Family Business Across National Borders: Strategies and Processes of Internationalization

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Abstract Family businesses (FBs) are increasingly operating internationally; however, they show a different internationalization pattern than non-FBs, since they face unique barriers when it comes to internationalization. To draw a more comprehensive picture of the internationalization process of FBs, we add a financial perspective. We identify the benefits of diversification (with decreasing cost of capital and cost of equity, resulting in an increasing value of the FB) and the real options based on the internationalization process as well as the advantages arising from access to foreign corporate tax systems as key factors for influencing FB internationalization. Furthermore, we elaborate the stages of the internationalization process and observe that exporting and subcontracting are the most used entry modes by FBs, but their probability of opening a subsidiary abroad was half of that of an NFB.

1 Introduction

Family businesses (FBs) are found to be the dominating form of businesses (IFERA 2003), and at least two-thirds of all businesses worldwide can be classified as FBs (Gersick et al. 1997). For a long time, research into FBs was slow to gain traction and accumulate a body of knowledge among researchers, despite the high economic significance (Gedajlovic et al. 2012; Sharma 2004). Compared to the past, this research area is accelerating disproportionately fast in generating and attracting a

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P. Droege et al. (eds.), *Cross-Border Life and Work*, Contributions to Management Science, https://doi.org/10.1007/978-3-031-34362-9_6

great deal of research interest during the past few decades (Sharma et al. 2012; Wright and Kellermanns 2011).

FBs are characterized by their long-term stability (Miller et al. 2008) and are constrained in resources and capabilities compared to nonfamily businesses (NFBs) (Jarillo 1989). As a result, their possibilities for growth may be limited (Lu and Beamish 2006). Just like any other form of business, FBs are also facing the challenges of increasing globalization. Owing to globalization, which can be defined as the worldwide diminution of formal trade barriers on industrial goods (Adams 2008), the global exchange in goods, services, labor, and capital has been facilitated. Nevertheless, FBs are also facing increased global competition, and to remain competitive, these companies have to actively approach international markets (Alon 2004). As a result, many companies can no longer confine their activities to only the domestic market. Instead, in order to stay competitive, they have to actively seek international markets (Kelley et al. 2011) for realizing future growth. Therefore, internationalization has become a major growth strategy for FBs. Following the notion that internationalization increases performance (e.g., Daniels and Bracker 1989), FBs are increasingly operating internationally (Koiranen 2002). Surprisingly, very little scholarly attention has been paid to the internationalization of FBs (Kontinen and Ojala 2010b; Mitter et al. 2014), and empirical findings show contradictory results (Claver et al. 2009; Okoroafo and Perryy 2010; Zahra 2003). Research on the internationalization of FBs is a young, but recently growing field of research within the overall area of FB research (Mitter et al. 2014; Pukall and Calabro 2014). Within the last few years, the amount of studies that have been published has been growing exponentially compared to the past (Cesinger et al. 2014).

It is important to note that there is a consensus in FB research that FBs show a different internationalization pattern compared to their NFB counterparts (Bell et al. 2004; Fernández and Nieto 2005; George et al. 2005; Graves and Thomas 2004; Johanson and Vahlne 2009; Oesterle et al. 2013), and it seems evident that FBs face unique barriers when it comes to internationalization (Fernández and Nieto 2005). Therefore, FBs show a more risk-averse pattern than NFBs (Janjuha-Jivraj et al. 2012) and, thus, are less open to growth opportunities in international markets (Hall et al. 2001; Sharma et al. 1997). Accordingly, FBs are commonly seen as slow internationalizers (Pukall and Calabro 2014). They are also associated with a stepwise approach to internationalization in line with the Uppsala stage model (Johanson and Vahlne 1977, 2009) which describes internationalization as an incremental process of smaller steps aimed to reduce risk and uncertainty. However, some recent research (Graves and Thomas 2004; Kontinen and Ojala 2012a) criticizes that such conceptualizations might not consider the large degree of heterogeneity among FBs. Within this same notion, another conceptual approach has been used to describe the internationalization pattern of FBs, taking into account the specific characteristics of FBs (Xi et al. 2015). The concept of socio-emotional wealth (SEW) (Gómez-Mejía et al. 2007) is based on the assumption that decisions in FBs are always driven by the fear of losing control over the own business, and FBs are always aimed to preserve their SEW. In turn, this may result in a lower level of FB internationalization due to their aspiration to preserve SEW (Gomez-Mejia et al. 2010).

The remainder of the paper is organized as follows: the next section gives an overview of the theoretical aspects of family businesses and internationalization. Section 3 sheds light on the factors influencing FB internationalization, whereby the analysis focuses on the benefits of diversification and real options perspective. Section 4 analyzes the internationalization process and outlines the aspects of entry mode, entry speed, and entry timing of FB internationalization strategy. The last section concludes the article and summarizes promising areas for future research.

