$; ***: $p < 0.001$.

We found that indirect effect of family management on technological innovation outcomes through the use of MCS is negative and significant, supporting H2. In this sense, the negative and significant indirect effect of family management on technological innovation outcomes runs in a competitive way with positive but not significant direct effect, suggesting a mediated influence. Thus, H2 indicates that the use of MCS will mediate the relationship between family management and technological innovation outcomes. Family management significantly predicts the mediator (ß = - 0.19**), while the mediator is a significant predictor of the dependent variable (ß = 0.26***). Moreover, bootstrapping procedure suggests that indirect effect is significant (ß = - 0.05*) (Peake & Watson, 2015; Preacher & Hayes, 2008).

4.3 Further analysis

Regarding control variables, only R&D appear to have a positive and significant direct influence on technological innovation outcomes, while R&D, training and size appear to be significant on the use of MCS. Moreover, their significant indirect effects suggest that the use of MCS mediates their influence on technological innovation outcomes. This finding is consistent with the idea that larger firms have advantages in terms of internal knowledge, financial resources, sales base, and market power, which contribute to an increase in the level of innovation (Cohen & Klepper, 1996). Finally, leverage, age and industry are not significant to the use of MCS or technological innovation outcomes.

5. Discussion and Conclusions

5.1 Research implications

Several notable findings are obtained from this study. Firstly, our study yields notable insights for the research on innovation in FSMEs (De Massis et al., 2013). While prior research on the effect of family management on technological innovation outcomes have been very limited and mostly focused on public firms (Block et al., 2013; Maztler et al., 2015), this study, to the best of our knowledge, is among the pioneer to investigate the above relationship specifically in FSMEs. Therefore, this article renders a fruitful setting for enriching the current research, as there remains much to understand regarding MCSs in FSMEs (Moilanen, 2008; Oro & Lavarda, 2019). Our research also contributes to recent literature on heterogeneity in family firms (Chua et al., 2012; Filser et al., 2018), where we examined whether technological innovation outcomes are dependent on the level of family management. Therefore, we contribute to the existing debate regarding

whether a higher level of family management is favourable or unfavourable for technological innovation outcomes.

Secondly, empirical literature on MCS has attempted to justify the choice of MCS between distinct organizations and/or its effects in the specific context of family firms (Helsen et al., 2017). However, this is among the first to consider, at the same time, family management as the main driver of the use of MCS and technological innovation as the resulting outcome. The selection of this antecedent is especially interesting in a FSME context because family managers usually exert a great influence on firm decision-making (Minichilli et al., 2010), control the organization, and have a great deal of managerial freedom (Lansberg, 1988). Particularly, our results suggest that a higher level of family member engagement in management leads to a lower degree usage of MCS. We conjecture that in FSMEs, as the level of family management increases, the more reference to family-orientated goals rather than to business objectives, which generally indicates solid feelings of trust and control, but also implies a clear disadvantage in the management control arena (Leenders & Waarts, 2003). Likewise, our results may be explained by looking into professionalization, more specifically, the formalization aspect of professionalization (Dyer, 1989). Thus, previous literature has postulated that a greater family influence leads to a lower degree of professionalization (Dekker et al., 2013), which results in a lower usage of MCS. For instance, family managers may not be aware of management control practices and methods that would facilitate the decision-making process (Rausch, 2011). With regards to the second concept aforementioned, some authors have shown that the greater the level of family influence the lower the degree of formalization, thus the lower utilization of MCS (Hielb et al., 2015). A higher level of family management will imply a greater confidence on mutual trust and clan control, relying less on formal methods of management controls (Posch & Speckbacher, 2012). Family managers usually have a solid comprehension of the business' context and the business itself (Davis et al., 2010), which suggests that the higher the level of family management increases the lower the need to use MCS.

The findings of this study contribute to the growing literature investigating the role of MCS in innovation in FSMEs. While prior research has focused on a generally beneficial direct effect of MCS on product (Bisbe & Otley, 2004) and process innovation (Lopez-Valeiras et al., 2016), the results of this study suggest that the use of MCS have a positive mediating effect on the relationship between the level of family management and technological innovation outcomes. The level of family management influences negatively the utilization of MCS, which results in a lower chance of obtaining technological innovation outcomes. Therefore, this paper identifies one of the unfavourable effects of family managers that may explain why an increase in the level of family management, despite their undeniable positive effects on innovation, do not affect favourably and significantly on the achievement of technological innovation outcomes. Consequently, the use of MCS may provide family managers internal references in knowing the current stand of the business, hence function as a mechanism in promoting technological innovation in family-managed firms. Likewise, Duran et al. (2016) have made a call for a shift of scholarly attention to the "conversion rate" of the innovation process, where comprehending the variables that either expand or hinder the conversion of innovation input into innovation output will aid in the progression of scholarly knowledge regarding FSMEs' competitive advantages stemming from innovation. With this study, we expand existing scholarly knowledge by recognizing the use of MCS as a great facilitator for the achievement of technological innovation in FSMEs. This is coherent with findings indicating that more active roles regarding MCS are suited to the contexts where there is notable risk regarding the effects of action (Ahrens & Chapman, 2004).

Thirdly, this study has used alternative theoretical underpinnings to the agency theory (Helsen et al., 2017), the dominant view in the research field of MCS. Moreover, building on arguments from one single existent theoretical view to clarify FSME innovation is not enough, given the complicated nature of firm-level innovation (Duran et al., 2016). Specifically, we drawn on RBV and SEW perspectives. FSMEs possess distinctive goals, capabilities, and resources. A greater emphasis on long-term orientation and non-economic objectives (Chua et al., 1999, Kotlar & De Massis 2013) foreshadow that a higher level of family management would imply the need of a more frequent implementation of MCS. However, it seems that FSMEs, being more family oriented and less professionalized, have fewer resources and capacities to implement management control methods (Dekker et al., 2013; Leenders & Waarts, 2003).

5.2. Managerial implications

From a managerial point of view, one needs to be aware that the overall effect of family management has on technological innovation outcomes is at least partially explained by the mediating role of the use of MCS. Our results suggest that if FSMEs with families actively involved in the management were able to use MCS more

effectively, they would achieve greater technological innovation outcomes. To this end, FSMEs should strike a balance between increasing the skills and capabilities of the family managers and hiring external managers with outstanding competencies, expertise and experiences (Barney, 1991). Therefore, practitioners and advisor should encourage FSMEs to focus their attention on augmenting their professionalization, which in turn would generate a greater use of MCSs and thus provide the family with more information on their current stand to take risk for innovation and foster information flow within the FSME. Likewise, public and private institutions dedicated to promoting SMEs, and given the prior evidence that SMEs are generally more prone to limited resources in undertaking R&D investments (Gallego et al., 2013), should implement policies to increase professionalization, which is likely to increase technological innovation outcomes by optimizing the use of appropriate MCS.

5.3. Limitations and future research directions

Despite the contributions, this paper has some limitations, which not only represent the boundaries of its insights but also provide opportunities for future research. Firstly, despite we were not able to find evidenced of common method variance or endogeneity bias, our analysis was cross-sectional and used a single informant for our data, a common practice in prior literature. Moreover, the sample consists of only Spanish FSMEs. Future research would benefit from using different data collection methods and multiple data sources and taking a cross-country perspective testing samples from different countries and longitudinal investigations would be helpful. Recently, some studies have called for more research that explore social types of control, as management control is exercised through both results-based mechanisms and informal forms of control that work more implicitly (Helsen et al., 2017; Voss & Brettlel, 2014). Hence, future research should address how the level of family management can affect both formal and informal management control measures, and in return, its effect on technological innovation outcomes. Future studies could also analyse how professionalization at different stages of business lifecycle and generations in charge may exert a crucial influence on the relationships examined in the current study. Finally, although this article has addressed technological innovation outcomes considering both product and process innovation, future research may take a distinct approach considering the distinction between incremental and radical innovation (Covin et al., 2016).

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Reacting to a Generalised Crisis. A Theoretical Approach to the Consumption of Slack Resources in Family Firms

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Abstract Research to date has shown that companies can accumulate resources over those strictly needed in order to overcome the uncertainty associated to a crisis. But the usage, re-deployment, or consumption of this excess of resources when facing an adverse environment is yet underexplored. As suggested by the literature, the condition of family business can exert an important effect in such behaviour. This paper proposes a th eoretical framework, focused on family business, about how firms manage the different slack resources when facing a general crisis. We make a call on family business scholars to leverage our propositions and the existing literature on slack resources to develop a guidance for family owners when facing an economic downturn.

CÓDIGOS JEL
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PALABRAS CLAVE
Consumo, Crisis, Empresas familiares, Rendimiento, *Slack* organizativo

La reacción frente a una crisis generalizada: Un enfoque teórico al consumo de recursos en las empresas familiares

Resumen Las investigaciones realizadas hasta la fecha han demostrado que las empresas pueden acumular recursos por encima de los estrictamente necesarios para superar la incertidumbre asociada a una crisis. Pero la utilización, redistribución o consumo de este exceso de recursos cuando se enfrentan a un entorno adverso está todavía poco explorada. Como sugiere la literatura, la condición de empresa familiar puede ejercer un efecto importante en dicho comportamiento. Este trabajo propone un marco teórico, centrado en la empresa familiar, sobre cómo las empresas gestionan los diferentes recursos *slack* cuando se enfrentan a una crisis. En este sentido, se plantea la necesidad de que los investigadores en el campo de la empresa familiar aprovechen nuestras propuestas, y la literatura existente sobre los recursos *slack*, para desarrollar una guía que facilite la toma de decisiones en las empresas familiares cuando se enfrentan a una recesión económica.

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1. Introduction

Understanding how firms are able to cope with uncertainty and overcome threatens have long attracted the interest of the academic community (Gral, 2014; Karacay, 2017). To face this situation, exceeding resources, or slack resources has been considered a positive element to assure the survival of the firm (Bourgeois, 1981).

Literature to date has reflected the possibility of addressing a greater number of goals, but also offers some protection against unfavourable events such as internal crises (Bourgeois, 1981) or environmental economic crises (Zona, 2012).

This paper develops a conceptual model of how family firms consume and redeploy the slack resources when facing an environmental jolt, such an economic crisis or an unanticipated event as it is the actual sanitary crisis. Thus, we advance prior works on slack resources and family firms (Campopiano et al., 2019), in particular we consider the possibilities to downsize or retrench (Agarwal et al., 2009), as firms consume accumulated resources when difficulties arise (Bourgeois, 1981). The proposed theoretical model, thus, contributes to further our understanding of resilient family firms when confronting an economic downturn, and the process that may be undertaken in order to survive, and, if possible, keep adequate performance outcomes. Besides, it contributes to the slack resources literature by considering the usage or redeployment of these excesses of resources as a determinant of performance instead of the traditional stock consideration.

The paper structures as follows. First, we develop a theoretical framework that will be used as a basis for the models. As the different possible effects of the slack resources are unveiled, we build different propositions. The different propositions together conform the proposed model. The paper concludes with a discussion, possible implications, and future research lines.

2. Theoretical Framework

Slack resources have been defined from a diverse set of theories and perspectives (Karacay, 2017). Within the theory of organizational behaviour, they are conceptualized as those excess of resources that allow companies to adapt to unexpected fluctuations (Cyert & March, 1956, p. 52). Bourgeois (1981) complemented this perspective with the opportunity of strategic use of these resources beyond passive purposes (Voss et al., 2008), thereby introducing versatility in its use (Sharfman et al., 1988).

Slack is generally viewed as a positive factor (Gral, 2014; Karacay, 2017), since slack can be used as a motivating force for decision-making and a resource for conflict resolution, providing the possibility to solve more goals. In addition, slack resources can provide some protection against adverse events such as internal crises (Bourgeois, 1981) or economic recessions. Thompson (1967) raised the need to establish mechanisms that would allow the organisation to keep the core of operations isolated from possible negative environmental influences. In this sense, the literature has valued organizational slack as a key factor that facilitates buffering the variations and discontinuities caused by environmental uncertainty (Bentley & Kehoe, 2020; Bradley et al., 2019). Therefore, having an excess of resources over those strictly needed will allow firms to cope with unforeseen changes in the environment (Godoy Bejarano et al., 2020; Stan et al., 2014). In this sense, organizational slack can be defined as a cushion that provides an essential buffer within organizations against financial crises (Cheng & Kesner, 1997, p. 3).

Literature has mainly suggested that having slack resources mitigates the negative influences of the environment (Godoy-Bejarano et al., 2020) by avoiding excessive dependence on external resources (Fiegenbaum & Karnani, 1991; Meier et al., 2013; Nadkarni & Narayanan, 2007; Shimizu & Hitt, 2004; Thomas, 2013). Thus, slack resources contribute to performance stability by increasing resource flexibility and ultimately contributing to firm survival in environmental uncertainty (Aaker & Mascarenhas, 1984; Arslan-Ayaydin et al., 2014; Evans, 1991; Kulkarni & Ramamoorthy, 2005).

In addition to playing a role of assistance to avoid the problems arising from the scarcity of resources from the environment, slack resources also entail a high level of flexibility for management. This flexibility facilitates proactive behaviours, allowing companies to create strategic options that allow them to achieve competitive advantages (Klingebiel & Adner, 2015; Sanchez, 1993; Wu & Tu, 2007). Therefore, the presence of slack has been associated with the flexibility and manoeuvrability of resources as it favours the adaptation to new competitive situations due to sudden environmental changes (Donada & Dostaler, 2005).

Slack resources are, therefore, a cushion for improvement and facilitating a short-term adaptation process (Godoy-Bejarano et al., 2020). In this sense, Sharfman et al. (1988, p. 603) deepen into this process remarking that the buffering mechanism involved in slack resources differs from other buffers. The reason for this assertion is that slack resources present more functions than just acting as a cushion (Bourgeois, 1981).

Notwithstanding, slack resources have not always been considered as positive. This type of resources has additionally been related with agency problems (Brush et al., 2000), as it expands the power to decide of managers and may suggest less than optional use by management, leading to inefficiency and negative results (George, 2005; Jensen, 1986; Love & Nohria, 2005).

All in all, research to date on the effect of slack resources against a crisis (Bradley et al., 2011; Tang et al., 2015; Zona, 2012) indicates that this type of resources allows companies to react to uncertain situations (Meier et al., 2013) and protect themselves to ensure their survival (Evans, 1991). Tan and Peng (2003) argue that, in the face of a crisis, the scarcity of resources that firms can obtain from the environment forces companies to adjust their efficiency levels through the use of accumulated resources to ensure survival. However, it has also been observed by researchers that maintaining high levels of slack resources during munificent periods can negatively affect performance (Vanacker et al., 2017). In this sense, the availability of high levels of slack resources, especially those considered flexible (Arslan-Ayaydin et al., 2014), makes it possible to create multiple strategic options for dealing with a crisis (Klingebiel & Adner, 2015), allowing, through redeployment or consumption, to protect from external adversities (Wenzel et al., 2020).

2.1. Slack resources and the family firm

The study of slack resources in the family businesses field has yet to be developed (Laffranchini & Braun, 2014), and the effect of how companies react against crises, by means of the use and redistribution of these resources, remains unexplored (Campopiano et al., 2019).

Most research to date that has studied the functions of slack resources in relationship to family businesses has done it mainly in relation to how this excess of resources condition their international behaviour (Alessandri et al., 2018; Liu et al., 2011; Xu & Hitt, 2020) or innovation (Campopiano et al., 2019; Kim et al., 2008; Liu et al., 2017).

It is worth noting that slack resources in family firms have multiple particularities that may lead to different performance. In this sense, the agency problems derived from the possession or use of slack resources (George, 2005) must be considered as different to those appeared in non-family firms due the nature of the firm's capital, and to the specific behaviours and outcomes associated with family firms (Chrisman & Patel, 2012; Kotlar & De Massis 2013). Laffranchini and Braun (2014) show that the access of family managers to the available slack seems to have a concave relationship with the firm's performance, however this outcome is moderated by the corporate governance structure of the family firm, and depending on the type of family firm, it is possible to see the predominance of an agency-based approach (De Massis et al., 2018) or a behaviour associated with a stewardship-based view. Mahto and Khanin (2015) show that the high-discretion slack affects the family business strategy as they favour a risk-seeking strategy over the traditional risk-averse strategy. However, as it happens in general in the literature related to slack resources, the study of their consumption and the way in which companies redistribute these resources is still scarce (Agusti et al., *in press*).

