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How do boards of directors contribute to family SME export intensity? The role of formal and informal governance mechanisms

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Abstract Internationalization is a strong challenge that firms have to face today. However, small and medium-sized family firms internationalize their business after consolidating their position in domestic markets. Family SMEs approach international markets usually through export activities. Considerable academic attention has been given to family SME export behaviour, however, the debate is still inconclusive. Therefore, more attention on family SME unique governance mechanisms may shed a new light on this issue. The paper analyses family SME export intensity by showing how the board of directors could provide assistance in the selection and implementation of this strategy. We explore whether, and to what extent, both formal and informal features of boards of directors (*dual governance*) influence family SME export intensity. This is explored in a sample of 101 Norwegian family SMEs. Export intensity is the dependent variable and hypotheses on the positive effect of independence in board behaviour (formal governance mechanism), relational norms and trust (informal governance mechanisms) are supported. The paper has substantial theoretical contributions and practical implications. The results show that formal and informal governance mechanisms can co-exist complementing and supplementing each other, thus positively influencing family SME export intensity.

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1 Introduction

Family firms play an important role in leading economic growth throughout the world (Sharma et al. 1996; Gomez-Mejia et al. 2001; Zahra 2003). Likewise, several studies report that family SMEs represent the majority of SMEs worldwide (Shanker and Astrachan 1996; Sharma 2003; IFERA 2003; Casillas et al. 2007). Nevertheless, limited research has examined the factors that push their internationalization (Zahra 2003).

There are many arguments related to the need for family SMEs to internationalize. For example, the globalization of world economy has spurred firms of all sizes and ownership types to expand their international operations (Parker 1998; Zahra and George 2002). The increased competition not only on a domestic level but also on an international level has made family SMEs think about the possibility of openings into foreign markets as a way of growth (Claver et al. 2007). Exporting in particular is seen as an experimental tool to test international markets and a way to revitalize family SMEs through increase in productive capacity and improvements of their financial position (Claver et al. 2007). Moreover, it gives new employment opportunities and, if successful, being a good form of growth, it is positive for the next generations (Ward 1987; Zahra 2003). Finally, export activities can positively contribute to the achievement of family SME competitive advantage (Claver et al. 2007). However, family SMEs internationalize their business after consolidating their position in domestic markets (Fernández and Nieto 2005, 2006; Graves and Thomas 2006, 2008; Segaro 2010) and they approach international markets usually through export activities.

Considerable academic attention has been given to family SME export behaviour, however, the debate is still inconclusive. Indeed, the issue of how family firms strive to manage and cope with the complexity arising from the internationalization of their operations is one of the most pressing issues in the fields of international and strategic management (Zahra 2003). The development of studies in the intersection of governance and internationalization gives interesting insights to the advancement of the family business internationalization domain. Indeed, some studies suggest that a critical determinant of a firm's ability to successfully deal with the complexity arising from international operations is its governance structure (Melin 1992; Hoskisson et al. 1993; Daily and Schwenk 1996; Sherman et al. 1998; Buck et al. 2000; Filatotchev et al. 2001; Hoskisson et al. 2002; Filatotchev et al. 2007). Furthermore, the role of the board of directors (Gallo and Sveen 1991; Gallo and Pont 1996; Calabrò et al. 2009), its composition (Sanders and Carpenter 1998), the existence of trust relationships between board members and the CEO (Westphal 1999), the view of internationalization as an outcome of informal social processes (Ramaswamy et al. 2000), have weighed a lot in the dialogue on the relationships between internationalization and family firm (as well non-family firm) governance.

This study focuses on the role that the board of directors has in family SME export behaviour. The lack of its support is considered to be one of the main restraining factors to family SME international activities (Gallo and Sveen 1991; Gallo and Pont 1996). Moreover, family SMEs face *unique* governance features and boards' functioning has a lot of specific implications to deal with (Huse 2000). Certainly, boards in family SMEs are characterized by the existence of divergent features, related to the presence of formal and informal aspects (Huse 1994). Given the duality of the economic and non-economic goals a family firm pursues, they develop a *dual* governance structure promoting cohesion and shared vision within the family and reducing harmful conflicts (Mustakallio et al. 2002). Hence, agency theory is not sufficient to explain family SME governance. In addition to employ formal governance mechanisms (e.g., independence in board behaviour) that minimize opportunism, as the prescriptions of agency theory (Jensen and Meckling 1976; Fama and Jensen 1983), we also use relational contract theory (Macneil 1980, 2000, 2003) postulating the importance of interdependence (e.g., relational norms and trust). In addition to formal governance mechanisms family firms may implement informal governance mechanisms that promote social interactions and the formation of a shared vision. For this reason, informal governance mechanisms, supported by relational norms and trust (Macneil 1980, 2000, 2003), are commonly viewed as substitutes or complements for formal governance mechanisms in family firms (Poppo and Zenger 2002).