2 Theoretical Background

2.1 Family Businesses

FBs are mentioned to be the originating form of any business activity (Wakefield 1995) and are dominating the economy of most countries in the world (Astrachan and Shanker 2003; Botero et al. 2015; Heck and Stafford 2001; Morck and Yeung 2003). While two-thirds of all companies can be classified as FBs worldwide (Bobillo et al. 2014), in Europe 70–80% of all enterprises can be classified as a family business (Mandl 2008), and the large majority of them are small and medium-sized enterprises (SMEs) (European Commission 2010). Since only a small number of FBs survive the transition from the second to third generation, the lifetime of a FB is limited (Neubauer and Lank 1998; Paisner 1999; Shanker and Astrachan 1996).

Despite of the economic relevance of FBs, the research dedicated to FBs is relatively young, with the first scholarly work being conducted in the late 1980s (Astrachan and Astrachan 1988; Donckels and Fröhlich 1991). But since then, scholarly publications dedicated to exploration and theory building in FB research have gradually increased (Chua et al. 2003; Pukall and Calabro 2014), and particularly in recent years there has been exponential growth in research studies and conceptual work (Bouncken and Kraus 2013), which makes the research on FB a distinct and established scientific discipline within business research. However, several authors have remarked that particularly in the field of management studies, there is still insufficient attention to the FBs' unique theoretical and practical issues that have been developed thus far (Dyer Jr 2003). Recent research has been aimed at investigating whether FBs really show a different behavior compared to NFBs and, if that is the case, how and why do they act differently (Chrisman and Holt 2016; Gedajlovic et al. 2012; Schulze and Gedajlovic 2010).

In FB research, there is an ongoing debate on a widely accepted definition of a FB (Astrachan and Shanker 2003; Sharma 2004; Sharma et al. 1997; Zahra and Sharma 2004). Researchers usually define a FB by the family's involvement in the business, revealed by the ownership, management, or business succession (Chrisman et al. 2003a). A recent literature review regarding the scientific understanding of FB conducted by Xi et al. (2015) points out that there can be some dimensions identified that have the most research in common, namely, the family's involvement in the business (interpreted predominantly as involvement in ownership as well as governance and/or management), the intention of sustainability over generations, and the distinctive goals and behaviors that result from this involvement and intention (Chua et al. 1999). However, it seems that the definitions do not fail in terms of differentiating a FB from a NFB but do on the fuzzy boundaries in between which lead to a variety in samples used by FB researchers (Westhead and Cowling 1998). For example, in terms of family control definitions that are used, the definitions differ from 100% ownership over the majority of shares until the majority of control (Chua et al. 1999). For some studies, it seems appropriate if the business considers itself as a family business (Westhead and Cowling 1998). Shanker and Astrachan (1996) present another approach and differentiate between a broad and a very close manifestation of family businesses—where in the closer, the family is involved in the daily business, whereas in the broader, the family only sets the strategic direction for the firm. Applying different definitions to the samples of research that has already been conducted in the past, this led to the variation of the share of FB in one sample from 15% to 80% (Westhead et al. 1997). In more recent definitions, another dimension to define a FB was added, namely, the so-called familiness (Kraus et al. 2011). Familiness describes "[…] the idiosyncratic firm level bundle of resources and capabilities resulting from the systems interactions" (Habbershon et al. 2003, p. 451), which forms a distinct source of competitive advantage (Arregle et al. 2007). *Familiness* as the triangulation of family, ownership, and management is what makes the difference between a FB and a NFB and results in differences in structure, behavior, and goals (Chua et al. 2003; Kraus et al. 2011). Moreover, Astrachan et al. (2002, p. 47) stated that a family business is defined by the extent of the family involvement in both management and ownership, because this distinguishes a FB from a NFB, and Kraus et al. (2011) add that the degree of family involvement can vary between 50 and 100%. Thus, when referring to a business as a family business, the owning family holds a significant influence in equity, control, management, as well as decision-making.

Families, as a defining configurationally setup of a FB, may result in a distinct behavior and lead to a risk-averse and conservative behavior (Fernández and Nieto 2005; Naldi et al. 2007) that often is attributed to a FB. Romano et al. (2001) found that the FB's wish for keeping the control and ownership of the business can make a FB reluctant to external investors and also unwilling to hire nonfamily executives (Sirmon and Hitt 2003). Hence, this sacrifice toward external resources (financial as well as knowledge based) results in severe resource constraints (Claver et al. 2009; Muñoz-Bullón and Sánchez-Bueno 2012) and missed investment opportunities (Mishra and McConaughy 1999; Thomsen and Pedersen 2000).