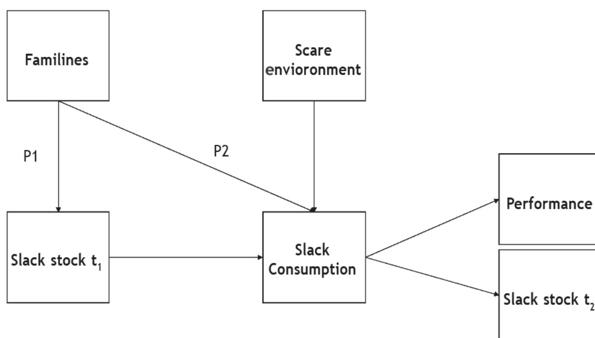
3. A Model on the Consumption of Slack Resources

Bourgeois (1981) suggested, in his key article on the measurement of slack resources, that for the analysis of this type of resources it would be necessary to study whether companies were "slack winners or slack losers" (p. 38). This leads us to argue that slack resources, against what has been mostly proposed in the literature (Daniel et al., 2004; Gral, 2014; Karacay, 2017), should be considered as a flow and not a resource stock (Dierickx & Cool, 1989). Lavie (2012) posited that there was a great lack of knowledge about the process through which companies accumulate and use resources, which is a confirmation of what was previously stated from the resource-based view. This gap is also applicable to slack resources (Argilés-Bosch et al., 2018; Love & Nohria, 2005; Su et al., 2009; Tsang, 2006).

Namiki (2013, 1015) captured the effect that the reduction of slack resources has on performance in a situation of financial crisis through the variation of resources. In our case we depart from the process of resource accumulation and deployment model by Lavie (2012), and the proposal by Campopiano et al. (2019) on the effect of environmental jolts and the deployment of slack resources, we propose the model depicted in Figure 1.

In this model (Figure 1), two fundamental facts stand out. On the one hand, family businesses, due to their differentiating characteristics, will show a different level of slack than non-family businesses. This is in line with prior research that resource accumulation and divestment are strongly influenced by family objectives (Campopiano et al., 2019; Kellermanns, 2005; Sharma & Manikutty, 2005) as these objectives condition the development of the organization.

Figure 1. How family firms may affect to slack consumption



We could take this assertion further as the different types of family business according to their familiness will show a different tendency to accumulate different stocks of slack in periods of prosperity. Van Essen et al. (2015, p. 170) observed that family firms "may choose to operate with more organizational slack" assuming a potentially inefficient behaviour, but on the premise that slack increases the survivability of the firm against unanticipated shocks. In the same way, and following Campopiano's (2019) proposal, when faced with a change in the environmental conditions, the family nature of the company will lead to a modification of the stock of resources different from that undertaken by non-family businesses (Lorenzo-Gómez, 2020). Accordingly, we consider that some of the main forms of consumption or redeployment of slack resources that have been proposed in the literature (Agusti et al., *in press*) will also be affected. Therefore, we propose that:

***P1**: Family firms will tend to accumulate more slack resources than non-family firms.*

The existing evidence in literature has given a dynamic character to slack resources. In this sense, several authors have contemplated the effects of slack resources during periods of financial crisis (Bradley et al., 2011; Chen et al., 2015; Zona, 2012), since it allows them to act in front of uncertain situations (Meier et al., 2013) or to protect themselves to guarantee their survival (Evans, 1991). As aforementioned, slack resources have a twofold effect. Thus, during a crisis, resource scarcity forces firms to use their slack resources to ensure survival (Tan & Peng, 2013), although maintaining high levels of slack resources in periods of bounty can adversely affect performance (Vanacker et al., 2017). As a result of these premises, we propose that:

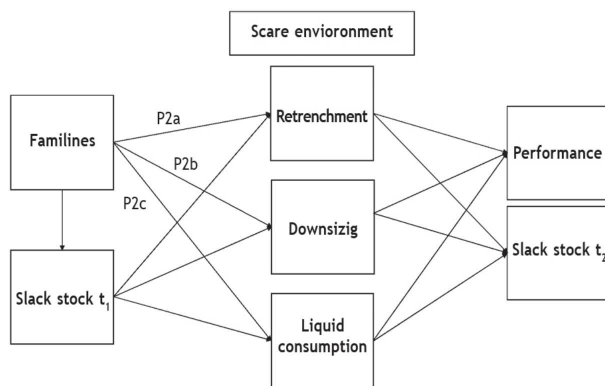
***P2**: Family firms will present a different pattern of slack resource consumption, to non-family firms, when facing an external crisis.*

However, in order to understand the possible effect, as well as the different possibilities in the management of this type of resources by the company, it is necessary to take into account the multidimensional nature of these resources (Geiger & Cashen, 2002), and the diversity of measures (Bourgeois, 1981) or configurations of these (Marlin & Geiger, 2015). In a more detailed way, we can say that the available resources present a great versatility (Arslan-Ayaydin et al., 2014), which makes it easier for the company to create different strategic options (Klingebiel & Adner, 2015), allowing through redeployment or consumption to stop the effects of external or internal adversities. Similarly, high levels of potential slack will facilitate survival in periods of shortage by avoiding the need to seek external financing for the company itself (Bourgeois, 1981).

However, literature on slack consumption is still scarce (Agusti et al., *in press*), and evidence of this consumption has to be sought in turnaround literature. In this sense, previous studies investigating the impact of slack reduction have done so on innovation capacity (e.g., Mellahi & Wilkinson, 2010), and have focused on human resources (e.g., Cheng & Kesner, 1997; Kim & Ployhart, 2014; Mellahi & Wilkinson, 2010; Wagan, 1998), assessing the effect of size reduction on performance. Namiki (2016) considers that the reduction of slack, in terms of cash and overheads, is similar to the cost and asset cuts associated with companies in crisis seeking recovery. In this sense, Lim et al. (2013, p. 43) define slack as the process of deliberately eliminating assets and/or reducing costs as a means to increase the efficiency of the company. This definition is in line with the agency theory associated with slack ownership (George, 2005).

In this sense we apply the literature that is, directly or indirectly, related to slack resources, in which this issue has been analysed in specific contexts, such as in cases of turnaround and more specifically in retrenchment, downsizing processes in relation to human resources, or in liquidity management when the company faces widespread financial crises. It is necessary to note that downsizing has been considered as a type of retrenchment strategy. In our study, we differentiate these two terms by associating downsizing to human resources costs and retrenchment to other types of expenses (general and management costs, R&D, marketing, etc.). The rationale followed by the following model responds to this consideration. In this sense, and from a crisis perspective in which resources are scarce, we could propose the model presented in Figure 2.

Figure 2. Family firm and the different forms of slack reduction



4. An Approach to the Different Forms of Consumption of Slack Resources in the Family Business

The key question in this process is to understand whether these processes are the same in the family business. It is generally accepted that family firms have a different risk orientation than non-family firms (Naldi et al., 2007; Schulze et al., 2002; Zahra, 2005). Zahra (2007), among others, maintains that family enterprises have a unique set of characteristics and capabilities that differentiate them from the rest in their management and decision-making. Even among the companies considered as family businesses it is possible to identify characteristics which establish a taxonomy within the very concept of family business (Le Breton-Miller et al., 2011). Similarly, it has been considered the effect that family businesses present a great diversity of objectives, financial and non-financial (Cennamo et al., 2012; Gómez-Mejía et al., 2011; Miller et al., 2012), resulting in a diversity of responses to environmental jolts (Campopiano et al., 2019).

Retrenchment can be defined as “the deliberate elimination of assets and/or reduction of costs as a means to increase the efficiency of the company” (Lim & Mccann, 2013, p. 43). This definition links directly to slack resource management from an inefficiency-based perspective (George, 2005). Indeed, cost reductions refer to the net reduction of total costs such as selling, general and administrative expenses (SGA); financial expenses; and other costs (marketing or R&D associated costs) (Lim & Mccann, 2013; Robbins & Pearce, 1992), which allows linking this management process to the use or application of recoverable slack. Most of the literature raises the use of these cuts in situations of business crisis, but more recently researchers have also looked at the contingency factors influencing the effects of these cuts (Dewitt, 1998; Francis & Pett, 2004; Guthrie & Datta, 2008; Morrow et al., 2004). These cuts, particularly in costs, may also be a response to declines in the munificence of the environment (Boyne & Meier, 2009).

In this regard, family firms are more flexible than non-family firms because of the organizational and management models they employ (Nodqvist et al., 2008), taking into account the differences in the financial information management (Basly & Saadi, 2020). Casillas et al. (2010, 2013) showed that these management systems allowed them to speed up decision-making processes and therefore to be more responsive. In particular, the family nature can favour the rapid development of readjustment or change of direction strategies, as these companies have demonstrated a greater entrepreneurial orientation (Casillas et al., 2010; Nordqvist & Melin, 2010). This entrepreneurial orientation not only allows this type of company to identify and exploit new business opportunities, but also provides them with a greater capacity to react to unsatisfactory results. In this sense we propose that:

***P2a**: In a situation of economic crisis, family businesses will make faster use of retrenchment mechanisms than non-family businesses.*

As aforementioned, and considering human resources separately to the other costs considered in the retrenchment strategy, we find that within the extensive literature on downsizing, some studies have analysed how this process affects the outcome of innovation (Dougherty & Bowman, 1995; Mellahi & Wilkinson, 2010) and company performance (Guthrie & Datta, 2008; Love & Nohria, 2005). Downsizing is defined as “the decision by a firm to reduce its capacity of those human resources which exceed the requirements necessary for the efficient operation of the firm” (Mellahi & Wilkinson, 2010, p. 485), this definition being directly related to the recoverable slack. Mellahi and Wilkinson (2010) point out that one of the main weaknesses of studies between slack and innovation is their exclusive focus on the level of slack available in organisations to the extent that they neglect the potential impact of sudden slack reduction on innovation, as family firms consider innovation in a different way (Ferrari, 2019). This is therefore a major gap in research, as companies regularly adjust their slack level to suit the business environment in which they operate in order to remain competitive (Cheng & Kesner, 1997).

However, the empirical evidence seems to suggest that family-owned or controlled enterprises have a different approach to reducing the number of employees from non-family ones (Stavrou et al., 2006). Thus, we find work that has shown that family management moderates the relationship between firm profitability and the likelihood of downsizing (Block, 2010). The main justification for this is that family firms are less likely to downsize than non-family firms because their objectives are not solely related to financial performance. In this sense, there is work that has identified how the fluctuation of the number of employees in family firms is lower in periods of crisis (Block, 2010; Lee, 2006; Machek, 2017), with family firms generally being larger job creators than non-family firms (Amato et al., 2020). These findings can be supported by the socioemotional wealth theory. Under the immediate threat of a loss of socioemotional wealth, family managers will become loss averse; hence, they will be willing to prefer to preserve their socioemotional wealth over other goals (Chrisman & Patel 2012). Consequently, we set the following proposition:

***P2b**: In a situation of economic crisis, family businesses will use less downsizing mechanisms than non-family businesses.*

Finally, in the area of finance there are numerous studies that analyse liquidity management and other financial decisions of companies in a situation of generalised crisis (Campello et al., 2011; Jung et al., 2020; Nason & Patel, 2016). These financial resource slacks are usually related to the available and potential slack (Voss et al., 2008), and are linked to the pecking order theory (Myers & Majluf, 1984). The available slack, associated with liquid assets, is an important element of protection against the environment, facilitating adaptation and the search for options (Deb et al., 2017; Kim & Bettis, 2014). Thus, in circumstances where a rapid response is required, this type of resource is particularly important (Kim & Bettis, 2014), being vital for survival and crisis response (Arslan-Ayaydin et al., 2014). Along with liquidity, some authors have argued that firm leverage, potential slack, is of particular importance in crisis situations, even beyond liquid resources (Arslan-Ayaydin et al. 2014). Notably, empirical evidence has shown that firms with higher levels of slack show a greater decline in profitability at the beginning of the crisis; however, they show a higher increase in profitability in the recovery (Latham & Braun, 2008, 2009).

In terms of how family businesses manage liquidity, Lozano (2015) outlines the relevance of strategic decisions guided by conservatism, flexibility, long-term vision and the active control that family businesses have over cash accumulation. His results show that family firms tend to accumulate cash for both strategic reasons and fortheir own particularities, achieving optimal cash accumulation more efficiently than non-family firms.

Several other factors also affect cash accumulation, such as liquid replacement assets, cash flow volatility, leverage, investment opportunities and size. Accumulated cash therefore depends first and foremost (using generated cash flow and size as the usual control variables) on the firm's decision to hold liquid assets - rather than, or in addition to, cash - or to have credit facilities (Hardin et al., 2009).

Cash is the most conservative means of payment and is therefore particularly relevant to the company's strategic decisions. Family businesses have a broader investment horizon (Miller et al., 2011; Pindado et al., 2011), so the family is likely to act in the best interests of the business most of the time. Companies controlled by the family have broader investment horizons (Miller et al., 2011; Pindado et al., 2011), so the family is likely to act in the best interests of the company most of the time.

The flexibility of family businesses in the decision-making process is an important factor that can influence a company's ability to adjust its cash holdings, especially since family businesses have certain advantages related to family ownership, such as family dedication, commitment to the business and the interaction between ownership and management. From this reasoning we propose that:

***P2c**: In a situation of economic crisis, family businesses will less use of downsizing mechanisms than non-family businesses.*

5. Discussion and Implications

Our model draws on different approaches to emphasize the mechanisms through which family firms can consume the exceeding resources to buffer environmental jolts. Following prior research, we assume that slack resources moderate the effect of external crisis by means of its consumption or redeployment through different bias. Although organizational slack has been considered as a form of inefficiency on the lens of those researches that have used the agency theory, it cannot be denied that most literature has seen the possession of these types of resources as having a positive effect on firms proactive behavior and performance (Daniel et al., 2004).

It has been considered by the literature that family firms are expected to preserve an amount of organizational slack in case they need to face a crisis (Campopiano et al., 2019; Van Essen et al., 2015), but, how can this excess of resources be used has received little attention (Agusti et al., *in press*). It is not thus having the means not only to absorb the environmental jolt but also to react to this. Indeed, studies on slack resources have mainly considered the availability of these types of resources rather than how they are used when the environment becomes particularly hostile (Voss et al., 2008; Zona, 2012). An environmental jolt or an economic downturn may become a critical challenge for the survival of most firms. When facing such a situation, firms may apply or consume the resources they have been accumulating along economic prosperity periods. In our model we take a look at the particularities of family firms when deciding which way of consumption may they use as they face an external crisis. Campopiano et al. (2019) remarked that the family firm is a particularly resilient form of organization. However, the difference in goal settings, financial and non-financial, and the risk-taking behavior associated to socioemotional wealth will reduce the flexibility and diversity of actions that can be taken to respond to a reduction of the environmental munificence associated to these situations.

Our study, summarized in our model, remarks the possible effects that the familiness character of the company may have in future performance. Against the work by Campopiano et al. (2019), slack does not play a mediating role but a key role in the decision making when facing a crisis situation.

However, this work is just an initial framework that needs further development. In this sense, a general consensus distinguishes three types of slack, namely available slack, recoverable slack and potential slack. Thus, while the former encompasses resources that have not been allocated to a specific task and can be used quickly for any purpose, recoverable requires time for its redeployment. Finally, potential slack is associated with the organisation's ability to generate additional resources. Each of them present notable differences between family and non-family firms that will affect not only their accumulation but also their possibilities of application and operationalisation. A closer look to this problem by means.

The results of the application of our study may not only be of interest to the academic community but also to practitioners that can learn whether if it is convenient to save resources for difficult times or is it better to put the emphasis on efficiency and scarcity (Agusti et al., *in press*).

6. Conclusion

Slack resources are of critical importance for understanding a firm's behaviour when facing an environmental jolt or a crisis situation. However, the type of ownership, and in particular if this is held within a family, must be considered for possible implications. Previous studies have analysed the effect of the availability of these resources to performance or innovation variables. However, less have dealt with the consumption, reduction or application of certain slack resources and how these processes relate to different outputs. Thus, these studies analyse whether a sudden reduction in slack has any impact on innovation (Mellahi & Wilkinson, 2010), or whether a greater or lesser reduction in costs and assets in a retrenchment process favours the survival of the company and the turnaround process (Barker & Mone, 1994; Robbins & Pearce, 1992). Studies on liquidity in crisis situations analyse how firms manage the different sources of finance available to them (Campello et al., 2011), linking this management to the survival or maintenance of the firm's profitability (Cheng & Kesner, 1997; Deb et al., 2017; Paeleman & Vanacker, 2015). By considering the specific objectives and decision-making processes associated to family firms we enrich the debate around the usefulness of slack resources in uncertain situations, such as environmental jolts or economic downturns, and the effect of their usage or redeployment in the pursuit of survival or performance. This work aims to make a plea for more research on how family firms accumulate, adjust and redeploy the different resources, and in particular those that do not respond to an efficiency perspective. It is therefore necessary to empirically test the different propositions set in this paper. Furthermore, understanding how the different levels of familiness affect this consume, or the mediating effect of some variables, such as the socio-economic wealth, emerge as important research lines for the future.