In order to get the actual contribution of boards to the export behaviour of family SMEs, the paper focuses on this *dual* nature of family SME governance. Our study echoes Huse's work (1993 and 1994) on boards in small firms. In both studies the author discussed the paradox of independence and interdependence in board-management relations. We have used similar arguments, but addressing the need to move to the context of family SMEs and to a different outcome: export performance. Stemming from Huse's work (1993 and 1994), the paper adds a dimension of "interdependence" or "closeness" to the traditional "independence" criterion. This interdependence is measured by the degree of relational norms and trust (Macneil 1980, 2000, 2003).

In relation to the definition of internationalization, in this research, we exclusively rely on export intensity, i.e., the export-to-sales ratio (Leonidou and Katsikeas 1996; Leonidou 2000). Even if this univariate measure has been criticized (Katsikeas et al. 2000), we are in line with previous studies that consider export intensity as an objective measure which provides a directly comparable evaluation of performance (Katsikeas et al. 2000; Shoham et al. 2002). Moreover, it is the most widely used indicator in empirical research on family SME internationalization and this allows us to compare our results with a large number of similar studies (Majocchi et al. 2005).

The study combines the agency perspective (Jensen and Meckling 1976; Fama and Jensen 1983) with relational contract research (Macneil 1980; Borch and Huse 1993; Huse 1994), and considers family SME export intensity as the outcome of a multidimensional strategic decision-making process. Specifically, the paper argues that independence in board behaviour (outsider ratio), the existence of relational norms and board members' trust in the CEO (competence-based and integrity-based trust) have a positive effect on family SME export intensity. Hypotheses about the impact of independence in board behaviour (formal governance mechanism), relational norms and trust (informal governance mechanisms) are tested on a sample of 101 Norwegian family SMEs. We consider one specific type of family firm. They have less than 250 employees, with families having the voting control (Neubauer and Lank 1998), the majority of ownership (more than 50.0%), and with one or more family members in managerial positions (Fernández and Nieto 2006). The results show the existence of positive and significant relationships between a high level of the outsider-ratio, relational norms, integrity-based trust and family SMEs export intensity.

The paper contributes in several ways to the debate on governance and internationalization of family SMEs. First, we show that, in order to get a better picture of boards and governance in family firms, in addition to agency theory, it may be valuable to draw from other theoretical perspectives (e.g., relational contract theory) to understand the effects that boards have on the export performance of family SMEs. By focusing on relational contract theory (Macneil 1980, 2000, 2003), our results show that boards of directors in family SMEs are characterized by both formal and informal governance features. Formal (agency theory) and informal (relational contract theory) governance mechanisms complement (Poppo and Zenger 2002) and supplement each other influencing positively the level of family SME export intensity. Second, we fill the gap in literature by focusing on the factors that spur family firm internationalization processes and by investigating the relationships between governance mechanisms and family SME export activities (Zahra 2003; Sharma and Zahra 2004). Furthermore, evidence from this study adds new findings into the research stream that analyses the relationship between firms governance and internationalization (Sanders and Carpenter 1998; Sherman et al. 1998), thus contributing both to the family business and the international business field. The findings from this study have also practical implications. Indeed, the appointment of outside directors with an "independence" of mind from the owner family may bring competence and skills into the business system being consequently crucial for successful export activities.

The rest of the paper is organized as follows. In the next section, we explore the links among boards, governance and family SME export behaviour. In particular, the theoretical foundation of the relationships between formal (independence in board behaviour) and informal (relational norms and trust) governance mechanisms and the level of family SME export intensity are presented. The research methods are described in section three. The results of the multiple linear regression analyses are shown in section four. Findings and conclusions are then discussed, including implications for future research.