FBs often show a behavior distinct from that of NFBs when it comes to firm strategy and decision-making (Calabrò et al. 2013; Chrisman et al. 2003b). In the past, researchers tried to explain FB behavior using theories adapted from other fields of research, such as agency theory (Jensen and Meckling 1976), stewardship theory (Davis et al. 1997), and particularly the resource-based view (Barney 1991).

More recently, a growing number of researchers describe the unique strategic behavior of FBs by the FBs wishing to preserve nonfinancial utilities (Berrone et al. 2012; De Massis et al. 2014) and, therefore, have incorporated the SEW perspective in their studies (Xi et al. 2015), with SEW now dominating FB research. The SEW concept (Gómez-Mejía et al. 2007) is derived from behavioral theory (Wiseman and Gomez-Mejia 1998), based upon earlier work by Gomez-Mejia et al. (2001), and it incorporates the extent of the family's control and influence on the firm (Zellweger et al. 2012). The behavior model describes a situation in which the decision-maker faces a potential loss of wealth with two possible ways of reacting: one is overall less risky but implies the loss of some SEW endowments, while the other is riskier and avoids the immediate loss of wealth but bears a greater business risk. The model suggests that the decision-maker will opt for the riskier approach to avoid immediate loss. Gomez-Mejia et al. (2001) used this approach to extend the scope of agency theory to emotional and relationship aspects and to show that an aspiration to preserve wealth can lead to executive entrenchment. Thus, they laid the foundation for the SEW concept, which was then further developed by Gómez-Mejía et al. (2007). Furthermore, they reconfirmed empirically the previously described decision dilemma (behavior theory) applied to an FB case: given the choice between a path that implies loss of control over the FB and a path possibly involving reduced performance and a greater probability of bankruptcy, FBs will choose the riskier option in order to preserve SEW.

In an early approach, Gómez-Mejía et al. (2007, p. 106) defined SEW endowments in a FB as "non-financial aspects of the firm that meet the family's affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty." These SEW endowments seem to be unique aspects distinguishing FBs from NFBs and may therefore explain their different behaviors (Chrisman et al. 2003a). Although the dimensions of SEW endowments have not yet been empirically proven and shaped (Berrone et al. 2012), numerous FB researchers have been using the SEW concept to explain FB behavior. Family control is one of the key characteristics of FBs, as decision processes often follow more distinct ways than in NFBs (Schulze et al. 2003). Decisions may be taken in a formal or informal way (Nordqvist 2012). Family members influence strategic decisions formally through their position in management or informally through the selection and appointment of board or management team members (Nordqvist 2012; Schulze et al. 2001). Identification of family members with the organization can be understood as the intertwining of the family and the organization that makes FBs unique (Gersick et al. 1997). Further, the organization is often perceived as an extension of the family's nucleus (Berrone et al. 2010; Dyer Jr and Whetten 2006). Both this and the family's reputation characterize the external perception of the organization, and FBs put extra effort into projecting a positive image to suppliers, customers, and other stakeholders (Micelotta and Raynard 2011). If the organization constitutes the legacy of their ancestors, loss would be particularly emotionally devastating for the majority of FB owners (Shepherd et al. 2009). Therefore, SEW preservation thus constitutes the main goal and reference point for strategic decision-making in FBs (Gómez-Mejía et al. 2007).

2.2 Internationalization of FBs

Despite the economic significance of family businesses (Schulze and Gedajlovic 2010), little scholarly attention has paid to the internationalization of family businesses (Kontinen and Ojala 2010a; Mitter et al. 2014), and the current research in the field of family business internationalization shows on one hand numerous important findings and at the same time contradictory and ambiguous results (Claver et al. 2009; Okoroafo and Perryy 2010; Zahra 2003). However, today no clear picture of the internationalization of family businesses could be scientifically confirmed (Zahra 2003). Consequently, there is little comprehensive knowledge of whether and how the internationalization behavior of family businesses differs to nonfamily businesses (Reschke and Kraus 2008). Mensching et al. (2015) conducted an analysis of all existing empirical research, which was published in the area of FB internationalization. They found that five major areas influence research on FB internationalization: (1) internationalization propensity, (2) degree of internationalization, (3) internationalization patterns, (4) market entry strategies, and (5) speed of internationalization.