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Managerial Capabilities in the Family Tourist Business: Is Professionalization the Key to Their Development?

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Abstract The main objective of this work is to analyze the elements of the particular governance structure of the family business and the involvement of the family in the business in order to identify their effects on managerial capabilities. Furthermore, the study examines the role of professionalization in this type of company as a moderating variable. To that end, the analysis draws on the resource-based view and agency theory. The empirical study is carried out using multiple linear regression analysis on a sample of 591 Spanish tourism companies. The results show that many of the specific characteristics of the family business have a negative effect on their managerial capabilities, preventing their proper development. However, the professionalization of the head of the family business contributes to alleviating these problems, facilitating the development of said capabilities in the family business.

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PALABRAS CLAVE
Capacidades directivas, Empresa familiar, Estructura de gobierno, Profesionalización, Sector turístico

Las capacidades directivas en la empresa familiar turística: ¿Es la profesionalización la clave para su desarrollo?

Resumen Este trabajo tiene como principal objetivo analizar los elementos de la particular estructura de gobierno de la empresa familiar y la implicación de la familia en el negocio para comprobar sus efectos sobre las capacidades directivas. Asimismo, se estudia la profesionalización en este tipo de empresas como variable moderadora. Para abordar este análisis, se toma como base el enfoque basado en recursos y capacidades y la teoría de la agencia. El estudio empírico se lleva a cabo sobre una base de 591 empresas turísticas españolas mediante un análisis de regresión lineal múltiple. Los resultados demuestran que muchas de las características peculiares de la empresa familiar ejercen un efecto negativo sobre sus capacidades directivas, impidiendo su correcto desarrollo. Sin embargo, la profesionalización del máximo responsable de la empresa familiar contribuiría a paliar dichos problemas, facilitando el desarrollo de dichas capacidades en la empresa familiar.

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1. Introduction

The interaction of family and business determines the relationships established within the family business. This combination inevitably gives rise to the special identity that sets family businesses apart from non-family ones, and that takes shape in the particular governance, ownership and control structure in these companies. In turn, the specific structure in the family business largely determines its competitive behavior, its continuity and, ultimately, its success or failure.

Among the key aspects for the success of the company are the managerial capabilities, since they are essential for the good management and performance of the company, as well as for the development and use of the rest of the company's resources and capabilities (e.g., Carmeli & Tishler, 2006; Chrisman & Patel, 2012; Hitt & Ireland, 1985; Keil et al., 2017; Mahoney, 1995; Martínez et al., 2010). Despite their importance, there are very few studies that analyze managerial capabilities within the family business (Garcés-Galdeano et al., 2016; Ng et al., 2019; Salvato et al., 2012).

The first objective of this work is therefore to analyze the governance structure in the family business and the involvement of the family in the business in order to understand what aspects of this type of business contribute to or delay the development of managerial capabilities in the family tourism business. Previous research on the family business as well as specialized organizations in this field, such as the Spanish Family Business Institute, highlight the need for professionalization in order to achieve success in the family business, relating it in many cases to succession planning and the transition from an informal management style to a more formal one (Benavides et al., 2011). Therefore, the second objective of this work is to study whether the professionalization of the head of the company moderates the influence of the different elements of the structure of the family business on their development of managerial capabilities.

To address these issues, this study draws on the resource-based view (RBV) and agency theory. The empirical analysis relies on a database of 591 family tourism businesses and the hypotheses are tested using a multiple linear regression model.

2. Theoretical Approach

In this study, we apply two different approaches to examine the different elements of the family business; namely, the RBV and agency theory. Both approaches have been widely used to analyze issues related to the family business (Astrachan, 2010; Basco, 2006; Chrisman et al., 2003, 2005). On the one hand, the RBV emphasizes the importance of the specific capabilities and resources of each company as determinants of its ability to achieve a sustainable competitive advantage. On the other hand, there has been growing interest in aspects related to ownership, control, owner orientation, property dilution, and governance mechanisms that regulate the effect of separating ownership and control. Agency theory has been the predominant approach used to address these issues in the context of the family business (Astrachan, 2010). These two approaches thus lay the foundations to analyze the differential characteristics of the family business and their influence on managerial capabilities.

2.1. Family involvement and governance structure in the family business

The family business governance structure can be studied through the lens of a number of different elements. In our case, we focus on the degree of family involvement in this governance structure and on aspects related to generational succession and family development, as proposed below.

2.1.1. Succession in the family business

The succession process in ownership and control structures is key for many family businesses that seek to retain control over the business in the hands of the family (Salvato et al., 2012; Westhead et al., 2001). The survival of the company through the generations often depends on its ability to enter new markets and its ability to revitalize itself (Richards et al., 2019; Ward, 1987). Throughout this process, appropriately developed managerial capabilities are needed to efficiently manage the company and generate competitive advantages that keep it in the market.

Most founders of a family business want to maintain family control and protect its legacy (e.g., Astrachan et al., 2002; Duran et al., 2016; Jaskiewicz et al., 2015; Salvato et al., 2012; Sciascia et al., 2014). This aspiration may sometimes be due to the propensity towards nepotism in family businesses (Khanin et al., 2019), although some research (Burkart et al., 2003; Lee et al., 2003) alludes to more rational reasons in a number of specific situations: for example, cases where the current legal system provides low protection for shareholders such that the separation between ownership and control would be inefficient; the family gains reputational and non-pecuniary benefits if it maintains leadership within the family; or when companies' competitive advantages are based on idiosyncratic knowledge that can only be efficiently transferred to very reliable family or close non-family members.

Founders of the family business tend to have an entrepreneurial character, evident when they

recognize and exploit the opportunity to create a business (Aldrich & Cliff, 2003); however, over time, they often become more conservative and lose that entrepreneurial orientation (Dertouzos et al., 1989; Röd, 2016; Salvato, 2004; Zahra et al., 2004). The founder's desire to keep the business in the hands of the family and preserve the family wealth can lead to an aversion to risk and change (Carnes & Ireland, 2013; Kellermanns & Eddleston, 2006).

Furthermore, even if the first generation of the family business had an entrepreneurial character and efficient managerial capabilities, this does not necessarily mean that subsequent generations will have the same characteristics. Evidence shows that future generations of the family are often unclear about their professional skills, talents, goals, and interests (Eckrich & Loughead, 1996). This confusion may be due, according to some authors (García-Álvarez et al., 2002), to socialization processes aimed at instilling in potential successors a sense of obligation to pursue a professional career within the family business. Similarly, some potential successors may not have the right skills and knowledge to continue the family business, which can lead to its failure. Conversely, the prepared successors may decide they want to pursue their own careers and thus may be reluctant to join the family business (Birley et al., 1999; Stavrou & Swiercz, 1999), which can lead to a situation where less-skilled successors take charge of the business.

In the specific case of tourist activities, many founders are motivated to create a company for reasons related to a specific lifestyle, with the preference for certain locations or leisure activities (Ateljevic & Doorne, 2000; Getz & Carlsen, 2000; Peters et al., 2019); however, subsequent generations may not necessarily share the same interests.

Some authors suggest that while the first generation should possess the technical or entrepreneurial knowledge necessary to start a business, subsequent generations would need to focus on maintaining and enhancing the growth and success of the business (McConaughy et al., 1999). The transfer of tacit knowledge from generation to generation is also seen as essential to preserve the continuity of the company and achieve and maintain competitive advantages (Cabrera-Suárez et al., 2001; Cucculelli et al., 2016; De Massis et al., 2015). In any case, the key to ensuring the survival and continuity of the family business seems to lie in the ability to maintain an entrepreneurial and active attitude that continually revitalizes the business.

If the company succeeds in surviving through to the second generation, the successors must be in charge of revitalizing it, to which end they must have the necessary management skills (Broekart et al., 2016). However, in many cases, the transition of the company to the next generation occurs regardless of whether the successors are qualified to take responsibility for the business. Thus, the new generation will not always master the required management methods and principles and their entrepreneurial and leadership skills will not necessarily be sufficiently well developed.

Since few companies manage the transition to the third and subsequent generations (according to data from the Spanish Family Business Institute), we focus here on first- and second-generation companies. Thus, although first-generation companies contribute to the development of managerial capabilities due to their entrepreneurial orientations, the transfer of the business to the second generation hinders the promotion and improvement of these capabilities. Based on this idea, we propose our first two hypotheses:

H1. *The first generation of the family business positively affects the development of managerial capabilities.*

H2. *The second generation of the family business negatively affects the development of managerial capabilities.*

2.1.2. Non-managerial family employees

Focusing on non-managerial employees, family owners tend to prefer to employ family members in their businesses (Barach et al., 1988; Cirillo et al., 2019; Cromie et al., 1995; Dyer & Handler, 1994). Furthermore, it is difficult for small businesses to attract qualified non-family personnel, since they will often feel uncomfortable interfering with family structures (Tan & Zutshi, 2001; Terberger, 1998). However, the hiring of non-managerial family employees is frequently based more on blood ties than on the real capabilities or merits of the employee (Astrachan, 2010), pointing to nepotistic practices (Firfiray et al., 2018). Hiring family members regardless of their qualifications or capacity for the position can cause serious problems for the company and for the development of managerial capabilities. It seems clear that each position should be filled by the best possible candidate, whether this is a family member or not (Hall & Nordqvist, 2008), in order to ensure the best results for the business. Hiring based on other criteria may suggest unstrategic behavior, based more on personal rather than business interests. These personal interests lead to difficulties when it comes to deploying efficient managerial capabilities, curbing economic rationality and diverting the focus away from the ultimate purpose of the company.

Furthermore, the hiring of family employees based on anything other than business criteria can generate conflicts in the family-business sphere. Non-family employees may feel that they are being treated unfairly (Schulze et al., 2002) when they perceive preferential attitudes towards family employees. In this sense, altruistic behaviors towards the family can lead to an inability to sanction or fire family employees who deserve it (Schulze et al., 2003); in the same way, this altruistic behavior entails an equitable treatment of different members of the same family, even when their contribution is not equal (Schulze et al., 2002). At the same time, having too many family members involved in the business opens the door for conflicts generated within the family to be transferred to the scope of the company. These aspects have a negative influence on managerial capabilities that hinders the objectivity and acceptance of diverse ideas and the decision-making process.

From another point of view, interests related to the welfare of the family can make managers succumb to requests from family employees, thus preventing the exercise of effective leadership. Also, employees who are family members may adopt altruistic behaviors due to their family membership, believing themselves to be working for the family well-being and wealth, as part owners of the business (Schulze et al., 2002). In so doing, they may create confusion regarding roles, to some extent coercing the managerial work (family or non-family). In companies where a large number of employees are family members, the altruistic behavior of preserving family well-being together with the fear of losing their job in the family business can lead to a greater aversion to risk and uncertainty, making it much more difficult for managers to adopt and foster entrepreneurial attitudes to support change.

Likewise, the presence of family employees in the company leads to the emergence of much more informal structures and agreements. Altruism fosters an increase in communication and cooperation in the family business that encourages this use of more informal agreements (Daily & Dollinger, 1992). Although to a certain degree it can be advantageous, poorly defined and informal structures mean that the roles that correspond to family employees and others who occupy a higher level in the company are not always clearly differentiated; thus, family agents tend to take advantage of the manager when the responsibilities of the manager and the family agent overlap (Lindbeck & Weibull, 1988), reducing the effectiveness of management supervision. These situations generate problems for the management in terms of coordinating and exercising real leadership, at the same time as they pose obstacles when it comes to adopting more strategic visions where the interests of the company prevail over individual interests. Likewise, the unstructured nature of these companies is a barrier to attracting professional managers (family members or external) who actually have the right training or experience for the position (Fernández & Nieto, 2005), which directly affects their managerial capabilities.

These considerations lead us to conclude that high levels of non-managerial family involvement can make it difficult to promote certain aspects such as leadership, strategic vision, support for change, acceptance of diverse opinions in cases of conflict, application of purely business principles or fostering an entrepreneurial spirit, hindering the development of managerial capabilities. Therefore, in our third hypothesis we posit that the following effect occurs:

H3. *The greater the non-managerial family involvement in the family business, the less the development of effective managerial capabilities*.

2.1.3. Family managers

Many of the abovementioned aspects regarding non-managerial family involvement can apply to family members who hold managerial positions. If family managers feel morally compelled to comply with obligations in both the business sphere and the family sphere, this can generate confusion between the ties of affection to the family and contractual ties to the company (Gallo, 1995). Thus, aspects related to altruism, overlapping roles or the appearance of conflicts from the perspective of managerial family involvement are expected to have similar effects on managerial capabilities as those suggested for the case of non-managerial family employees.

The owner of the family business tends to hire family managers in order to retain control of the company (Brunninge & Nordqvist, 2004; Carnes & Ireland, 2013). This desire for control favors the proliferation of family members in high positions. The presence of independent managers is proposed in the literature as a factor that can contribute to reducing agency costs (Samara & Berbegal-Mirabent, 2018). On the contrary, although it is argued that the coincidence of ownership and control can reduce agency costs due to the overlapping interests, hiring too many relatives in these positions can raise questions because while it is difficult to find a good manager, it is even more difficult to find a good manager from inside the family (Zuñiga & Sacristán, 2009). In these cases, the selection and remuneration are based more on family ties than on the professional experience or managerial competence of the

candidates (Fukuyama, 1995; Khanin et al., 2019; Le Breton-Miller et al., 2004; Ng et al., 2019), which leads to low-qualified managers who are ill-prepared to properly manage the company.

Another factor that encourages the hiring of family managers is the difficulty family businesses face in attracting sufficiently qualified external managers (Carney, 2005; Sirmon & Hitt, 2003). This is due, on the one hand, to the unstructured nature of these companies; and on the other, to the difficulties that non-family managers may encounter in developing a professional career in competition with family members, given that the latter are favored by incentive and promotion systems (James, 1999; Lansberg, 1983).

In any case, filling too many managerial positions with family members has negative repercussions when it comes to stimulating the development and improvement of managerial capabilities. There are a number of different reasons for this. First, although it is possible that a family member may possess the necessary attitude and knowledge, a reliance on family ties to promote or hire managers (Khanin et al., 2019; Westhead, 1997) leads to a large number of family members in important positions who will tend to be poorly qualified, unaware of appropriate methods and instruments for business management, and/or will lack strategic and entrepreneurial attitudes, which are essential for forging the appropriate managerial capabilities (Khanin et al. , 2019). Second, given that family managers inevitably try to achieve a better future for the family through the business (Chua et al., 1999; Sharma et al., 1997), as the number of family managers increases, the line between family and business becomes less clear and the prevalence of family and business interests hinders the development of a strategic conception of the business and effective leadership (Khanin et al., 2019). Third, an excessive degree of family involvement in managerial positions can spark conflicts (Miller & Le Breton-Miller, 2006), preventing objective decision-making and the acceptance of diverse opinions.

Given that people tend to be more prudent with their own money and belongings than with those of other people (Carney, 2005), the more family managers there are, the more difficult they will find it to promote pro-change attitudes, with managers themselves being reluctant to change or to take advantage of opportunities that may pose a certain risk to the wealth and well-being of the family (Daspit et al., 2019). In this respect, family members often feel emotionally attached to the organization (Miller et al., 2003), which prevents behaviors that endanger the company and the position they occupy within it; indeed, aversion to risk associated with high levels of ownership concentration hinders entrepreneurial orientation (Daspit et al., 2019; Diéguez-Soto et al., 2016; Schulze et al., 2002).

Therefore, these aspects, along with some of those discussed above for non-managerial family employees, suggest that excessive managerial family involvement in the company can generate problems. The requirements of the family and business areas differ considerably (Lansberg, 1983; Leach, 1993), so the family's operating framework is not always appropriate for running the business (Galve, 2002). Furthermore, Garcés-Galdeano et al. (2016) found in their study that family management and ownership are negatively associated with managerial capabilities.

To sum up, limiting decision-making roles to a restricted group of people—in this case, family members—prevents the development of the managerial capabilities that are so important for the company (Carney, 2005; Ng et al., 2019; Sirmon & Hitt, 2003). Therefore, we propose our fourth hypothesis as follows:

H4*. The greater the family managerial involvement in the family business, the less the development of effective managerial capabilities.*

2.1.4. Corporate governance bodies: the board of directors

As a possible solution to the problems arising from the interaction between the family, business and ownership systems, family businesses have at their disposal certain mechanisms and bodies that can help them to manage the business more efficiently. Some of these are specific to the family business and will be discussed in the following subsection. However, there are other bodies which, although they are not specific to family business, have specific features within this type of company and must be adapted to fulfil their functions more effectively (Sánchez-Crespo et al., 2005). One of the most notable of these bodies, due to its multiple functions in the context of family business, is the board of directors (Dekker et al., 2015).