2 Theoretical background

There is still no widely accepted definition of family business in academia (Litz 1995; Sharma et al. 1997; Westhead and Cowling 1998; Littunen and Hyrsky 2000;

Astrachan and Shanker 2003; Sharma and Zahra 2004). Nevertheless, what makes a family business different is the relationship between ownership/management and family involvement (Chua et al. 1999). In this study, we consider one specific type of family firm, that is a firm with less than 250 employees (the European Union's cut-offs for SMEs), with families having the voting control (Neubauer and Lank 1998) and the majority of ownership (more than 50.0%). Moreover, adopting Fernández and Nieto's (2006) definition of family SMEs, we also consider if these firms have one or more family members in managerial positions.

In the extant family business literature, family SMEs are found to internationalize their business after consolidating their position in their domestic markets (Fernández and Nieto 2005, 2006; Graves and Thomas 2006, 2008). Moreover, there is not a unanimous agreement on the effects of family characteristics on international activities. Much of this uncertainty is due to the existence of contrasting views on family firms risk profile. Actually, some authors have noted that family firms are risk averse, therefore being less inclined to growth opportunities in international markets (Sharma et al. 1997; Hall et al. 2001). Some of the reasons for family business stagnation are the inflexibility and resistance to change of entrepreneurial leadership; limited capital to fund both family needs and business growth needs; disparate family goals, values, needs; and conflicts among sibling successors (Ward and Dolan 1998). However, other views exist. For example, results from recent studies suggest that family firms are often characterized by risk-taking in entrepreneurial activities (Zahra 2005; Zahra et al. 2007; Naldi et al. 2007), such as the internationalization process. Despite this disagreement, questions on how family firms manage and cope with the complexity arising from the internationalization process (particularly in terms of export) still remain open in the international entrepreneurship and the family business fields. Many studies investigate the factors that facilitate (e.g., long-term vision, entrepreneurial behaviour, etc.) or restrain (e.g., risk-aversion, lack of support by the governing bodies, etc.) the export activities of family firms (Gallo and Sveen 1991; Gallo and Pont 1996; Zahra 2003; Fernández and Nieto 2005; Graves and Thomas 2008).

The paper proposes a critical reflection on how firms' governance structure successfully deals with international strategies (Daily and Schwenk 1996; Sanders and Carpenter 1998; Sherman et al. 1998; Zahra 2003). Therefore, it seems interesting to analyze the relationships between family SME governance features (Corbetta and Salvato 2004) and their export behaviour. Although there are many research challenges, further explanations are needed.

Family firms have many features that make their governance a particularly challenging task. Given the duality of the economic and non-economic goals a family firm pursues, this form of organization needs a governance structure that matches the complexity of their constituent family and business sub-systems. In this sense, family firms develop a *dual* governance structure promoting cohesion and shared vision within the family and reducing harmful conflicts (Mustakallio 2002). In addition to employ formal controls that minimize opportunism, as the prescriptions of agency theory, family firms implement a social control that promotes social interactions and the formation of shared vision among various stakeholders. Hence, informal governance mechanisms, supported by relational norms and trust, are commonly viewed as substitutes or complements for formal governance mechanisms in family firms (Poppo and Zenger 2002).

While agency theory focuses on the design of optimal incentive systems and on the monitoring role of the board of directors to align interests between owners and managers (Jensen and Meckling 1976), relational contract theory focuses on the social capital embedded in personal relations between owners, managers and board members (Macneil 1980, 2000, 2003). Agency theory and relational contract theory are both contractual theories and offer different perspectives to understand family firms. By focusing on boards of directors, we explore whether and to what extent formal and informal governance mechanisms may co-exist complementing and supplementing each other, thus contributing to family SME export intensity (Huse 1993, 1994).

2.1 The internationalization of family SMEs

Because family businesses are often characterized by a culture that is inward-looking, constrained by history and tradition, and resistant to change (Kets de Vries 1993; Dyer and Handler 1994; Gersick et al. 1997), there is concern over their survival in a dynamic global economy. Referring specifically to family SME internationalization, previous research has found that small and medium sized U.S. family businesses are not actively exporting in proportion to their numbers (Okoroafo and Perryy 2010). Doubtless, they may see the chance to grow faster if they expand beyond national borders but they perceive risks associated to the decision to leave the domestic market to explore business opportunities abroad (Kets de Vries 1993). Going international is a tricky and very demanding process decision requiring human, financial and logistical resources and a clear strategy for taking the firm forward. Thus it is especially critical to family SMEs.