According to recent studies (Fernández and Nieto 2005; Graves and Thomas 2004), it seems evident that FBs face unique barriers with regard to international activities and thereby only internationalize after having strengthened their position in the domestic market. An understanding of the effects of family characteristics on a firm's international activities that is commonly agreed upon has, however, not evolved in FB research (Fink et al. 2009). In particular, contradictory findings about FB risk profiles seem to hinder a common understanding on this topic. Some researchers pointed out that FBs are less open to growth opportunities in foreign markets due to their risk-averse behavior (Hall et al. 2001; Sharma et al. 1997), while others stated that FBs show more risk-averse patterns than NFBs when it comes to international activities (Janjuha-Jivraj et al. 2012) and are often characterized by risk-taking in entrepreneurial activities (Naldi et al. 2007; Zahra 2005) and resist the demand to reduce foreign investments for the sake of short-term efficiencies. In line with this notion, Pukall and Calabro (2014) conclude from their review of the FB internationalization literature that FBs are mostly viewed by the existing literature as slow to internationalize. Further, Zahra (2003) stated that family members who play an active role in their firm's management are careful about internationalization, even when they are trying to maximize revenue from foreign markets. In terms of market entry, FBs show a broad range of entry strategies (Carr and Bateman 2009). While foreign direct investments were found to not differ from NFBs (Lietke 2006), Mention (2011) found out that FBs with less international experience are more involved in joint ventures than NFBs. Sciascia et al. (2012) prove an inverted U-shaped relationship between family ownership and international intensity. As suggested by Harris et al. (1994), FBs are more likely to choose psychically close countries when going international, which can explain the findings of Zahra (2003), who found that FB's influence is positively associated with the amount of international sales but negatively associated with the number of countries served. Further, Zahra (2003) states that family members, which take an active part in the management of the firm, are careful about internationalization even when they are trying to maximize revenue from foreign markets. Supporting this assumption, Zahra (2003) presents two arguments. First, the long periods of time which are associated with overseas investments may reduce the family's wealth in the short run, and, second, family members are aware of the missing specific skills and knowledge that are required for international business. This, however, somewhat contradicts the findings of James Jr. (1999), who contributes that FBs resist the demand to reduce foreign investments for the sake of short-term efficiencies. Therefore, research regarding the speed of the internationalization process shows a dissimilar picture. While Lin (2012) shows a positive impact of family ownership, Cesinger et al. (2014) point out that especially psychic distance has a decelerating impact on the speed of internationalization.

Concerning triggers of internationalization, Okoroafo (1999) reported that the internationalization process of FBs is a result of passive reaction to unsolicited foreign orders, infrequent monitoring of international markets, and low awareness of governmental supported programs. Another dimension, which has been previously examined as a distinction to NFBs, is the impact of generational change as a trigger on the FB's internationalization process (Stieg et al. 2017). While some studies postulate that succession to the next generation can be seen as a key determinate for internationalization patterns (Graves and Thomas 2008) and is positively associated with the commitment toward and the extent of internationalization (Fernández and Nieto 2005), other studies suggest that FB's internationalization commitment decreases in succeeding generations (Okoroafo 1999).

This may explain that FBs usually take a stepwise approach to internationalization, as proposed by the Uppsala stage model (Johanson and Vahlne 1977, 2009). While involved in international activities, FBs pass along from low-commitment to high-commitment strategies (Game and Apfelthaler 2016), which results in different outcomes or levels of international performance. This predominance of the Uppsala stage model in explaining FB internationalization is rooted in the belief that FBs are usually risk-averse and—as internationalization almost always includes some risk—aim to limit risk by a series of smaller steps with regard to international activity. However, some recent research (Graves and Thomas 2008; Kontinen and Ojala 2012a) suggests that such conceptualizations may underestimate the large degree of heterogeneity among FBs.

3 Financial Factors Influencing FB Internationalization

The internationalization process of FBs can be analyzed according to two perspectives. First, it can be considered as a strategy of risk diversification, whereby the firms benefit by investing in multiple host countries from varying economic cycles and can realize more stable earnings. Second, based on the benefits of taking risks, it can be regarded as real options perspective which focuses on the benefits of international diversification.

3.1 Benefits of International Diversification

In general, there are two motivations for international investments. On one hand, a low correlation between international markets facilitates a reduction of total risk. Low correlation between international markets provides profit opportunities for active investors, and this could lead to a superior risk-adjusted performance. On the other hand, barriers to international investments exist and have to be overcome (Solnik and McLeavey 2009).

From the viewpoint of international corporate finance, cross-border activities and international diversification of production facilities are regarded to lead to a lower company risk because of diversification advantages and as a consequence to lower cost of capital (Buckley and Casson 2010; Madura 2021; Shapiro and Hanouna 2020). Additionally, these internationally active companies will get access to foreign capital markets, which will also lead to a diversification advantage concerning financing alternatives and increase their capital budget (Buckley and Casson 2010; Sercu 2009). Although the optimization of the capital structure for an internationally diversified form could lead to agency problems, from a financial viewpoint, cross-border activities could increase company value (Eiteman et al. 2020). Cross-border activities lead to exchange rate risks, but this, too, cannot be used as an argument to exclude companies from internationalization (Butler 2012; Solnik and McLeavey 2009).