The board of directors is the highest governing body of the company, with the exception of certain matters assigned by law to the general shareholders' meeting. In any company, its basic functions involve the guidance, supervision and validation of corporate decisions and oversight of the management team. The board members' goal is to maximize the value of the shares without detriment to the ethical and exhaustive respect of other contracts with customers, suppliers and employees (Chang & Shim, 2015; Dekker et al., 2015; Galve, 2002).

Experts on the subject suggest certain guidelines for optimizing board composition and structure

(Galve, 2002; Howorth et al., 2016). Thus, regardless of whether the director is a family member or not, the requirements for board membership are managerial ability and/or competence, loyalty to shareholders and other stakeholders, knowledge of business and the company itself, family values and having no ownership interest in the company. Therefore, family directors should be sufficiently prepared to contribute to meetings, or at least not hinder them. In addition, it is recommended that a certain number of external directors be included to provide objectivity and to look after the interest of the company beyond family motivations.

Therefore, while a certain degree of family involvement in the board of directors allows the objectives of the company and the family to be aligned (Barontini & Caprio, 2006; Jaskiewicz & Klein, 2007; Lane et al., 2006), a high degree of family involvement may lead to family interests being served at the expense of the company and, thus, the expropriation of minority shareholders (Braun & Sharma, 2007). In this regard, some family involvement in the board allows family directors to be engaged in interests related to the company and not only those concerning the family, helping to boost managerial capabilities through the acceptance of diverse opinions and the adoption of more strategic visions. Moreover, by incorporating non-family members the company gains access to valuable experience and knowledge and can also consult more objective opinions. Conversely, an all-family board may hinder the proper development of managerial capabilities by interfering with business interests and preventing actions that could promote change or involve some degree of risk.

The absence of a board of directors can also be an obstacle to the promotion of managerial capabilities, as there is no body to ensure that the interests of all those involved in the company are met, or to encourage more formal and effective communication, the clear definition of the company's objectives and values, or its strategic orientation.

For these reasons, we set out below a number of hypotheses arising from the above discussion:

***H5**. The lack of a board of directors hinders the development of managerial capabilities in the family business.*

***H6**. A certain degree of family involvement in the board of directors favors the development of managerial capabilities in the family business.*

***H7**. A board of directors made up exclusively of family members hinders the development of managerial capabilities in the family business.*

2.1.5. Governance bodies and mechanisms specific to the family business

The literature suggests that governance bodies in the family business are needed to reduce agency problems such as information asymmetries between different stakeholders or differences in objectives (Chrisman et al., 2018). Although there are multiple instruments that can be considered, we focus here on some of the most important; namely, the family council, the family protocol and some rules that regulate aspects related to the family-ownership-business interaction.

The family council is, together with the family assembly, one of the governing bodies related to the entrepreneurial family. While the family assembly is an informative and non-decision-making body made up of all family members, the family council has a decision-making role (Galve, 2002) and, unlike the family assembly, is a permanent structure. Specifically, the family council is responsible for regulating the functioning of the business family and its relations with the company, discussing both present problems and future projects; it also contributes to strengthening and keeping alive family values and history, preserving its unity and harmony (Blumentritt et al., 2007). Its composition, structure and functions will vary according to the specific characteristics of each company, although it is recommended that board members be chosen on the basis of their ability to perform the functions entrusted to them (Lansberg & Varela, 2001).

Another important mechanism is the family protocol, which is considered one of the most important formal instruments of governance. It is the instrument that allows the family and the company to self-regulate in order to establish a context with stable rules that are known to all, with the aim of preventing conflicts and promoting the long-term continuity of the company in hands of the owner family (Sánchez-Crespo et al., 2005). There are a series of points that are usually included in the family protocol and which are related to the implementation of structure, composition and functioning of the governing bodies; rules and principles corresponding to the management of human resources; guidelines for the distribution of capital and the transfer and valuation of shares; dividend policy; and rules for revising the protocol (Galve, 2002). The protocol should be drawn up when there are no conflicts in the family business, in order to prevent them from happening. It will be far more complicated to develop when there are conflicts or problems occurring.

Finally, the establishment of certain rules, whether verbal or written, is also important for the family business. Thus, the family business can promote, for instance, rules related to the

incorporation of family members in the company, remuneration and other aspects of the work of family members; rules on management succession and the transfer of ownership; rules on the distribution of power between branches of the family; or rules on aspects such as the company structure or the sale of its shareholding by family shareholders. These rules help ensure more objective and clearer decision-making, facilitating more impartial behavior in the management of the company and providing tools on key issues such as management succession.
The use of one or more of these mechanisms limits or prevents certain conflicts arising from overlapping roles between the business and the family, especially as more complex organizational forms emerge. In turn, this can have significant impact on economic performance (Arteaga et al., 2017). Problems arising from contradictions between family and business rules, or the desire to retain family control of the business, can lead to conflicts that affect the business and, in this case, managerial capabilities. This can be prevented by the use of said mechanisms to ensure the appropriate planning and management of family-ownership-company relations. In light of all of this, our eighth hypothesis posits that the appropriate use of this type of instrument enables the family business to improve its managerial capabilities:

H8*. The use of specific family business governance bodies and mechanisms favors the development of managerial capabilities.*

2.2. Professionalization of the head of the family business. Implications for its governance structure

Professionalization is one of the most interesting aspects in the field of family business (Daspit et al., 2019; Dekker et al., 2015; Lien & Li, 2014; Madison et al., 2018; Sandu, 2019). The level of education, being a reflection of the knowledge and skills an individual possesses, may be positively related to the ability to make strategic choices according to the demands of the environment (Wiersema & Bantel, 1992) or the propensity to generate and implement creative solutions to the firm's problems (Bantel & Jackson, 1989; Diéguez-Soto et al., 2016). Although its influence should be positive, it will not necessarily be significant; that is, the professionalization of the family business reflected through the qualifications of the head of the business does not necessarily have a significant effect on managerial capabilities if it does not succeed in modifying and influencing the values and structure of the family business. However, we posit the following hypothesis in order to test its effect:

H9*. If the head of the family business has a professional qualification, this has a positive impact on managerial capabilities.*

Furthermore, there are certain features that stem from the professionalization of the head of the family business that we believe will enable him/her to modify certain elements of the structure so that they become advantageous for the development of managerial capabilities.
Regarding generational criteria, aspects related to this issue are closely linked to the professionalization of the person in charge of the family business. Thus, a professionally-qualified head of first-generation companies can help ensure the professionalization of the company, and the same is true for second-generation companies.
Therefore, regardless of the dominant generation in the business, if the head is sufficiently qualified to address the aspects of the family business that typically have a negative effect, managerial capabilities can be adequately developed. In this regard, a professionally-qualified business head is able to transmit entrepreneurial values, transfer tacit knowledge and revitalize the company, which are crucial for its survival (Cabrera-Suárez et al., 2001; Ward, 1987). Hence, the following hypotheses refer to this effect:

H10*. If the head of a first-generation family business has a professional qualification, this has a positive influence on the development of managerial capabilities.*

H11*. If the head of a second-generation family business has a professional qualification, this has a positive influence on the development of managerial capabilities.*

The professionalization of the business also has an impact on family involvement in other job levels: on the one hand, professionalized companies tend to be more cautious when choosing both their employees and their managers, and will avoid bringing too many family members into the company; on the other hand, even if they do hire a large number of family members, they will ensure that they are really qualified for the position. In this sense, just as highly-qualified managers tend to surround themselves with more qualified employees (Boling et al., 2016; Fernández et al., 2006), a professionalized company makes greater efforts to recruit employees fairly, based on objective and justified reasons, selecting those candidates who are best suited for each position, regardless of whether or not they are family members (Hall & Nordqvist, 2008).
Therefore, in professionalized companies a higher degree of family involvement does not neces-

sarily have a negative impact, since employees and managers are selected on the basis of their knowledge and experience and not for reasons of family affinity. Moreover, in such cases, higher degrees of family involvement may even favor managerial capabilities: not only will family employees be suitable for the job, but as family members, their culture and values will also be similar to those of the company, and their conduct will therefore be aligned with the interests of the business. In this vein, the following two hypotheses are proposed:

H12*. If the head of the family business has a professional qualification, a higher degree of non-managerial family involvement contributes positively to the development of managerial capabilities.*

H13*. If the head of the family business has a professional qualification, a higher degree of family involvement in management contributes positively to the development of managerial capabilities.*

The professionalization of the family business also means that members of the board of directors tend to be capable of performing their role. In such cases, the presence of family board members—who may or may not hold managerial positions—does not necessarily have a negative influence on the promotion of managerial capabilities. Thus, even if there are some family directors with no links other than ownership, who are defending their personal interests, a high degree of professionalization in the family business prevents personal interests from overriding those of the company and helps ensure the interests of all groups are represented on the board.

Nevertheless, while a board composed entirely of family members may not necessarily have a strong negative effect, nor does it necessarily improve managerial capabilities. That is, while it may not prevent the widespread adoption of a strategic vision, it does not facilitate it. Thus, a professionally-qualified business head will be able to spread business values throughout the organization, even if he or she does not have strong support from the board of directors; however, some involvement of external directors is needed to ensure greater objectivity.

Moreover, professionalized companies also tend to be fairly complex, thus requiring a board of directors. The absence of such a governance body may be an even greater obstacle to the development of managerial capabilities in complex organizations. While it is assumed that the top management can put in place other types of mechanisms, the lack of a board of directors is an obstacle to more formal and effective communications. Thus, even professionalization will not solve the problems arising from the absence of this body, meaning it will have a negative impact on managerial capabilities. In light of these arguments, we suggest the following hypotheses:

H14*. Even when the head of the family business has a professional qualification, the lack of a board of directors is an obstacle to the development of managerial capabilities in the family business.*

H15*. If the head of the family business has a professional qualification, a certain degree of family involvement in the board of directors continues to be beneficial for the development of managerial capabilities.*

H16*. If the head of the family business has a professional qualification, a board of directors composed entirely of family members has a negative influence on the development of managerial capabilities.*

Finally, with regard to the governance bodies and mechanisms of the family business, we have already indicated that they have a positive effect on managerial capabilities. Along the same lines, we therefore present our last hypothesis as follows:

H17*. The use of governance bodies and mechanisms in family businesses where the head has a professional qualification favors the development of managerial capabilities.*

3. Methodology

3.1. Database

The database we use consists of family businesses operating in the Spanish tourism industry with more than three employees. The initial data used to create the database were obtained from a questionnaire, with different sections related to the analysis of the competitiveness of the tourism company, conducted in 2009 through personal interviews with the CEO or general manager. We applied a modified version of Dillman's Total Design Method (1978) to mitigate the problems associated with questionnaires as a data collection method, and to improve the response rate and the quality of the information. The interviews were conducted by a company specializing in tourism market research, in close collaboration with the research team responsible for the project. The interviews were administered to both non-family businesses and family businesses, although for the present study only the

latter are included. Thus, the database for this study is made up of a total of 591 family tourism businesses. Companies with fewer than three employees were also eliminated as they made it very difficult to study some of the elements included in our analysis. The fieldwork was carried out from December 2009 to March 2010. We also added data from the Sistema de Análisis de Balances Ibéricos (SABI), a database managed by Bureau Van Dijk and Informa D&B, S.A., to complete the financial information from 2008 to 2016.

3.2. Variables measurement

Managerial capabilities, the dependent variable in this study, have been measured using items related to managers' strategic vision and their ability to support change and learning, encouragement of the spirit of dialogue and acceptance of diverse opinions, entrepreneurial orientation, managerial expertise in the principles and methods of business management, and effective leadership. This variable has been introduced as the arithmetic mean of these items (Cronbach's Alpha = 0.945). The items that make up this variable have been measured through seven-point Likert-type scales reflecting managers' perception of their strength in managerial capabilities compared to industry competitors (1 = "much worse"; 2 = "worse"; 3 = "slightly worse"; 4 = "average"; 5 = "slightly better"; 6 = "better"; 7 = "much better").

The independent variables have been measured in different ways. In order to capture aspects related to the dominant generation in the family business, two dichotomous variables have been introduced: one indicates "first-generation family businesses" and the other "second-generation family businesses", with the reference variable being "third generation or more family businesses".

Regarding "non-managerial family involvement", this objective variable captures the degree to which the family participates in the company in positions not related to management. It is measured as non-managerial family involvement as a percentage of total non-managerial employees and is entered in the model in logarithmic form in order to address possible problems related to heterogeneous variances or a wide range of values in the variable.

Following the same procedure, the variable "managerial family involvement" captures the degree to which family members participate in managerial positions in the business (general management, department directors and division directors). This variable shows the family managers as a percentage of the total managerial positions and has also been introduced in its logarithmic form.

Regarding the aspects related to the board of directors, three dichotomous variables have been introduced that refer to the following situations: "there is no board of directors", "some family members sit on the board of directors" and "all the members of the board of directors are family members", with the reference variable being "no family members sit on the board of directors". The variable "there is no board of directors" takes a value of 1 when there is no such body and 0 otherwise. The variable "some family members sit on the board of directors" takes a value of 1 for those cases in which some but not all of the board members are family members and 0 otherwise. The variable "all members of the board of directors are family members" takes a value of 1 for cases in which 100% of the directors are family members and 0 otherwise. For our study, we have considered it more appropriate to use dichotomous rather than continuous variables as there may be many companies that do not have a board of directors and this approach allows their inclusion.

With reference to the "use of governance mechanisms specific to family businesses" we have introduced this effect as a dichotomous variable where 1 indicates that the company makes use of one or more of the instruments explained in the corresponding section, either verbally or in writing (family council, family protocol, norms for the incorporation of family members, succession rules, etc.), while the value 0 indicates that the company does not use any instrument of this type.

The explanatory variable "family business head's qualifications" has also been introduced as a dichotomous variable, in which the value 1 indicates that the head of the family business has completed postgraduate studies in tourism, strategic management or similar.

Furthermore, four control variables have been introduced in the model. They capture the "age" of the company, measured as the number of years it has been in operation; the "training effort", included as a dichotomous variable in which 1 indicates that the company develops training plans and 0 that it does not; the "environmental attractiveness", operationalized through the arithmetic mean of 11 items related to the advantages offered by the environment (Cronbach's Alpha = 0.701); and the "tourist destination attractiveness" measured in a similar way to the previous one, but composed of 19 items that capture the benefits in training, experience, etc., offered by the tourist destination where the company competes (Cronbach's Alpha = 0.922).

3.3. Analysis technique

To test the aforementioned hypotheses, hierarchical regression analysis is carried out using

Table 1. Descriptive statistics and correlations of the study variables

	μ	σ²	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.Managerial capabilities	4.88	1.02	1													
2. First generation FB	0.31	0.46	0.134**	1												
3. Second generation FB	0.21	0.41	-0.023	-0.345**	1											
4. Non-managerial family involvement	-1.33	1.12	-0.154*	0.009	-0.130*	1										
5. Managerial family involvement	-0.13	0.43	-0.133	-0.073	-0.133**	0.533**	1									
6. No board of directors (BD)	0.37	0.48	-0.002	0.523**	0.136**	0.071	-0.057	1								
7. Some members of the BD are family members	0.035	0.18	0.110*	-0.009	0.169**	-0.216**	-0.317**	-0.147**	1							
8. All members of the BD are family members	0.11	0.31	0.055	-0.005	0.251**	-0.196**	-0.021	-0.264**	-0.066	1						
9. Use of specific FB governance mechanisms	0.38	0.49	0.076	0.393**	0.262**	-0.048	-0.047	0.386**	0.095*	0.318**	1					
10. Head's qualifications	0.12	0.33	0.118**	-0.031	0.155**	-0.170**	-0.159**	-0.077	0.231**	0.184**	0.052	1				
11. Age	21.19	24.71	-0.066	-0.255**	0.105*	-0.205**	0.013	-0.021	0.074	0.129**	0.033	0.114*	1			
12. Training effort	0.28	0.45	0.312**	-0.016	0.137**	-0.211**	-0.202**	-0.136**	0.124**	0.211**	0.085*	0.265**	0.107*	1		
13. Environmental attractiveness	4.01	0.75	0.204**	-0.081	0.146**	- 0.207**	-0.108*	-0.136**	0.130**	0.073*	-0.022	0.175**	0.082	0.190**	1	
14. Destination attractiveness	3.97	0.86	0.242**	-0.072	0.109*	-0.112	-0.062	-0.024	0.184**	-0.050	-0.085	0.036	0.026	0.121**	0.284**	1

(*) Significant at a level of 0.05; (**) Significant at a level of 0.01

SPSS 21.0. Before entering the moderating effects, the main variables are mean centered to reduce multicollinearity (Aiken et al., 1991; Cohen et al., 2003). The results are statistically robust, as compliance with the basic assumptions for regression analysis was verified by an analysis of the residuals and of other graphs and statistics provided by the program.
The following table presents the descriptive statistics and the correlations of the study variables. The levels of correlation between the variables are low: they are all below 0.6 (see Table 1) (Churchill, 1979), thus confirming the discriminant validity of the model. The convergent validity of the dependent variable was also verified with objective internal (concurrent validity) and external (predictive validity) measures of the firm. Specifically, concurrent validity was tested by verifying whether the measure of managerial capabilities based on the manager's perceptions was convergent with the objective measure of R&D expenses (developed with firm's internal employees). The Pearson correlation coefficient between the two variables was positive ($r = 0.104$) and statistically significant ($p < 0.05$). Predictive validity was verified by means of the correlation between managerial capabilities and economic performance. Performance was operationalized through the return on assets taken from the annual accounts for 2010 compiled in the SABI database. The results show positive correlations ($p < 0.01$) between environmental performance and economic performance ($r = 0.151$).