There are many arguments suggesting that in SMEs internationalization takes place gradually and in stages after exhausting domestic opportunities (Claver et al. 2007). Accordingly, the incremental internationalization theory shows that SMEs are expected to incrementally internationalize their business to geographically close markets with less psychic distance (Lu and Beamish 2001; Ruzzier et al. 2006). Nevertheless, a small number of firms may begin their activities directly with an international orientation [e.g., they are born global, but this is not the norm (Knight and Cavusgil 2004; Wright et al. 2007)].

International entrepreneurship can be defined as the discovery, enactment, evaluation, and exploitation of opportunities across national borders to address future goods and services (Oviatt and McDougall 2005). Recently, international entrepreneurship theory has been increasingly used to explain the internationalization behaviour of firms known as international new venture/born global (Madsen and Servais 1997; Coviello and Jones 2004; Zahra 2005; Rialp et al. 2005; Wright et al. 2007; Keupp and Gassmann 2009), early internationalizing firms (Zucchella et al. 2007) and sometimes also referred to as accelerated internationalizing firms (Mathews and Zander 2007). However, the vast majority of new firms are embedded in their local environment and do not have the resources to enter international markets (Bloodgood et al. 1996; Autio et al. 2000). If they do enter international markets it is likely to be at a low intensity through low resource-intensive modes such as export agents, responding to orders or being lured abroad through sub-contracting for domestic customers (Westhead et al. 2002).

International entrepreneurship literature has great merits in contributing to the debate on the role of entrepreneurs and top management teams in small entrepreneurial firms. Accordingly, this research stream is a relevant framework to understand how family SMEs behave in international competition by exploring how people and key decision-makers make their strategic choices (Andersson 2000). Family SMEs are usually characterized by the presence of one main decision-maker (Westerberg et al. 1997). What seems critical in family SMEs is that they face two opposing forces: the exploitation of opportunities across national borders drives them to grow and expand beyond their traditional markets, whilst the wish to maintain family control encourages stability and the development of low-risk projects within the traditional product market. Some studies that have looked at family business internationalization indicate the predominance of the second driver over the first one, so that family businesses appear to be less inclined to expand their international activities (Okoroafo 1999; Fernández and Nieto 2005). However, many family businesses have overcome the challenge with enormous success, becoming family-run multinational companies. These businesses are famous examples of how to combine the desire for international expansion and family control. If we take into account McDougall and Oviatt's (2000) view of international entrepreneurship it is the combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organizations, leaving aside traditional aspects like firm size and age as defining characteristics for the conceptualization of the phenomenon. There is also evidence in literature that firm internationalization may be triggered by particular "episodes" that can lead to rapid international expansion (Bell et al. 2001). Family firms are characterized by multigenerational involvement and succession issues. Indeed, generation involvement is an important aspect in family SME life-cycle. Activities associated with international entrepreneurship that may help family firms succeed into the next generation include creating new products and services, reaching new markets, and internationalizing operations and sales (Sharma et al. 1997). Therefore, second/subsequent generation family members may be most likely to add fresh momentum to the entrepreneurial endeavour of family businesses (Salvato 2004). These particular "episodes" can lead to an "era" of rapid and dedicated internationalization, in which the role played by the main decision-makers is fundamental for the international orientation, commitment and experience, and changes in ownership, board composition and management are often the catalyst for a shift in strategic direction leading to internationalization. Therefore, the investigations of aspects linking governance features to international entrepreneurship may shed new light on family SME export behaviour (Ruzzier et al. 2006). It is this specific attribute which makes the use of the international entrepreneurship approach preferable to internationalization behaviour when attempting to explain the internationalization of family businesses.

However, internationalization and exporting strategies of family business are still a main issue to be further investigated (Cooper et al. 2005; Carrigan and Buckley

2008). While some studies have looked at the export behaviour of firms from India (Lal 2004), UK (Gourlay and Seaton 2004), Italy (Castellani 2002), Spain (Vila Lopez 2007), developing economies (Tyagi 2000), Australia (Julian and Ahmed 2005), etc., few have focused on family businesses. Exceptions include Fernández and Nieto (2005) and Claver et al. (2009) that addressed some aspects of export behaviour of family businesses (Okoroafo and Perryy 2010).