This general knowledge cannot be transferred without any limitations on FBs. Some evidence underlines that internationalization is negatively related to family ownership and positively to corporate ownership (Fernández and Nieto 2005). The question arises why FBs on average do seem to lag behind.

According to Carney (2005), FBs' competitive advantage arises because of their system of corporate governance. With low administrative overhead but by being prudent because of a strong imposed commitment toward stakeholders, FBs probably do not have the necessary resources to start, control, and further improve the internationalization process.

Cost of capital for internationally diversified firms differs from that of domestic companies. The size of the firm and access to international capital markets could lead to lower cost. International diversification could reduce the costs of illiquidity, thus also reducing the cost of capital. Cost of equity for an internationally diversified company could also be lower compared to a domestic firm, as the sensitivity of its stock returns to an internationally diversified stock market will decrease, thus reducing its stock's beta (Madura 2021).

Entrepreneurs and FBs are seriously affected by the cluster risk of their invested wealth. Splitting up this wealth in practice—with respect to the further development of the FB—is often not possible, although legal instruments would exist to make it possible. Because of positive implications of cross-border activities on firm risk, cost of capital, and firm valuation, cross-border activities would lead to a financial improvement of the assets that cannot be broken up for strategic reasons of the family. Thus, cross-border activities can be supposed to have positive implications on family wealth (Bodie et al. 2021).

3.2 Real Options Perspective

The focus of the real options perspective lies on the benefits of international diversification. Those benefits can arise from the internationalization of value chain activities, knowledge transfer, and innovation through internationalization, market relatedness, renewal of dynamic capabilities, as well as differences in national tax systems.

There is a wide acceptance of the strategic importance of integrating suppliers, manufactures, and customers into supply chains to develop new products and processes (Ageron et al. 2013; Golgeci and Ponomarov 2013; Narasimhan and Narayanan 2013; Oke et al. 2013; Roy et al. 2004). Most firms start, develop, and grow within their immediate domestic markets. This implies that initially they integrate domestic suppliers and customers in their supply chains. Such activities include both financial and operational actives. However, the access to international markets often creates the option to generate higher levels of financial and operational efficiency. The internationalization of value chain activities comprises the upstream and downstream integration with suppliers and customers in supply chains. The extent, form, and pattern of the internationalization strategies are determined by three key motives for firms to pursue cross-border production, also known as the OLI paradigm—the ownership-specific advantages (O), the location specific factors (L), and the internationalization advantages (I) (Dunning 2000).

Based on the OLI paradigm, three sets of advantages perceived by enterprises can be analyzed by the value chain internationalization framework (Curci et al. 2013). These three advantages motivate SMEs to hunt for new markets, resources, efficiency, and strategic assets (Dunning 1988, 2000). This framework distinguishes the stages and paths of internationalization that firms follow. The stage is the degree of internationalization in a business resulting from the upstream and downstream integrations of value chain activities. The path on the other hand is the flow of the activities representing that may or may not be representing a similar internationalization stage.

Another question that arises is at which stage FBs, often identical with SMEs, decide to enter into the internationalization process for reaping the advantages of cross-border activities. According to McDougall et al. (1994), when the top management of a firm has previous international experience, productive experiments of efficient resource allocation in a cross-border setup could be beneficial. The willingness to act swiftly in an internationalization process after discovering foreign market opportunities depends on the entrepreneurial orientation of the FB. By entering into cross-border activities, competitive disadvantages in the local market could be reduced to a certain extent (De Clercq et al. 2005). Social networking advantages can help overcome cultural barriers and further promote internationalization process (Di Gregorio et al. 2009). FBs have limited resources and hence they have to optimize their resource usage to make a business profitable. Internationalization through cross-border activities helps the FB to use owned know-how by its business partner on foreign soil. Moreover, it also somehow cancels the scale-size disadvantage that FBs usually have (McGrath and MacMillan 2000). FBs can lower the cost of internationalization by using the readily available internal multinational operations, probable low-cost labor, and technological services offered at the foreign location of the business (Di Gregorio et al. 2009).