4. Results and Discusion

4.1. Overview of the model

The estimated results are statistically robust, as it has been checked that the basic assumptions of linear regression (linearity, independence, homoscedasticity, normality, and non-collinearity) have been met, by analyzing the residuals and other graphs and statistics provided by the SPSS program. After verifying these requirements, the model has been estimated. In order to introduce the moderating effect of the qualifications of the head of the family business, three different models have been tested to see if the R^2 increases when the effect is introduced. We apply the procedure proposed by Baron and Kenny (1986) to test the moderating effect by estimating different regressions, an approach used in other studies on this topic. In model 1 only the effect of the control variables is included. Model 2 includes all the explanatory variables, while model 3 considers the interaction terms between the variables.
Table 2 displays the results of estimating the model for each of the proposed relationships. The significance of the F statistic is acceptable for all the estimated models. As can be seen, the explanatory power of the models increases first when the explanatory variables are introduced, and then when the moderating effects are introduced. In the case of the complete model with the direct and moderating effects, the adjusted R^2 shows an explanatory power for managerial capabilities of 26.5%.

Table 2. R^2 for the different models

	Model 1	**Model 2**	**Model 3**
Increase in the R^2	0.176	0.098	0.097
R^2	0.176	0.274	0.371
R^2 Adjusted	0.166	0.203	0.265
F	16.801	3.868	3.507
(Sig.)	(0.000)	(0.000)	(0.000)

Table 3 presents the results of the regression.

4.2. Results of direct effects

As can be seen in Table 3, hypothesis H1, which posits a positive effect of the first generation of family businesses, is not supported (ß = - 0.160; $p > 0.10$). Conversely, there is strong support for H2 (ß = - 0.329; $p < 0.05$). Therefore, the results indicate that in second-generation family businesses the conditions are not advantageous for the development of managerial capabilities.
Regarding the hypotheses concerning family involvement in managerial and non-managerial roles, although the effect is not particularly strong for H4, it is significant, as can be seen in Table 3 (ß = - 0.243; $p < 0.10$); therefore, H4 is accepted. However, H3 is not corroborated (ß = 0.013; $p > 0.1$). In this regard, it can be inferred that the problems that may be caused by family involvement in the company stem from senior positions.
As for the aspects related to the board of directors, surprisingly none of the proposed relationships turn out to be significant; therefore, we reject H5 (ß = - 0.029; $p > 0.1$), H6 (ß = - 0.030; $p > 0.10$), and H7 (ß = - 0.025; $p > 0.10$).
With regard to the use of governance mechanisms unique to the family business, there is strong evidence that the establishment of such instruments favors the development of managerial capabilities, as can be seen in Table 3 (ß = 0.284; $p < 0.05$); therefore, hypothesis H8 is accepted.
Finally, in this first block, one of the proposed hypotheses refers to the qualifications of the head of the family business, a variable that is then used as a moderator. Thus, H9 proposes a direct effect of this aspect on the development of managerial capabilities. However, we must reject this hypothesis, because although the effect is positive (Table 3), it is not significant (ß = 0.411; $p > 0.10$).

Table 3. Regression results of the governance factors of the family business on managerial capabilities

	B	Standard error	β	t	Sig.
Constant	2.959	0.467	--	6.329	0.000
Control Variables					
Age	-0.005	0.004	-0.138	-1.153	0.251
Training effort	0.960	0.191	0.422	5.030	0.000
Environmental attractiveness	0.275	0.109	0.201	2.529	0.013
Destination attractiveness	0.145	0.093	0.130	1.556	0.122
Explanatory Variables					
First generation FB	-0.328	0.385	-0.160	-.852	0.396
Second generation FB	-0.821	0.356	-0.329	-2.305	0.023
Non-managerial family involvement	0.012	0.089	0.013	0.134	0.893
Managerial family involvement	-0.942	0.503	-0.243	-1.871	0.064
No board of directors (BD)	-0.054	0.411	-0.029	-0.132	0.895
Some members of the BD are family members	-0.202	0.911	-0.030	-0.222	0.825
All members of the BD are family members	0.092	0.484	0.025	0.191	0.849
Use of specific FB governance mechanisms	0.545	0.239	0.284	2.279	0.024
Head's qualifications	1.530	1.142	0.411	1.339	0.183
Moderating Variables					
First generation FB x Head's qualifications	13.630	4.778	2.366	2.853	0.005
Second generation FB x Head's qualifications	2.687	1.586	0.405	1.694	0.093
Non-managerial family involvement x Head's qualifications	1.002	0.506	0.732	1.981	0.050
Managerial family involvement x Head's qualifications	8.260	2.099	1.658	3.936	0.000
No board of directors (BD) x Head's qualifications	-12.893	5.255	-1.945	-2.453	0.016
Some members of the BD are family members x Head's qualifications	5.163	2.397	0.638	2.154	0.033
All members of the BD are family members x Head's qualifications	-2.498	1.799	-0.377	-1.389	0.167
Use of specific FB mechanisms x Head's qualifications	1.033	0.976	0.200	1.058	0.292
R	0.609	R^2			0.371
R^2 adjusted	0.265	Statistical value F			3.507
Significance F	0.000				

The results for the control variables indicate that only two of them are significant: training effort and the attractiveness of the environment.

4.3. Results of moderating effects

This second block of results focuses on the hypotheses relating to the moderating effect of the qualifications of the head of the family business, the results of which can be seen in the bottom part of Table 3. Regarding the dominant generation in companies, as expected, a properly qualified head of the family business transforms the effects previously observed; thus, when the head of a first-generation company is a professional, it does contribute to the development of managerial capabilities (β = 2.366; $p < 0.05$). A change is also observed in second-generation companies: although the effect is not so strong, the professionalization of the head of the company also helps these companies tackle the obstacles they faced and establish a more conducive environment for the development of managerial capabilities (β = 0.405; $p < 0.10$). Therefore, hypotheses H10 and H11 are accepted.

Regarding the moderating effect on family involvement, when the head of the company is

appropriately qualified, the presence of family members in the company no longer represents an obstacle; in fact, it contributes to the promotion of managerial capabilities (β = 0.732, p < 0.10), particularly in the case of managerial family involvement (β = 1.658, p < 0.05). Therefore, hypotheses H12 and H13 can be accepted.
Considering the hypotheses raised with respect to the board of directors, in this case H14 and H15 are supported (β = - 1.945; p < 0.05 and β = 0.638; p < 0.05, respectively). With regards to hypothesis H16, although the effect is negative, it is not significant, so we cannot accept this hypothesis (β = - 0.377, p > 0.10). Thus, the presence of a board of directors seems key in companies where the head is professionally qualified and that are therefore more professionalized and formalized; that is, companies where the lack of board hinders the development of efficient managerial capabilities. Likewise, when some members of the board are family members, family and business interests can be more formally aligned, thus contributing to the development of management capabilities. Lastly, a board composed entirely of family members does not have any significant effect on managerial capabilities, although it does have a small negative influence. Finally, as to the use of governance mechanisms specific to the family business, a positive but non-significant effect is observed when this variable is moderated by the head's qualifications (β = 0.200, p > 0.10). Therefore, hypothesis H17 must be rejected.
The following table includes a summary of the results obtained, showing whether each hypothesis should be accepted or rejected.

Table 4. Summary of results

Hypotheses	Results
H1. The first generation of the family business positively affects the development of managerial capabilities.	✗
H2. The second generation of the family business negatively affects the development of managerial capabilities.	✓
H3. The greater the non-managerial family involvement in the family business, the less the development of effective managerial capabilities.	✗
H4. The greater the family managerial involvement in the family business, the less the development of effective managerial capabilities.	✓
H5. The lack of a board of directors hinders the development of managerial capabilities in the family business.	✗
H6. A certain degree of family involvement in the board of directors favors the development of management capabilities in the family business.	✗
H7. A board of directors made up exclusively of family members hinders the development of management capabilities in the family business.	✗
H8. The use of specific family business governance bodies and mechanisms favors the development of managerial capabilities.	✓
H9. The professional qualifications of the head of the family business have a positive effect on managerial capabilities.*	✗
H10. If the head of a first-generation family business has a professional qualification, this has a positive influence on the development of managerial capabilities.	✓
H11. If the head of a second-generation family business has a professional qualification, this has a positive influence on the development of managerial capabilities.	✓
H12. If the head of the family business has a professional qualification, a higher degree of non-managerial family involvement contributes positively to the development of managerial capabilities.	✓
H13. If the head of the family business has a professional qualification, a higher degree of family involvement in management contributes positively to the development of managerial capabilities.	✓
H14. Even when the head of the family business has a professional qualification, the lack of a board of directors is an obstacle to the development of managerial capabilities in the family business.	✓
H15. If the head of the family business has a professional qualification, a certain degree of family involvement in the board of directors continues to be beneficial for the development of managerial capabilities.	✓
H16. If the head of the family business has a professional qualification, a board of directors made up entirely of family members has a negative influence on the development of managerial capabilities.	✗
H17. The use of governance bodies and mechanisms in family businesses where the top manager has a professional qualification favors the development of managerial capabilities.	✗

5. Conclusions

Based on a detailed analysis of the specific structure of family businesses, we formulated several hypotheses regarding the possible effects of the characteristics of the tourist family business on their managerial capabilities. Moreover, the professionalization of the family business is proposed as a potential solution to the negative effects that the characteristics of the family business could have on the development of managerial capabilities.

In many cases, the results support our hypotheses, although in others they contradict the proposed hypotheses. The general conclusion is that the professionalization of the head of the family business transforms it in various ways, creating an environment conducive to the development of managerial capabilities. More specific conclusions are presented below.

First, the results in terms of direct effects show that first-generation family businesses do not contribute to the promotion of managerial capabilities, although they do not pose an obstacle either. These results support the findings of other authors, who argue that although in the initial stages the founders do possess leadership and entrepreneurial skills that contribute to the development of managerial capabilities, many of them later become settled, and averse to risk and changes (Dertouzos et al., 1989; Kellermanns & Eddleston, 2006; Salvato, 2004; Zahra et al., 2004). These attitudes can be transferred to the second generation, who adopt the same attitude observed in the late stages of the first generation, exacerbating the situation. These problems are solved when the moderating effects are introduced, which may indicate that a professionally-qualified head can create a more entrepreneurial outlook throughout the company, particularly in the founding generation. This effect occurs to a lesser degree in second-generation companies, probably due to the fact that certain values become rooted in the company, making them more difficult to address. That said, the head of the company can still modify them such that they do not pose an obstacle and may even benefit the company.

Second, the conclusions relating to family involvement in the company may suggest that problems arise in senior positions that entail greater responsibility, rather than in non-managerial positions. Family members are more likely than non-family members to seek managerial positions despite not having the appropriate training and knowledge. On the one hand, this can generate conflict among family members and among other more qualified potential managers and, on the other hand, it can be a drawback when it comes to solving problems for which they are not properly qualified, obstructing attitudes that can promote entrepreneurial values in the business.

Although a well-qualified head has implications for both types of employees, it is particularly beneficial when it comes to family managerial involvement. This indicates that the head can transfer his/her professionalism to the family managers of the business, transmitting through them cultural values of change, entrepreneurial orientation and a strategic vision.

Likewise, the fact that these managers are both well qualified and family members is highly beneficial when they set aside their personal interests for the good of the business. In this regard, they may consider themselves as “guardians” of the business (Corbetta & Salvato, 2004; Eddleston & Kellermans, 2007; Eddleston et al., 2008), becoming more deeply involved and aligning their interests with those of the company.

Regarding non-managerial family employees, these assumptions also apply to this group, although probably to a lesser degree as these employees do not have so much responsibility and do not perceive that their decisions or attitudes have such a decisive influence on the company. The general conclusion for both groups refers to the relevant role played by the professionalization of the head when it comes to securing benefits from family involvement in the company.

Third, the use of governance bodies such as the board of directors and other mechanisms specific to family businesses act as substitutes. When the effects are not moderated, the presence of a board of directors and family involvement in this body do not influence managerial capabilities. Conversely, the use of other mechanisms does appear to be relevant for the development of this type of capability. However, when these relationships are moderated, the effects are reversed: the variables relating to the board of directors have a significant influence while the other family business mechanisms have a non-significant effect. In this case, it can be concluded that these instruments are, to a certain extent, substitutes, so that in more formalized and professionalized companies, the existence and, therefore, the composition of the board of directors will be more relevant, to the detriment of the use of other mechanisms that are less professional and more typical of family businesses. Overall, most of the family tourism companies in the sample do not have a board of directors; as such, this variable only turns out to be significant when it is moderated, which may indicate that companies with a highly qualified head tend to use this type of body more. In addition, a board of directors plays a key role in the development of managerial capabilities. That said, the board of direc-

tors should include both family and non-family members in order to ensure everyone's interests are served and that the decisions made take into account the needs of all members, favoring entrepreneurial and strategic attitudes that involve all parties.

The fact that the use of governance mechanisms specific to the family business is not really moderated by a qualified head may also indicate that these instruments are used as an alternative to professionalization. Thus, in companies that are already professionalized these mechanisms tend to be less effective. However, given the positive effects of these bodies and mechanisms on managerial capabilities in family businesses as a whole, they should be assigned greater importance within this group of businesses. Nevertheless, given that the use of these mechanisms tends to increase in companies with greater generational complexity (Bañegil et al., 2011), it should be borne in mind that few companies survive beyond the third generation.

Finally, it is worth noting the evidence obtained with respect to the qualifications of the head of the business. It can be concluded that these qualifications only have an impact on managerial capabilities if this professionalization can be applied to efficiently transform the structure and behavior of the family business. Therefore, the mere fact of being highly qualified does not have an impact if it is not used for the benefit of the business.

A number of implications can be drawn from these conclusions. In terms of research, there is a need for a more in-depth study of what other aspects of the family business contribute to or hinder the development of managerial capabilities. The fact that the constant was very significant points to the existence of other aspects that can affect the managerial capabilities in the family business. There has been very little research into these capabilities in family businesses, as most of the studies in this field focus on elements that influence performance. Likewise, more attention should be paid to the heads of the family business and the variables that may represent a solution to the problems that family businesses face.

Furthermore, this study has some implications for family businesses. Training and professionalization are critical for these types of companies when it comes to developing and acquiring distinctive capabilities that can help them improve their position in the market. It is also worth noting that each job position should be filled by the best possible candidate, regardless of whether or not this is a family member (Hall & Nordqvist; 2008). However, all else being equal, companies that achieve a high degree of professionalization benefit from hiring family members, especially in managerial positions, since they feel more identified with the business than non-family members do. The results also underline the importance of using the family business mechanisms to share values and create certain rules to follow in order to prevent conflict while promoting a common culture for all members of the company.

Finally, it should be noted that this study is not free from limitations. In the first place, the R^2 is not particularly high, and the constant was very significant; however, it should be borne in mind that only aspects related to the governance structure of the family business and family involvement in the business have been included in the model, and there may be other variables that can explain the variance in the development of managerial capabilities in the specific case of the family business. Furthermore, some of the conclusions are influenced by the cross-sectional nature of the research design, which has implications for the prediction of causality. Lastly, the focus on the Spanish tourism sector may also limit the applicability of these conclusions to other sectors or territories. These limitations described here, as well as the implications in terms of research, point to future avenues for research.