The focus of this paper is on family SME export behaviour seen as the first way to approach international markets. We explore the effects of formal/informal governance mechanisms on family SME export intensity. The effects of independence in board behaviour (the outsider ratio), relational norms, and trust (competence-based and integrity-based trust), are tested on the level of export intensity (Fig. 1). This is done by highlighting the existence of both formal and informal governance mechanisms. Hence, informal mechanisms (relational contract theory) may complement formal systems emphasized in agency theory (Huse 1993, 1994; Steier 2001; Mustakallio 2002; Poppo and Zenger 2002).

2.2 Boards and governance in agency and in relational contract theory

Considering family SMEs risk-adverse behaviour, export activities, even if less risky than other internationalization modes, are still perceived by family firms as risky (Kets de Vries 1993). The export decision may thus trigger different conflicts among family members (Zahra 2003), who may have different perspectives on what is *best for the firm* and what is *best for the family*. Therefore, it seems important to know how boards face and implement this complex decision. As aforementioned, in order to understand whether and to what extent the board of directors contributes to family SME export behaviour, we should consider the *duality* of governance in family SMEs in terms of formal and informal attributes (Steier 2001; Mustakallio et al. 2002). Hence, a brief discussion on boards and governance in family firms is needed.

The discussion about boards and governance is dominated by agency theory. This theory is based on the neo-classical economic paradigm that considers the firm as a

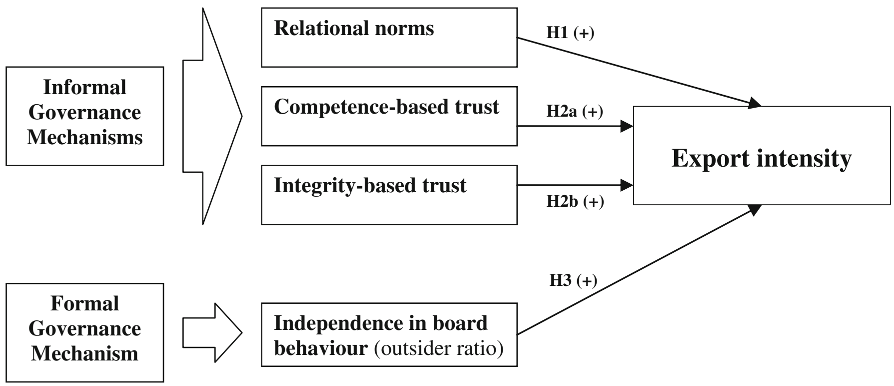

Fig. 1 Research model and hypotheses

set of contracts covering the way inputs are joined to create outputs. These contracts are based on promises, which represent only one side of a continuum for various exchange transactions (the so called, *discrete transactions*). In this “nexus of contracts” perspective, ownership of the firm is an irrelevant concept (Fama 1980). Indeed, agency theory main assumptions relate to large firms with dispersed ownership, managerial opportunism and board control tasks (Jensen and Meckling 1976; Fama and Jensen 1983). These assumptions are insufficient for many management purposes because they do not give enough consideration to human motivational resources (Griesinger 1990; Arthurs and Busenitz 2003).

On the contrary, family firms are characterized by concentrated ownership, overlapping positions in the governance system and long-term relationships (e.g., family ties). In family firms, people who are not part of the family are generally recruited basing on trust relationships. Furthermore, family firms are often characterized by *relational transactions* associated with relational norms emphasizing role integration, preservation of the relation, reciprocal expectations to future actions, harmonizing of relational conflicts and supra-contract norms (Huse 1993; Mustakallio 2002; Huse and Mussolino 2008). Relational contract theory, characterized by repeated exchanges by non-anonymous actors, with basis in relational contract law founded on relational transactions (Macneil 1980, 2000, 2003), is thus a useful lens of analysis for family firms. In fact, this theory considers economic transactions of secondary importance and only as a consequence of strategic (long-term) relationships. The theory suggests that the choice of the applied set of norms, relational or discrete, is determined through defining equivalent *relational* or *discrete transactions*. Indeed, Macneil’s (1980, 2000, and 2003) distinguishes between two types of transactions: *discrete* and *relational*. The difference is in the intensity and content of certain norms. *Discrete transactions* requires all necessary information be present at the time of entering into the contract and norms associated with discrete transactions are more likely to create an environment where, while ruthless opportunistic behaviour may not be tolerated, it is assumed that an exchange partner will give his own interests priority over those of the other party. On the contrary, relational norms support *relational transactions* that stress cooperative behaviours preserving the relationships among the actors who will benefit from collaborating and supporting each other (Macneil 1980). Therefore, since contracts concerning complex relations about the future will usually be incomplete, according to Macneil (1980, 2000, and 2003) contracts governing continuous transactions should be *relational* rather than *discrete*. Thus, relational contract theory (Macneil 1980, 2000, 2003) postulating the importance of relational norms and trust can add a dimension of “interdependence” or “closeness” to the traditional “independence” criterion suggested by agency theory. Hence, in addition to agency theory, the study of governance mechanisms in family firms should also be based on relational contract theory (Mustakallio 2002).