3.3 International Taxation Issues

Also, of importance in the field of FBs is the impact of taxation. The internationalization process provides access to a foreign corporation tax system, if a foreign corporation is set up. This generates an option to engage in international tax planning. In general, the aim of international tax planning is to increase after-tax cash flows and the groups' market value by minimizing the tax burden of an international group of companies. In this context, international tax planning impacts the overall corporate strategy of an international investor. Thereby, a taxpayer can follow different strategies. In this context, it is necessary to distinguish between tax evasion and tax planning. Tax evasion is any action by the taxpayer to circumvent taxation by illegal means (e.g., taxpayers do not disclose all relevant information, disclose wrong information, or falsify documents and accounts). Tax evasion is often considered as a criminal act and is prosecuted. Tax planning (or tax avoidance), on the other hand, is characterized by making use of legal rules in order to reduce tax payments. Tax planning opportunities are sometimes explicitly offered by the tax law itself (an example of this would be accelerated depreciation instead of straight-line depreciation) or implicitly offered by legal rules, the choice of the legal form of a foreign investment (permanent establishment or subsidiarity), or financing decisions (equity or debt). In the process of internationalization one of the most important decisions is where to locate a business and, in this context, tax policy is a crucial location factor. Indeed, whereas the effective average tax rate (EATR) affects the firms' location decision, the level of investment is influenced by the effective marginal tax rate (EMTR) (Devereux and Griffith 2003). Devereux and Griffith (1998) provide empirical evidence that high tax rates reduce the probability that a country is chosen as an investment location by multinational companies. As a multinational typically has a parent firm in one country and subsidiaries in one or more foreign countries, differences between countries applying a worldwide and a territorial tax system and the extent of withholding taxes agreed in tax treaties affect the location of the new parent company, whereas countries with high international double taxation attract smaller numbers of parent firms (Huizinga and Voget 2009).

Hebous et al. (2010) observe that the tax response of M&A investments is significantly smaller than choices of greenfield investments. Herger et al. (2016) distinguish between "horizontal" (where firms duplicate roughly the same activities across countries) and "vertical" (which involves firms locating stages of production in different countries) foreign direct investments (FDI). They provide empirical evidence that the tax elasticity of vertical FDI is in general more responsive.

Conditional on choosing to produce abroad, a multinational company (MNC) may have the opportunity to choose where it would like to allocate the taxable income. Of course, this option is limited to the extent to which multinational companies can engage in such profit shifting. One strategy to generate at least some discretion over where taxable income is declared creates the appropriate use of financial policy. This strategy comprises the use of debt and the form and size of income repatriated to the parent company. For example, lending from a subsidiary in a high-tax jurisdiction by a subsidiary in a low-tax jurisdiction generates a tax-deductible income in the high-tax jurisdiction and additional taxable income in the low-tax jurisdiction. Hence, taxable income is shifted from the high-tax jurisdiction to the low-tax jurisdiction. There is a substantial body of research analyzing the impact of taxes on the financing structure of multinational groups. Using data of US MNCs, Desai et al. (2004) find that affiliates located in high-tax countries display higher internal debt than affiliates in low-tax countries. Huizinga et al. (2008) find empirical evidence that tax affects also the capital structure of European MNCs. Buettner et al. (2009) observe that internal debt response is more pronounced to taxes than external debt.

Another strand of literature focuses on the repatriation policy. MNC can engage in a variety of strategies to repatriate investment income from foreign affiliates. In the standard model, the MNC chooses between direct dividend remittances to the parent or real investments in the foreign affiliate (Grubert 1998). Altshuler and Grubert (2003) extend the basic model by strategies, whereas affiliates can invest in passive assets, which the parent can borrow against or which can be used as vehicles for tax-favored repatriations. They observe that the availability of alternative repatriation strategies affects the real investment in the low-tax subsidiary and prevents underinvestment. Desai et al. (2001, 2007) find empirical evidence that dividends from subsidiaries are sensitive to the host country tax rate. However, this finding does not hold for branches. Markle (2016) observes differences in income shifting of companies in residing in territorial and worldwide countries. While territorial countries generally exempt foreign income from domestic tax, worldwide countries tax foreign income at the home country rates. He finds evidence that multinationals subject to territorial tax regimes shift more income than those subject to worldwide tax systems. This difference is however not statistically significant if the multinational can defer repatriation of the shifted income.

4 The Internationalization Process

Since the establishment of the international new ventures (INV) theory, researchers divided the research into two parts, "international at inception" (Oviatt and McDougall 1994) or "international by stage" (Johanson and Vahlne 1977). A boost is provided to the international sales of a family business if and when the family has an active involvement to achieve positive results for the next generations to come (Zahra 2003). But due to traditional values playing a major role, it is possible that FBs choose "international by stage." Direct exporting and subcontracting were observed as the most preferred entry modes by FBs (Wach 2013), but the probability of opening a foreign branch for a FB was half of that of a nonfamily business firm (Daszkiewicz and Wach 2014).