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The Competitive Advantages of Multi-Family Offices over Banks in Serving Wealthy Clients in Poland

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Abstract In Poland, the main players in serving wealthy clients are banks. Nevertheless, the number of multi-family offices (MFOs) has increased notably, raising questions whether they can become real competitors to the private banking divisions. Therefore, an analysis of the activity profile of MFOs and private banking in Poland was conducted. Additionally, a survey of MFOs enabled the evaluation of their perceived competitive positions. The level of development of MFOs in Poland is low and their market is in its infancy. MFOs operating in Poland are, however, considerably more flexible than banks operating in the field of private banking.

CÓDIGOS JEL
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PALABRAS CLAVE
Oficina multifamiliar, Particulares con patrimonios muy elevados, Patrimonio, Sector bancario, Servicios para clientes adinerados, Ventajas competitivas

Las ventajas competitivas de las *family offices* multifamiliares frente a los bancos para atender a los clientes adinerados en Polonia

Resumen En Polonia, los principales actores en el servicio a los clientes adinerados son los bancos. Sin embargo, el número de *family office* multifamiliares (MFOs) ha aumentado notablemente, lo que plantea la cuestión de si pueden convertirse en verdaderos competidores de las divisiones de banca privada. Por ello, en este artículo se analiza el perfil de actividad de las oficinas multifamiliares y de la banca privada en Polonia. Además, una encuesta realizada a las MFOs permitió evaluar su posición competitiva percibida. El nivel de desarrollo de las MFOs en Polonia es bajo y su mercado está en sus inicios. Sin embargo, las MFO que operan en Polonia son considerablemente más flexibles que los bancos que operan en el ámbito de la banca privada.

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1. Introduction

The prototype of contemporary family offices can be found in Europe as early as the 6th century, where the majordomo (chief steward) was responsible for the management of the entire court and royal goods (Kammerlander & Schickinger, 2019). Importantly, the majordomo performed the indicated functions only in relation to one family. Later, financial asset management for the wealthiest people in Europe was performed by the emerging private banks, with a bank typically serving more than one family. Nowadays, the growing interest in these entities, whose task is to care for all the assets of the most affluent families, stems from the creation in 1838 in the USA of the House of Morgan, a dedicated entity whose duty was to monitor and manage the assets of the Morgan family (Fernández-Moya & Castro-Balaguer, 2011; Warwick-Ching, 2017). Shortly thereafter, a similar solution was introduced by the Rockefeller family (Dromberg, 2019). Since then, the popularity of family offices has also grown in Europe, and currently in Asia. Among them family offices serving a few rich families at the same time (i.e., multi-family offices - MFOs) seems to be of the particular interest. In this regard, they have become the next type of institutions serving extremely affluent clients competing with traditional financial institutions, especially banks and their private banking offer. Due to the similar profile of activity, it is therefore justified to investigate more the functioning of the MFOs and private banks in terms of their competitive advantages for the customers.

The issue seems to be relevant from the Polish perspective, since the number and incomes of affluent clients rise rapidly (KPMG 2021) and therefore the demand for financial and non-financial services for affluent clients will grow. Moreover, the assets of Polish wealthy families are growing and become more and more complicated in structure. This is at the moment when about 60% of national family enterprises plan the generation transfer (Ministry of Entrepreneurship and Technology, 2019) requiring sophisticated legal and financial services, which in Poland are delivered mainly by private banking departments, MFOs, as well as consulting companies and law firms advertising its “family office offer”.

Moreover, in Poland, MFOs are still extremely new — nearly 78% of them have been created after 2012 — and represent a niche segment of the financial services sector. The number of entities that provide MFO in the strict sense[1] in Poland is just seventeen[2]. However, due to their characteristic business profile — offering an extended range of services, even beyond the financial — they seem to be developing as natural competition[3] to banks, the traditional providers of financial services for wealthy families. Banks, via their private banking departments, are also providing a broad scope of services. In the face of soaring demand for services for rich families, it is interesting to evaluate the chances of MFOs – as new type of institutions – to become a real alternative for private banking in Poland.

The aim of this article is to assess whether family offices providing services to many highly affluent families (MFOs) can be a real competition for private banking in Poland in the face of growing demand for the comprehensive care about the entire wealth of the increasing number of affluent families. For this purpose, the functional approach and the scope of activities of family offices are presented — focused on MFOs as representative of the species. Subsequently, the profile of MFOs and credit institutions[4] are compared according to four criteria: institutional, product, financial, and operational. This facilitated an examination of the competitive advantages of MFOs over banks. Then, entities belonging to the group of MFOs in Poland were asked to participate in a survey appraising

[1] This includes only those entities whose main area of activity is the provision of family office services (to a full or limited extent) to wealthy families. Thus, it does not include, for example, large consulting companies which, in addition to advisory services, also provide family office services (e.g., KPMG Polska) or law firms that provide legal advisory services for wealthy clients, which are one of the functions of family offices.

[2] As a supplement to this information, expanding the segment to include consulting companies providing services called “family office” and law firms specializing in services for affluent clients, both of which were included in the rankings of family office services in Poland, the number of family offices is twenty-eight as of 2020. There is also one company (not included in the quoted numbers) which, although it published information about its family office offer on its website, when contacted, stated it did not provide such service. In addition, there is another company that claims to provide family office services but has been recognized by the Polish supervisory authority as performing banking activities without the appropriate permit. Consequently, a suit was initiated in the prosecutor’s office against that entity.

[3] In the opinion of some representatives of family offices, they do not compete with banks because they are entities with a different activity profile. As a consequence, banks are seen as partners of family offices with which they cooperate to provide comprehensive services to wealthy families — banking services being one of the areas in which family offices are supported by banks. While it can be agreed that this is how the division of tasks between entities in this market segment may appear, an analysis of the respective services offered by banks (i.e., private banking) and by family offices suggests that both are trying to entice their clients with a similar range of services. Both groups of entities operating on the Polish market use the phrase “family office” as a category of service they offer. For this reason, it was decided to analyze banks and MFOs as competitors. It should be noted, however, that family offices are naturally forced to cooperate with banks because, as unlicensed entities in Poland, they cannot accept funds from clients and put them at risk.

[4] In this article, the terms bank and credit institution are considered interchangeable.

[5] Banks refused to take part in the survey, explaining that such a decision results from their “sponsorship policy” or information policy. The reluctance to participate in the survey may also result from the lack of knowledge of the concept of “family office” — a likely

their own positions as competitors to banks in Poland[5].

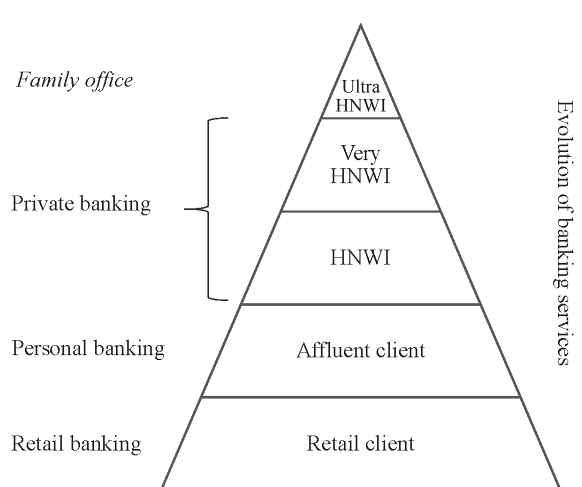
Firstly, this article opens the literature with empirical studies about family offices in Poland. So far, no research has been conducted to investigate the scale of development of these type of institutions in Poland. In this regard, the article also constitutes an important contribution to the literature on the financial institutions in the Polish financial system and the independencies between family offices and other financial institutions. Secondly, the presented research is added value to the broader topic of the financial services for wealthy clients, which is dominated by the private banking and asset management. Moreover, it contributes to the literature stream on the competition between banks and other financial intermediaries in Poland. Important lessons might be drawn not only by MFOs, but also banks.

This article comprises four parts. After profound introduction, the first chapter provides a general description of the activities of MFOs. In the second section, the comparison of the scope of activities of MFOs with private banking departments was included. The third part presents the characteristics of the MFO market segment in comparison with the Polish banking sector — using commonly available data and financial indicators. The fourth section of the article presents the results of the survey in which representatives of MFOs in Poland assessed their competitive advantages as an alternative to the private banking services of the country's banks. The last part of the article contains the summary of the paper.

2. Boundaries of the Concept of "Multi-Family Office"

The concept of family office was first introduced in 1980 by the sociologist Marvin Dunn, who described it as the entity responsible for managing the finances of wealthy families whose economic power could be diluted due to the passing of assets to successive generations, but the notion of family offices remained unpopular subject of scientific research[6]. Among various types of family offices, the MFOs could be distinguished as one (beside single family offices) of the most popular notions defining the activity of entities which main aim is the comprehensive service of affluent families. Considering the scope and profile of services provided by family offices (including MFOs), the literature suggests that they constitute the most advanced form of financial services being considered a continuation of the evolution of banking services and independent financial intermediaries (Ventrone, 2005) as depicted graphically in Figure 1. Therefore, it is even more important to evaluate MFOs as the potential competitors of banks.

Figure 1. The family office as a stage of banking services evolution relative to the wealth of its clients.



Source: own work

As indicated, initially entities providing "family office-like" services were earmarked for the service of only one family and are named single family offices (SFO). In this classic form, family offices serve the world's wealthiest families — e.g., Iconiq Capital handling the assets of Mark Zuckerberg, the founder of Facebook; Cascade Investments serves Bill Gates, the founder of Microsoft; the Soros Fund Management serving George Soros, a stock market investor; and Kulczyk Investments SA established to manage the assets of the Kulczyk family, one of Poland's richest. Over time, however, the accumulation of knowledge and skills, as well as the desire to improve the financial efficiency of their resources, led some SFOs to gradually expand their group of clients, which resulted in the formation of MFOs (Ventrone, 2005). In such case, the service of wealthy families often takes the form of the MFO creating a dedicated entity for each family — usually a foundation or trust — which takes control over all family property. The MFO is then responsible for coordinating all the services required to maintain the assets of the family. Regardless of the adopted operational formula — i.e., serving one or

conclusion drawn after interviews with bank representatives.

[6] Some proposals of definitions might be found in the articles following authors: Amit et al. (2008); Benevides et al. (2009); Dromberg (2019); Fernández-Moya & Castro-Balaguer (2011); Jaffe & Lane (2004); Rivo-López et al. (2013, 2016, 2017); UBS & Campden Research (2019); Welsch et al. (2013); Yadav (2012).

more families — the concept of family offices remains unchanged. A comparison of SFOs and MFOs is presented in Appendix 1.
MFOs offer multiple benefits for the clients, e.g.:

- Management of the family's property is centralized. A single entity handles potentially all the family's needs; hence, there is no need to engage multiple entities to deliver services.
- Privacy and confidentiality are ensured in family matters due to the limited number of entities with which the family cooperates.
- Service customization provides better alignment with the family's needs.
- Service is provided by a dedicated team of professionals.

The above-mentioned advantages should, however, be juxtaposed with the potential disadvantages. The first one concerns costs, which are usually higher than in case of private banking due to the higher level of customization. At the same time, the level of individualization of services is not at the highest level, since there are still SFOs that offer it to the greater extent. Moreover, smaller scale activity of MFOs results in a weaker negotiation position than international banks, for example, meaning that they are less able to arrange better deals as regards the products they offer to families.
Types of services provided by MFOs are generally similar in their nature to the ones delivered by the SFOs and could be classified into three groups: investment, administrative, and social (Rivo-López et al., 2017). Sometimes (Tudini, 2005, p. 179) they are divided into two groups:

- Core services classified into four macro categories: investment management, accounting and wealth reporting, tax planning and retirement plans, and trusteeship.
- Additional services: business consulting and corporate finance, charity and philanthropy, family management, and concierge.

Generally, a service that clearly distinguishes family offices from other types of institutions is the preparation of a family constitution — also called a family protocol or family charter (Fernández-Moya & Castro-Balaguer, 2011). As Hartley (2015) points out, the family constitution is a document that defines the rights, values, responsibilities, and rules applicable to family members and businesses, as well as sets out plans and structures that the family should adhere to in its further operations. Typical elements of a family constitution include rules regarding the ownership structure and changes to it — e.g., inheritance, liquidation of property, marriage, and divorce — the obligations and rights of family members — e.g., to remuneration and other benefits — as well as rules of conflict resolution (Deloitte, 2017).
When analyzing the models of MFOs' activities, note that not all the indicated services are provided directly by these entities. There are family offices that only coordinate the provision of the above-mentioned services on behalf of the wealthy family, but do not provide them directly. This applies in particular to investment advice services regarding financial instruments, which are provided by specialized entities — e.g., asset managers and investment banks (Ventrone, 2005). A similar situation may also apply to, for example, legal advisory services, which may be provided by trusted law firms and not necessarily by the family office itself.
It seems, however, that the range and types of services provided by MFOs do not constitute a key argument in favor of employing them, as similar services can be successfully offered by other specialized financial market entities. It is emphasized that an important factor distinguishing the services of generally family offices is an integrated, coherent approach to family management both in terms of its property and non-property matters, which incorporates a long-term perspective reflecting the phase of the development cycle of the family and its businesses (Ventrone, 2005, p. 139). This statement is naturally true for the MFOs. However, the principal-agent problem is eliminated mainly when establishing SFOs, which are an integrated part of a family, because no one is able to treat problems better than the entity which the problem concerns (Curtis, 2001). Hence, Curtis argues that the best solution to the management of family affairs should be family offices established and operating within a particular family - SFOs. Such solutions are, however, dedicated to ultra-wealthy families — it is assumed that family offices are suitable for clients referred to as Ultra-High-Net-Worth Individuals (Ultra HNWI) — i.e., people whose liquid assets exceed USD 50 million (Ślązak, 2018). Some sources indicate USD 500 million[7] as the minimum threshold of assets necessary to gain access to family office services (Decker-Lange & Lange, 2013).

[7] However, this limit applies only to the US market. Research carried out in the first decade of the 21st century has shown that European family offices are characterized by a much lower threshold of liquid assets necessary to gain access to these services. Moreover, the research suggests that the American culture of capitalism, in which the economic calculation is much more important than building long-term relationships with clients, promotes multi-family offices. At the same time in Europe, single-family offices operating in accordance with the principles of relational finance were more popular (Tudini, 2005, pp. 170, 175-176), although, paradoxically, single-family offices should be structures for which the minimum size of assets should be higher due to higher absolute operating costs that cannot be shared among other families.

Considering the level of wealth that is assessed as necessary, it should be noted that some MFOs may provide their (limited scope of) services virtually, what is connected with lower costs and wider potential group of interested families (Russ, 2018). Such family offices are virtual family office (VFO) that operate as internet platforms on which the family can access an ordered overview of its assets. Such solution is offered for families with a minimum value of family assets at USD 25 million. The platform and the accompanying services and expertise can be used by many families simultaneously. However, the main disadvantages are problems with data confidentiality and the continuity of services provided by the online platform (What is a Virtual Family Office?, 2019).

3. Multi-Family Offices vs. Private Banking in Poland — A Comparison of Characteristics

The comparison of the activities of MFOs versus banks serving wealthy clients in Poland[8] has been conducted on the basis of four criteria:

- institutional
- financial
- operational
- product

The analysis – conducted in the indicated four dimensions – was summarized in the Table 1.

Table 1. Comparison of the business profiles of banks and MFOs.

Criterion of comparison	Banks	MFOs
Institutional	Regulated and supervised activity (due to the type of entity).	In principle, unregulated and unsupervised activity.
	Obligatory reporting to financial safety net institutions.	No requirement to report to the financial safety net institutions.
	Obligatory publication of financial statements.	No duty to publish their financial statements — unless the company is traded on the stock exchange.
Financial	Specific format of financial statements and the obligation to publish them.	Standard format of financial statements and no duty to publish them.
	High leverage.	Lower leverage.
	High share of credit activity in banks' overall activities.	Lower share of credit activity in the MFOs' overall activities.
	Interest-fee income model.	Income from remuneration for their services to wealthy families (almost a fee-based model).
	Possible to forecast banks' financial results.	More difficult to forecast financial results due to the high customization of services and client confidentiality.

[8] Private banking in Poland is provided within the structure of universal banks; therefore, the features of MFOs are compared against the features of universal banks. As private banking is one service that banks provide, this activity must comply with all requirements applicable to universal banks.

Criterion of comparison	Banks	MFOs
Operational	Restricted flexibility in creating the organizational structure of a bank. More formalized structure.	Full flexibilty in creating the organizational structure of a MFO. Less formalized structure.
Product	Primarily banking services with the possibility of extension (by bank teams dedicated to wealthy clients).	A broad range of own services and other financial institutions' services (agent model).

3.1. Institutional dimension

Regarding the first criterion, the main difference between MFOs and banks is the regulatory environment in which they operate. The conduct of the business activity of banks in Poland, including those offering private banking services, is limited in terms of the legal form — e.g., a bank cannot be established in the form of a limited liability company — and requires approval — the start of a bank's activity requires two licenses: to establish the bank and to actually open for business. In addition, banking activity requires compliance with a number of standards, including prudential ones, specifying minimum ratios that a bank must maintain to demonstrate its ability to continue its operations — e.g., regarding liquidity and capital adequacy. However, none of the above-mentioned requirements or restrictions apply to MFOs. They can operate in any legal form, without the need to secure a license or meet any formal requirements. More than three-quarters of MFOs operating in Poland are simple limited liability companies[9].

With regard to the institutional environment in which the compared institutions operate, the activities of the banking sector are monitored directly by several institutions (referred to as the financial safety net), which include the country's central bank, the supervisor the deposit guarantor, the resolution authority, and the Ministry of Finance, and indirectly by rating agencies, analysts, and auditors (Alińska, 2012). However, the financial safety net institutions do not directly engage in controlling the activities of MFOs, except to the extent that any of the activities they engage in are legally required to be supervised. In actuality, there is no supervision of MFOs, and only rarely are the institutions included in the broad safety net interested in the operation of the MFOs. Few of them are rated, and they are also reluctant to use the services of auditors to examine their books. This fact may be due to several factors:

- In comparison with banks, they constitute a much newer form of customer service, so legislation has not yet managed to include them in the group of entities requiring special supervision — like for example, fin-techs.
- MFOs usually constitute a niche of the financial system, the significance of their activities is low; therefore, they are not of interest to regulators.
- MFOs, unlike banks, do not accept funds from their clients for management and do not subject them to risk. They act as intermediaries between wealthy clients and the financial institutions that ultimately invest the funds.
- MFOs manage the affairs (including financial) of very wealthy people who may believe that a potential loss resulting from a lack of professionalism in the entity that serves them will not have such far-reaching consequences as in the case of less wealthy people. Therefore, no form of external control is necessary beyond that exercised by the clients themselves.

3.2. Financial dimension

Banks and MFOs differ significantly in regard to their finances. First, their financial statements are different. Banks prepare financial statements according to a detailed format that is specific to them. The financial statements of MFOs correspond to the classic format, according to which all non-financial enterprises report — other than credit and insurance institutions. Banks are also

[9] From a subjective point of view, the activities of MFOs are not regulated in Poland. From the operational point of view, MFOs conduct activities similar to those of a brokerage house or investment firm. If they obtain appropriate licenses, then they are subject to supervision. However, MFOs operating in Poland generally do not have such licenses, which leads to the situation in which they conduct regulated activities but without a permit, as noted by the Polish supervisor (Polish Financial Supervision Authority, 2019).

obliged to publish their financial statements, which is not required of family offices. The structure of their financial statements is also distinct. Banks use high leverage, while MFOs rely less on debt, although the scale of this depends on the MFO and the phase of its operation, as well as its scope of services. In the case of MFOs that offer financial support to their clients' investments, these funds must be obtained from other institutions, usually in the form of debt. Note, however, that typical family office clients are so-called "depository customers" who are looking for services to organize their assets and manage them. This does not focus on obtaining funding, since this type of client usually has a liquidity surplus. Even if this were the case, the MFO would usually support obtaining such financing from credit institutions. Furthermore, on the active side of the balance sheet of MFOs (as opposed to banks), it will be unlikely to find loans since credits are legally restricted to banks alone and form the core of their assets. The structure of the profit and loss statement is also slightly different. In the case of banks, it is based on interest income and expense as well as fees charged. The receivables collected from the clients of MFOs depend on the adopted remuneration method and constitute the office's operating income, which can be compared with a bank's income from fees and commissions. Financial revenues and costs are usually of little importance to MFOs, due to the fact that they are usually not involved in the purchase of financial instruments, as banks often are for speculative or hedging purposes. The involvement of MFOs in the financial markets is usually limited to advising their clients. Therefore, they are not direct participants in those markets, which also means that MFOs are not exposed to fluctuations in the valuation of their assets, and hence their financial results. While the scale of the provided services is potentially lower as compared to banks due to having fewer clients, MFOs depend on the current demand of wealthy families seeking new solutions, with remuneration rates individually negotiated. Hence, the financial results of MFOs are more difficult to forecast by external analysts who generally do not know details of the portfolios of an institution's clients.

3.3. Operational dimension

In Poland, there are also significant organizational differences between banks and MFOs. First of all, MFOs have full flexibility in shaping their internal structure, typically creating teams responsible for given subject areas — e.g., corporate legal advice, investment advice, succession issues. Due to the size of MFOs, they rarely form formal departmental structures. Banks' organizational freedom is to a certain extent limited as there are structures that a bank is obliged to establish according to the prudential regulations — e.g., an audit committee and a remuneration committee. In other areas, banks have greater flexibility, usually creating divisions and departments responsible for particular types of banking services (retail, corporate, electronic, and transactional banking) and supporting activities (risk, accounting, IT). By nature, the organizational structure of banks is usually highly developed, and thus more difficult to transform, while MFOs are smaller structures with a greater degree of transparency and flexibility.

3.4. Product dimension

In terms of services offered, the activities of banks and MFOs differ. Banks are the primary provider of services that can be used in serving affluent clients, while MFOs act as agents who draw upon the services offered by banks in creating a comprehensive product plan for a wealthy family, but they can also create their own products, primarily based on consulting activities. Banks can supplement their basic banking services with other services dedicated to affluent clients, which is usually possible thanks to their much greater financial power than in the case of MFOs with much smaller capital bases. At the same time, however, MFOs are able to create a comprehensive product plan based on the offer of many banks, which is a significant competitive advantage.

Table 1 summarizes the analysis.

4. The Market for Multi-Family Offices and Private Banking in Poland

4.1. Data

In order to present the characteristics of the MFO market, a group of seventeen entities was identified that appear to offer the services of a MFO and which also each independently declare that the format of providing their services is family. The data used to present the MFO market in Poland was obtained from the Orbis database provided by Bureau van Dijk (mode including access to all companies), using its tool "Peer analysis" and "Aggregation". The data includes information on operating income, gross and net financial results, total assets, current liquidity, profit margin, return on capital, and solvency ratio[10].

[10] Data available upon request to the author.

These data were supplemented with data obtained directly from the MFOs.
To compare MFOs with credit institutions, data on the banking sector were used as published by the Polish Financial Supervision Authority (2020) and the Bank Guarantee Fund Bank Guarantee Fund (2019).
Given that the latest available data on MFOs in the Orbis database were as of the end of 2018, the banking sector data were also presented as of year-end 2018 to ensure the comparability of the market. As data in the Orbis database are presented in USD, other data were recalculated to USD using the average exchange rate for USD/PLN published by the National Bank of Poland as of 31.12.2018.

4.2. Overview of multi-family offices and private banking in Poland

MFOs in Poland are a niche segment of the financial market. In terms of numbers, there were seventeen entities in Poland whose activities in terms of form, scope of services, and marketing could be considered as MFOs when the research was conducted in May 2020. At the same time, of the 565 commercial and cooperative banks operating in Poland (Polish Financial Supervision Authority, 2020), only ten offered private banking services[11] (Korczakowski, 2020). The combined value of Polish banks' total assets at the end of 2018 was approximately USD 503.70 billion (Polish Financial Supervision Authority, 2020). The total assets of those ten banks offering private banking amounted then to USD 344.85 billion, constituting nearly 70% of the sector — based on the financial statements of the banks at year-end 2018. There are no separate data in regard to the assets of private banking departments in Polish universal banks. At the same time, the value of MFOs assets was only USD 3.13 million (Orbis, 2020). However, it should be noted that family offices do not accept funds from their wealthy clients, they serve only as intermediaries providing services to clients; therefore, clients' assets cannot be equated with the value of assets of the MFOs. Similar to the private banking segment, data on assets managed by MFOs in Poland are not available. The responses provided by family offices as part of the survey showed that the average value of assets managed for clients ranged from PLN 1-10 million (USD 270,000-2.66 million). The presented data show that the MFO market segment in Poland is small and highly fragmentated compared to banks. While there are more MFOs than banks with private banking departments, the consolidated private banking sector accounts for a greater share of the assets of institutions serving wealthy clients.
On average, MFOs in Poland typically serve from 10-49 clients, but the survey suggests that there could be as many as 1,500 clients of MFOs in Poland. In terms of the number of clients, there are two stand-out MFOs, each of which serve more than 500 clients. At the same time, banks in Poland served approximately 47 million customers (Boczoń, 2019a), but the number of private banking clients is not known. Generally, the group of affluent Poles in 2018 comprised 1.434 million individuals (KPMG, 2019), who were served by various types of institutions: banks including private banking departments, MFOs, and other entities including asset managers. Data confirm that the group of Polish MFOs is strongly differentiated, with two main players in terms of the number of clients[12], as mentioned above. Strong contrast is also visible among Polish MFOs in terms of the types of customers that MFOs and banks seek to serve. Within MFOs, the minimum liquid asset threshold for their clients varied from PLN 1,000-100 million (USD 265–26.6 million). Banks were more uniform in terms of the minimum capital requirement to be met in order to become a private banking client. Typically, it was PLN 1 million (USD 260,000) (Juszczyk & Gancewski, 2019).
The difference in the scale of operations is also visible in the number of employees. While at the end of 2018, approximately 50 people worked in Polish MFOs per Orbis (2020), the survey results indicated that on average 22 people worked in a single MFO. The total employment in the nine MFOs that participated in the survey should then be approximately 200 people, while more than 97,000 people worked in the ten universal banks in Poland offering private banking services as of the end of 2018 (Boczoń, 2019b). Once again, there are no data about the number of private banking workers among the total workforce in the banking sector. The survey revealed that MFOs tried to strike a balance between various types of employees, engaging lawyers, business consultants, and investment advisors in similar proportions. The exact profile of private banking employees is not known.
In regard to data comparing the structures of MFOs and banks, the aggregated solvency ratio (the relation of equity to assets) in Polish MFOs at the end of 2018 was 43.88% (Orbis, 2020). At that time, the ratio of equity to assets in banks was approximately 10.77% (Polish Financial Supervision Authority, 2020). Among the banks providing private banking services, that aggregated ratio amounted

[11] The group comprised: PKO BP SA, Getin Noble Bank SA, BNP Paribas Bank Polska SA, Bank Handlowy w Warszawie SA, ING Bank Śląski SA, Pekao SA, Bank Millenium SA, Santander Bank Polska SA, Alior Bank SA, and mBank SA.
[12] This makes them even more like banks, which are also focused on expanding their customer base. This contrasts with the typical MFO, which serves just a few families, keeping the group of clients not so numerous in order to maintain the selective and elite character of services. Such a conclusion proves the legitimacy of this study.

to 11.4%[13]. This shows a fundamental difference between MFOs and banks regarding dependence on financing from external sources. It is quite difficult to compare MFOs and banks in terms of their liquidity profile. While MFOs could be described by indicators such as current ratio (current assets/current liabilities) — 2.38 for aggregated MFOs (Orbis, 2020), banks' liquidity is usually measured by specific regulatory ratios (e.g., LCR, NSFR), which are not comparable to each other.

Although MFOs are much smaller entities than banks, their financial results appear much better. Based on aggregated data for MFOs in Poland, ROE (after tax) at the end of 2018 amounted to approximately 42.80% (Orbis, 2020), while banks at the same time achieved ROE of 8.24% (Bank Guarantee Fund, 2019). It was 8,7% for the ten private banking entities[14]. The results of these MFOs in Poland were achieved with a relatively high solvency ratio — which ignores the fact that the MFOs' relatively high ratio results from very thin capitalization. Also, in terms of ROA (after tax), MFOs appear definitely better than banks as a potential investment target. This ratio for aggregated MFOs amounts to 18.78% (Orbis 2020), while for banks it is 0.87% (Bank Guarantee Fund, 2019). Nevertheless, the analysis of profitability suggests that lower relative measures for banks result mainly from their enormous balance sheet size when compared to the MFOs. While profit margin (net income/sales revenue) accounted for 13.14% in MFOs (Orbis, 2020), for banks the ratio amounted to 23%[15] (sales revenue calculated as the sum of interest income and fee/charge income).

5. The Competitive Advantages of Multi-Family Offices in Poland – Survey Results

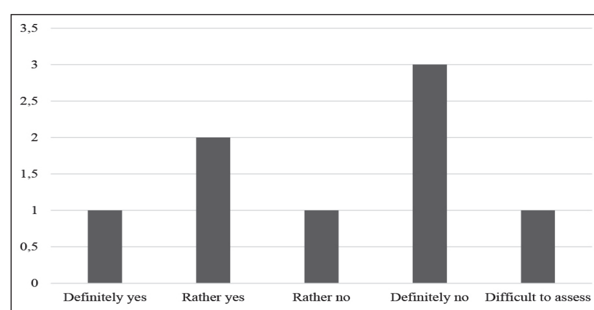
The quantitative analysis was complemented by the survey addressed to representatives of the MFOs in Poland. The survey was conducted between May and September, 2020 by the author by means of direct contact with the representatives of MFOs. Banks did not take part in the survey, justifying their decisions by reference to their specific information policies. Interviews with bank representatives also indicated that banks were not necessarily familiar with the term "family office."

Ultimately, nine MFOs[16] of the seventeen to which a request to complete the questionnaire was sent participated in the survey. It assessed the competitiveness of family offices according to the four analyzed criteria: institutional, financial, operational, and product. In terms of assets, the nine respondents account for about 67% of the Polish family office market.

5.1. Assessment of institutional competitive advantages

As evidenced in section 3, also in the replies of MFOs it appears that the regulatory environment in which MFOs operate in Poland is much less restrictive than for banks. This, in turn, suggests that these entities have a natural competitive advantage over banks due to this lack of regulatory restrictions and the related costs. Nevertheless, the responses provided by MFOs indicate that they were not convinced of their better position resulting from the regulatory environment compared to banks (Figure 2).

Figure 2. Does the regulatory environment in which MFOs operate constitute a competitive advantage in comparison with banks?



Source: research results

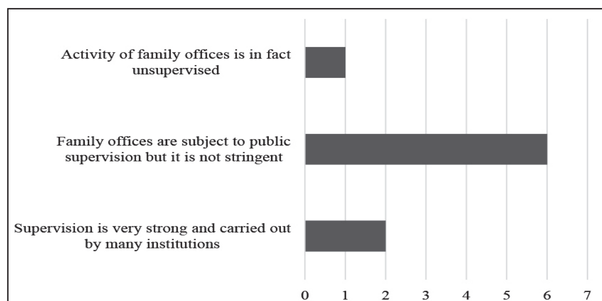
The research results presented above may emerge from the general high degree of regulation of the financial market, in the face of which MFOs may still feel overwhelmed by numerous legal complexities. Nevertheless, such results may also indicate a lack of analysis on the part of MFOs as to their place in the Polish legal context relating to the financial market and the resulting benefits.

The lack of conviction about the significantly better position of MFOs in terms of the degree of regulation was not duplicated when assessing the supervisory environment in Poland. According to the responses provided by the MFOs, supervision over them is not assessed as too strict. One MFO even admitted that, in its opinion, it does not exist at all in practice (Figure 3). This would indicate that MFOs benefit from a favorable supervisory environment that does not interfere significantly with their activities and allows them to focus on a key area — managing the wealth of their affluent clients. However, the results of the research can also be read as a red flag for the Polish supervisor that it pays too little attention to the activities of

[13] Own calculations based on banks' financial statements.
[14] Ibidem.
[15] Ibidem.
[16] One family office abstained from providing response to some questions. Therefore, Figures 2, 5-8 show results for eight MFOs.

MFOs, which means that there is no effective body identifying deficiencies or irregularities in their operation, thus exposing wealthy clients to losses.

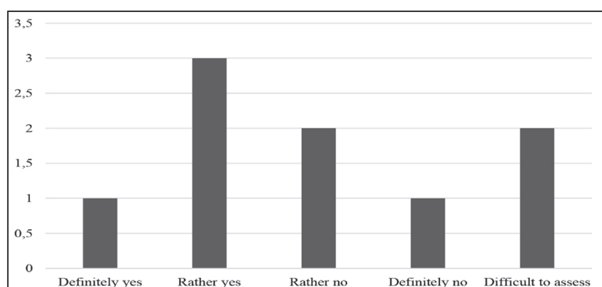
Figure 3. How would you assess the supervision of MFOs in Poland?