Nevertheless, it can be assumed that most FBs start their first international activities after consolidating their position in domestic markets (Fernández and Nieto 2005; Fernández and Nieto 2006; Graves and Thomas 2006, 2008; Segaro 2012) and usually are associated with export as initial market entry activity (Calabrò et al. 2009; Fink et al. 2009). They may start at an early stage unless they are provoked by circumstances that force them into internationalize (Johanson and Vahlne 1977). Cohen and Levinthal (1990) argued that firms get "locked out" of certain types of knowledge if they don't acquire it early on and that they develop "competency traps," whereby they are limited to the pursuit of a narrow set of opportunities suited to existing competencies. Three levels of commitment are discussed by Guth (2009), which are exporting (low commitment), licensing or joint ventures (medium commitment), and FDIs (foreign direct investments) (high commitment). Hence, FBs show the lowest level of commitment at the entry level.

Therefore, most of the studies conducted on the internationalization patterns of FBs are using an incremental, stepwise model of internationalization as underlying approach (Kontinen and Ojala 2010b). Those results can be explained by the unique characteristics of family businesses, namely, their conservative and risk-averse behavior and the effort to pass the business to the next generation (Fernández and Nieto 2005), as well as their reluctance to change (Kellermanns and Eddleston 2006), which results in a more hesitant attitude to invest in risky projects (Cabrera-Suárez et al. 2001). Furthermore, family businesses are deeply embedded in their community (Gallo and Pont 1996; Gallo and Sveen 1991), and this may also obstruct internationalization and result in different internationalization strategies compared to nonfamily businesses (Mitter et al. 2014). Additionally, Donckels and Fröhlich (1991) found out that the growth of the business is more important for CEOs of nonfamily businesses than for the owner CEO of a family business. In contrast to the family businesses that follow an incremental pathway of internationalization, there are also family businesses that show sudden and rapid internationalization behavior after a long time of being active on domestic market. Those firms are known as born-again globals (Bell et al. 2001, 2003). For the case of family businesses, this rapid internationalization is often related to a generational change or the succession of the business to the next generation as a factor unique for family businesses (Graves and Thomas 2008). Thus, there is evidence in research that due to family specific variables, family businesses do show a different behavior in internationalization than nonfamily businesses do. But the question is: do they do better? According to prior research, family businesses perform better and are based on more solid financial structures compared to nonfamily businesses (Astrachan and Shanker 2003; Heck and Stafford 2001; Sharma 2004), and those findings have been empirically verified in multiple countries (Maury 2006; Rößl et al. 2007). However, there are some studies addressing the differences in the internationalization behavior of family businesses and nonfamily businesses (Basly 2007; Carr and Bateman 2009; Cesinger et al. 2014; Lietke 2006; Reschke and Kraus 2008), but until today insights from a more general perspective are still lacking, and differences between family business and nonfamily businesses remain unclear.

In the refined Uppsala mode of internationalization by Johanson and Vahlne (2009), the authors refine that the primary barrier to internationalization and positive international performance is liability of outsidership, i.e., the lack of market-specific business knowledge. Accordingly, the Uppsala school of thought views organizational knowledge as a particular important resource for competitive advantage and superior international performance. Knowledge resources in the context of internationalization include understanding of internationalization and how to manage international operations to attain superior performance and an international competitive position. However, the firm must possess sufficient stocks of idiosyncratic, rare, and valuable knowledge to translate it into superior international performance (Grant et al. 1988; Kogut and Zander 1993). This seems challenging for family firms that are motivated to preserve the control of the family (Banalieva and Eddleston 2011; Chang and Shim 2015; Gómez-Mejía et al. 2007) and are therefore per se described as owning lower international market knowledge, lower managerial skills, and also lower business experience compared to NFB. Very few firms start internationalization at an early stage, unless they are provoked by circumstances that force them into internationalize (Johanson and Vahlne 1977). Cohen and Levinthal (1990) argued that firms get "locked out" of certain types of knowledge if they don't acquire it early on and that they develop "competency traps" whereby they are limited to the pursuit of a narrow set of opportunities suited to existing competencies.

Particularly, two internal knowledge resources have been found as elementary for international success, namely, education and international business experience. Education is part of the individual human capital and is related to knowledge, skills, problem-solving ability, discipline, motivation, and self-confidence (Cooper et al. 1994). A higher level of education therefore can be useful when making internationalization decisions because it facilitates the analysis of the international environment (Cesinger et al. 2015) and understanding of foreign markets and cultures (Bengtsson and Kock 2000; Gast et al. 2015). Several studies in the extant literature on internationalization have confirmed a positive impact of education on internationalization (Davis and Harveston 2000; Filser et al. 2016; Gnyawali and Park 2009; Lasch et al. 2007; Mitter et al. 2014; Stieg et al. 2017).

International business experience can reduce the level of uncertainty and risk related to foreign market decision-making (Bengtsson and Kock 2014), because individuals can systemize and abstract "international knowledge" regarding the internationalization process and transfer those experiences to different countries (Bouncken et al. 2015). Johanson and Vahlne (2009) propose that the lack of international market knowledge—the liability of outsidership—can be mitigated by network relationships. Family firms can benefit through using their network of relationships by accessing external resources from domestic and international network partner and family outsiders and are, therefore, able to overcome their liability of smallness and the lack of resources (Bengtson et al. 2004; Wright et al. 2005) and also can get access to foreign markets and knowledge resources (Zahra 2005). Moreover, through social networking, the entrepreneur obtains, directly or indirectly, potential partners (Komulainen et al. 2006) that will allow him to start or promote the internationalization process, but otherwise the cost to obtain such contacts is too high (Witt 2004). Not surprisingly, family businesses tend to connect even more with other family firms than other forms of business, and this results in very strong ties in the network of family businesses (Basly 2007; Eddleston et al. 2010; Kontinen and Ojala 2011, 2012b; Pukall and Calabro 2014; Swinth and Vinton 1993). SEW preservation principles of a FB influence the type and speed of learning related to internationalization knowledge (Calabrò et al. 2013). The increase in knowledge resulting from strategic alliances of firms in different countries is really useful to increase the speed of internationalization for family firms (Gallo et al. 2004).

This distinct behavior in the elaboration of networks from FBs can be explained from a SEW perspective, and there is some empirical evidence that has shown SEW also to be valid for explaining FB internationalization behavior (Gomez-Mejia et al. 2010). Gomez-Mejia et al. (2010) found that FBs are less likely than NFBs to diversify internationally due to the FB owners' aspiration to preserve SEW. In this regard, Gomez-Mejia et al. (2010) identified four areas associated with SEW preservation that affect FB internationalization behavior. First, internationalization requires more external funding. Second, the family can exercise more power in a familiar domestic market where they have lots of experience. Third, internationalization requires increased information processing, which may in turn lead to a higher need for external management talent. Lastly, internationalization requires more intensive ties to foreign stakeholders, which makes the family dependent on them. All four of these points may result in a lower level of FB internationalization due to their aspiration to preserve SEW.

The success and failure of FB internationalization process is largely dependent on timing of entry. The research in this area is scarce (Zahra 2003). Autio et al. (2000) discuss the importance of entry timing, because the first international sale is most likely to influence the subsequent internationalization efforts. Powell (2014) observed that firms that are not strong in the domestic markets but have enough resources enter foreign markets more aggressively. Popli and Sinha (2014) argued that financial deregulation really solves the major access problem from domestic to international market and vice-versa. They also suggested that experience, size, and the group of the business have a great impact on timing of cross-border mergers and acquisitions. But Cabrera-Suárez and Olivares-Mesa (2012) show that size matters only in the initial stages and the sector plays a bigger role for deciding the entry time of FBs.

5 Conclusion

Based upon a conclusive literature review, our intention was to illuminate and explain the behavior of FBs in their process of internationalization and to elaborate recent findings on how and why FBs show a different behavior compared to their NFB counterparts. Researchers usually define a FB by the degree of the family's involvement in the business, revealed by the ownership, by management, or by business succession. More recent definitions use the term *familiness*, which describes a distinct source of competitive advantage but also comes along with restraints compared to NFBs. This so-called familiness is also revealed in the internationalization process of FBs. Most studies focused on the internationalization process of FBs have shown that FBs follow an incremental and stepwise process with increasing commitment over the process of internationalization whereas NFBs use more resource-committing internationalization strategies at earlier stages. This can be explained by FB's need to protect their SEW—the fear to lose control over their business results in more risk-averse and more cautious internationalization pattern. To draw a more comprehensive picture of the internationalization process of FBs that is mostly explained by behavioral aspects, we add financial perspectives on internationalization. Factors influencing FB internationalization are on one hand numerous benefits of diversification (with decreasing cost of capital and cost of equity, resulting in an increasing value of the FB) and, on the other hand, real options based on the internationalization process as well as the advantages arising from access to foreign corporate tax systems. We end with an elaboration of the internationalization process of FB proceeds in stages. Exporting and subcontracting were observed as the most used entry modes by FBs, but their probability of opening a subsidiary abroad was half of that of a NFB.

We assume that complexity that arises from international taxation issues also hinders FBs applying more committing internationalization strategies. Instead of incorporating specific know-how by external managers, FBs may rely on building up know-how internally which interferes speed of internationalization. Therefore, we suggest further research on how financial and taxation complexity affects decision-making in the internationalization process of a FB.

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