Source: research results

MFOs, however, were not convinced whether they should be subject to supervision: three entities clearly stated that they should be, while four institutions were of the opposite opinion — i.e., that they should not be supervised — and two MFOs were uncertain on the issue. At the same time, MFOs were inclined to say that the lack of financial supervision over them is a competitive advantage (Figure 4).

Figure 4. Does the status of family offices as companies not covered by the supervision of the Polish Financial Supervision Authority constitute a competitive advantage?



Source: research results

The presented research results suggest that MFOs in Poland are not convinced of their privileged position vis-à-vis banks resulting from a milder regulatory and supervisory environment. On the one hand, this may indicate a passive attitude on the part of MFOs, which are unable to actively identify and use their existing advantages in competition with banks. On the other hand, however, this situation may indicate that, depending on the scale of their operation, some MFOs may feel the burdensome effects of general financial sector regulation in practice, and find them to be so severe that they cannot clearly recognize the offices' relative position as an advantage. At the same time, the lack of an unequivocal rejection of the proposal for supervision may indicate that MFOs would see such action as a way to increase the credibility of their business, which is crucial in serving wealthy clients.

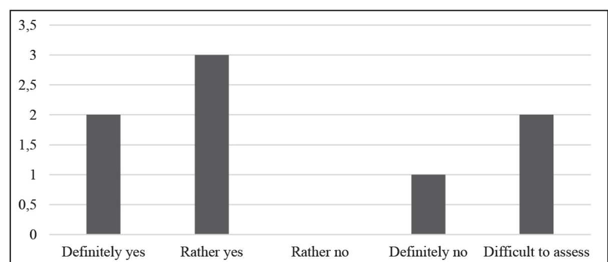
5.2. Assessment of financial competitive advantages

Comparing the size of MFOs and banks operating in Poland, one could draw the thesis that banks have a natural competitive advantage in terms of financial opportunities, owing to their significant equity and the high volume of assets under management. However, this is not confirmed by the results of the MFO survey in which respondents assessed the position of banks and MFOs in terms of financial strength (evaluated in terms of capital that is available and necessary for entities to effectively provide their services) as basically the same. The former are large entities and have and manage significant capital accounts, while the latter — although much smaller in terms of the value of their own assets — have, however, the financial resources of rich families behind them, which means that in terms of investment opportunities, their strengths may be equal.

Although the financial opportunities of banks and MFOs are assessed similarly, the flexibility of MFOs in terms of pricing is viewed as a clear competitive advantage in the financial area. This enables effective competition with banks that are bound by strictly defined tables of fees and commissions. Although the banks declare on their websites that fees are negotiable, the survey reveals that the degree of meeting client expectations is not as high as in the case of the MFOs. This is the unanimous opinion of the family offices that responded to the survey.

Moreover, in the opinion of a significant proportion of the MFOs, their advantage is not only the flexibility that allows better adjustment of the price of services to the client's expectations, but also the adopted pricing policy. It was reported that in approximately 56% of MFOs in Poland fees are negotiated individually for activities to be performed on behalf of the client. In addition, it is possible to establish an individual remuneration model. This opinion is shared by five of the nine surveyed MFOs. Only one MFO had the opposite opinion (Figure 5).

Figure 5. Does the pricing policy of family offices constitute a competitive advantage in comparison with banks?



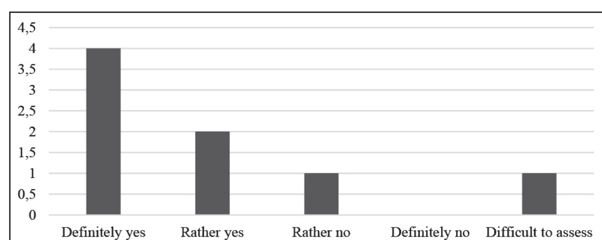
Source: research results

The research results seem to challenge a common myth about the higher costs of serving affluent clients by family offices compared to banks. In the opinion of the MFOs, they are the ones that are able to offer clients a more competitive fee model for their own services, which is always based on fully negotiated remuneration. Moreover, the scale of "negotiability" seems to be significantly higher compared to banks, where advisors can usually only move within designated price brackets. Another issue that speaks in favor of MFOs is the speed of making pricing decisions, resulting from a lean organizational structure, which is another competitive advantage.

5.3. Assessment of organizational competitive advantages

The surveyed MFOs unequivocally stated that they have greater freedom in terms of the internal organization of their activities compared to banks whose structures are extensive and rigid. Most of the surveyed MFOs agreed with the statement that this method of operation allows for greater flexibility in the provision of services to wealthy clients in every respect — i.e., in terms of pricing policy, the scope and format of offered products, the format of service provision, the speed of investment plan execution (Figure 6).

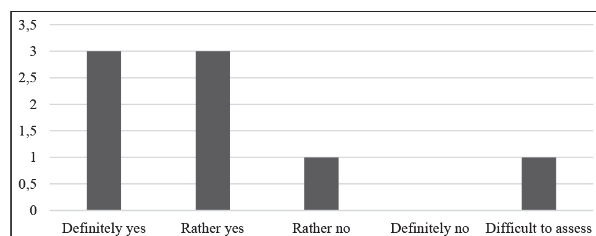
Figure 6. Does the way of organizing family offices' activities allow for greater flexibility in providing services to wealthy clients?



Source: research results

This assessment indicates another competitive advantage of MFOs in Poland, which is the ability to quickly adapt to the changing environment and clients' expectations. The existence of this type of competitive advantage was confirmed by the MFOs participating in the survey, which mostly agreed with the statement that the aforementioned way of operating family offices constitutes a competitive advantage in comparison with banks (Figure 7). The factor contributing to the existence of this kind of advantage may, however, be the regulatory environment underestimated by MFOs in Poland. It should be underscored that MFOs are not subject to the regulatory requirements that require banks to create well-developed departmental structures. Moreover, many procedures in banks are controlled by regulations or supervisory guidelines, which reduce their flexibility due to the necessity to involve many people in the bank in one process — e.g., in the area of sales, analysis, risk. Therefore, the greater flexibility resulting from the way MFOs are organized and operated in Poland is naturally unavailable to banks due to the legal framework in which they must operate.

Figure 7. Does the way of organizing family offices' activities constitute a competitive advantage?

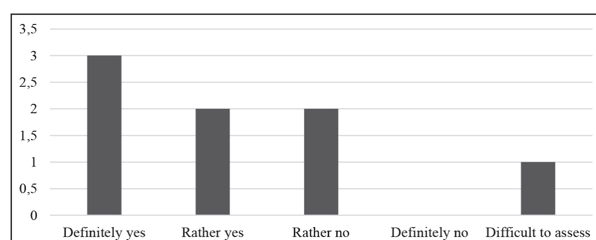


Source: research results

5.4. Assessment of product competitive advantages

The surveyed representatives of MFOs unanimously assessed that they are entities whose schedule of services is much broader than that of banks and much better suited to the needs of wealthy clients. At the same time, however, representatives of MFOs were not so firm in the assessment of whether the product offer constituted a competitive advantage for family offices over banks (Figure 8).

Figure 8. Does the family offices product offer constitute a competitive advantage in comparison with banks?



Source: research results

It should be emphasized, however, that although the services offered by MFOs in Poland may better meet the needs of wealthy clients than banks as the entire activity of MFOs focuses on serving exactly this segment of clients, it still differs from international standards in terms of the range of available products and services (Figure 9).

As shown by the results of the survey conducted among representatives of Polish MFOs, not all services that constitute the standard range of family offices services in the most developed markets are available in Poland. Underdeveloped areas are support services such as concierge, services related to planning the education of

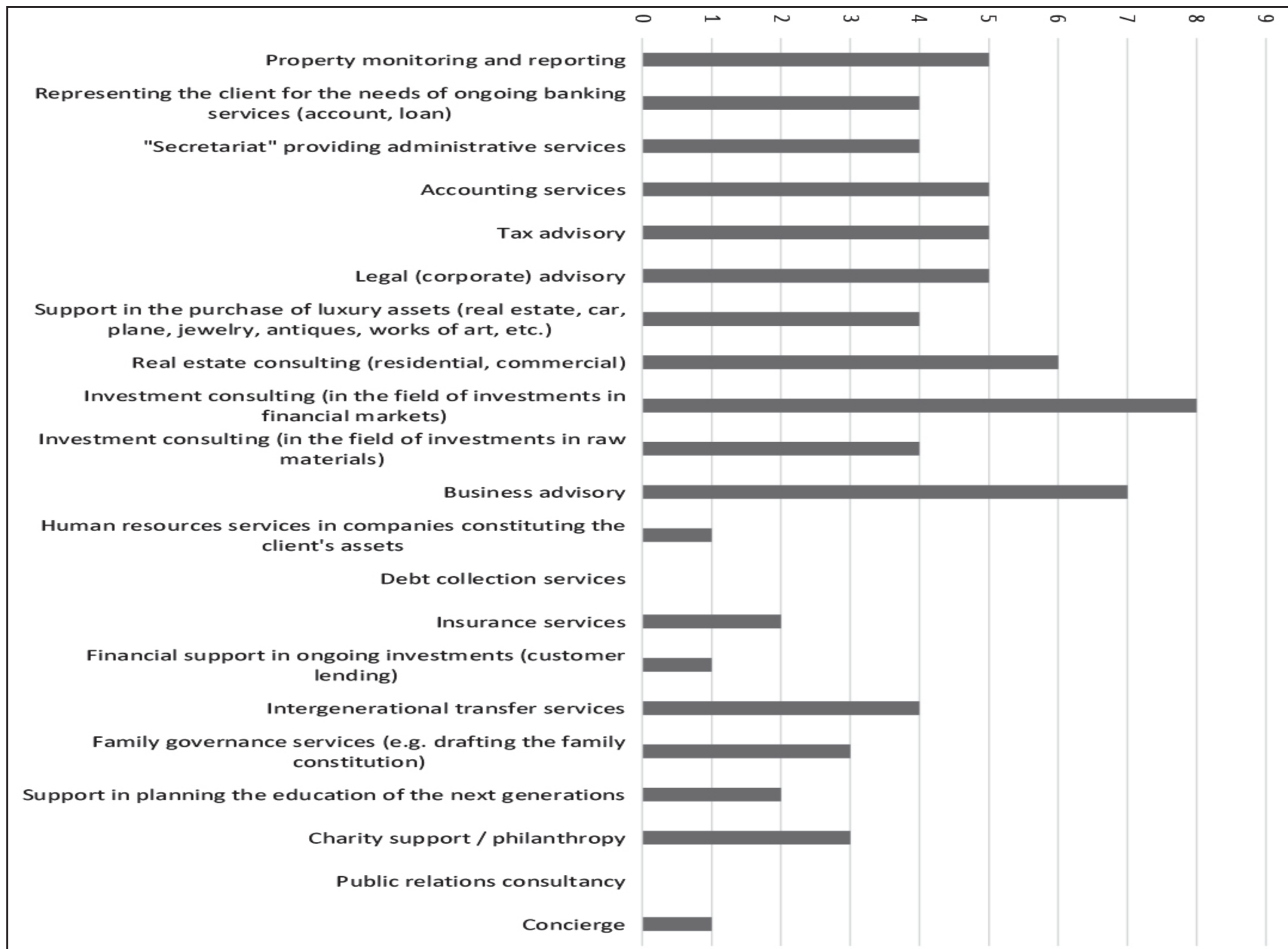
the youngest family members, and in regard to philanthropic activities. Moreover, although it would seem that the basic service of MFOs should be monitoring and reporting on assets, it is not the dominant type of service for MFOs in Poland. Their primary service is advising on financial market instruments. Polish banks active in the private banking field also suggest that financial investment consulting is the most important part of their activity in serving wealthy clients. The MFOs' profile also suggests that they are companies primarily with an advisory role in the financial sphere of their wealthy clients' lives, but that they aspire to evolve toward full-service MFOs by gradually expanding their offer. Nevertheless, although Polish companies specializing in serving wealthy families define themselves as family offices, their current scope of services calls into question whether the accepted definition for this type of entity justifies their use of the label. Here, however, it should be noted that the service of affluent clients in Poland is developing along with the increase in the level of clients' wealth. Hence, the demand for certain services has so far been low and, therefore, MFOs may not have developed them.

6. Summary and Recommendations

Family offices are a widely used type of institution supporting the wealthiest families in the world. One form of operation is the MFOs serving several rich families simultaneously. Entities of this type are active in Poland and their activities can be viewed as competition to local banks operating in the private banking segment. The aim of the article was to assess whether MFOs offer real competition to private banking in Poland. In this regard a few theoretical and practical implications should be noticed.

It should be emphasized that MFOs, regardless of identified competitive advantages (main being regulatory environment), remain a marginal and fragmentated part of the financial market in Poland — in terms of assets, number of clients, and employees. This undermines the theoretical assumption that descriptively identified competitive advantages, especially legal and regulatory requirements, determine the competitive power of newly establish entities. The key to the success of new types of financial institutions depends on a wide range of factors, among which financial, social and behavioral issues have significant impact.

Figure 9. The scope of multi-family office services in Poland



Source: research results

Moreover, Polish MFOs are strongly differentiated, with some pursuing a model of rapid customer base expansion, which makes them closer to banks in terms of their operating model. The practical implication for MFOs is however – taking into account its marginal role in the financial system – that in the face of their definitely smaller financial power, they might be interesting target of takeovers by banks.

The entities that were included in the group of Polish MFOs due to their form of operation, schedule of services and marketing remain — when compared to family offices elsewhere in the world — still underdeveloped, as evidenced by the comparatively incomplete catalog of services they offer. This situation, however, results from the current phase of Polish economic growth: large family estates have been growing here for about 30 years, which means that only in recent years has there been an increasing demand for services provided by MFOs. The low level of development — compared to the leading family office markets elsewhere — may not be the result of the passivity of Polish MFOs, but rather the level of development of the demographic segment in which they operate. Undoubtedly, however, MFOs will also develop along with the increase in the wealth of Polish society. However, their role in the financial system depends on how effectively they will compete with other financial institutions that are also lively interested in the extending their portfolio of clients by affluent ones (e.g., banks, asset managers, law firms). Identification of competitive advantages vis-à-vis their main competitors in the field of serving wealthy families — i.e., banks — may be an important factor for family offices in the struggle to win the plum job of wealth management for Poland's most affluent people. From the practical point of view, it seems that the current situation of Polish wealthy clients – the time when as indicated at the beginning of the article in major part of family enterprises generation transfer of wealth is planned to be conducted – might be a good occasion for MFOs to expand, filling this niche market, that is still underdeveloped, also in terms of banks' offer.

When comparing MFOs and banks serving wealthy clients in Poland, it should be emphasized that they do have many competitive advantages. They benefit from greater flexibility of operation resulting from lower regulatory requirements, greater organizational freedom, and fewer pricing policy constraints. MFOs operating in Poland are definitely more flexible institutions than banks operating in the private banking field. Within the analyzed aspects (institutional, financial, organizational, and product), MFOs generally assessed themselves as entities offering much more competitive services. The research results, however, should be somewhat concerning for MFOs and therefore should be taken by them as an important practical suggestion were to look for and how to utilize the competitive advantages that they have over the banks. Although their strength as reflected in the survey results is undoubtedly flexibility in various fields as Polish MFOs scored better than banks in almost all areas, they remain a niche type of entity on the market. This raises concerns as to whether Polish MFOs are able to effectively use the competitive advantages at their disposal. This is especially important now when MFOs are developing, and they need to win the battle with banks to make wealthy clients aware that there is the opportunity to have a real family office outside of a bank.

It is worth adding here that the scale of their activity is currently too small to constitute a real threat to private banking in Poland. Although, as a rule, MFOs by their very nature are competition for banks serving wealthy clients, due to the low level of development of the field in Poland, they are not currently able to compete with banks in real terms. Although the research and survey were conducted in relation to the Polish financial system, it seems that the theoretical and practical implications presented above might be useful for MFOs also from other countries. The conclusions might be especially vital for emerging countries with growing number of affluent citizens and their wealth, where the financial system (in terms of institutions and concerning them regulations) is dominated by one type of entities, usually banks.

The research presented in this article has its limitations. Firstly, it should be noted that it constitutes the first attempt to quantify and analyze the functioning of the MFOs in Poland. Their activity has not been scientifically analyzed so far. MFOs are not popular, and the available data are extremely scarce. Narrow scope of available data, short data series (since they are quite young entities on the Polish market), as well as low willingness of MFOs to provide data about financial and operational aspects of its functioning prevented from the more in-depth analysis. Secondly, full assessment of competitive advantages of MFOs versus banks would be more exhaustive, if also banks would take part in the evaluations. This would complement the analysis by the second, opposite point of view.

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