Agency theory and relational contract theory are both contractual theories. We argue that aspects from both perspectives make it comprehensible how family SMEs’ formal and informal governance mechanisms influence their dynamics and performance. Therefore, by drawing on both theories, the paper explores the relationships between formal and informal governance mechanisms and the level of family SME export intensity. The relationships between informal governance mechanisms (relational norms and trust), derived from relational contract theory, and family SME export intensity are described in paragraphs 2.3, 2.3.1 and 2.3.2. The relationships between formal governance mechanisms (independence in board behaviour), derived from agency theory, and family SME export intensity are discussed in paragraph 2.4.

2.3 Informal governance mechanisms and family SME export intensity

Relational contract theory (Macneil 1980, 2000, 2003) is useful to explain family SME governance mechanisms and to investigate how they impact on their export behaviour. This theory gives room both for lasting relationships, individuals harmonizing with the social matrix, and interdependence that may influence family SME export behaviour considered as an outcome of informal social processes (Ramaswamy et al. 2000). It is thus important to consider informal aspects (relational norms and trust) when analyzing the complex governance system of a family firm (Steier 2001).

2.3.1 The role of relational norms

Relational contract theory and relational norms introduce a new and distinct dimension in family firms. It contains a more complex picture of human interactions, focusing on interactions and preservation of relations (Macneil 1980, 2000, 2003). These aspects seem to be essential in order to understand long lasting relations (*relational transactions*) characterized by complexity and uncertainty. Huse (1993) suggests that, in family firms, relational transactions based on relational norms influence the actors' behaviour. Moreover, he considers board-management relations as long lasting relations (Huse 1993). Hence, contracts governing these relational transactions are *relational* rather than *discrete*. According to relational contract theory, relational contracts will be characterized by relational norms. These norms are: role integration, preservation of relations, harmonizing of relational conflicts, and supra-contract norms (Macneil 1980, 2000, 2003). Family SMEs seem to be characterized by relational norms. In fact, among family members there are often role integration, feeling of relations preservation and harmonizing of relational conflicts. As informal governance mechanisms, relational norms intervene when important strategic decisions, like going international, have to be taken. Indeed, research suggests that a firm governance system influences its degree of international expansion (e.g., Sanders and Carpenter 1998). This system influences organizational culture which affects the way family firms define, address and coordinate business and family related objectives (Corbetta and Montemerlo 1999). Therefore, communication and discussions among key actors in the firm will help to clarify the export strategy (Koiranen 2004). In fact, this decision may trigger divergent opinions on its timing, scope and feasibility (Zahra 2003). Thus, especially in its first stage, it is important to develop positive feelings among key actors through preservation of relations which reduces potential conflicts. Each other's support is needed! The existence of established common norms and long-term personal and professional relations, with mutual expectations about the future (Macneil 1980, 2000, 2003), may be helpful. Furthermore, the existence of unwritten rules (Macneil 1980) shared by family members (and also by non-family members) reduces goal and interest divergences. This may positively influence the level of family SME export intensity.

In brief, relational norms help in managing complex issues associated to the export decision by facilitating communications and knowledge exchange between decision-makers. By facilitating clear channels of communication, all key actors are kept informed of the firm's progress and intentions, thus feeling part of one common project and pursuing the same goal. This also helps in reducing the overall risk-perception (Kets de Vries 1993) associated to export; the degree of risk seems thus to be shared among all the actors (Zahra 2003). Finally, the existence of relational norms also creates an atmosphere of mutual expectations and shared vision which may result in faster decision-making processes (Gallo and Pont 1996) that might be a strategic advantage when the export decision has to be taken in a fast evolving environment. Therefore, we formulate the following:

Hypothesis 1 There is a positive relationship between the existence of relational norms and family SME export intensity.

2.3.2 The role of competence-based and integrity-based trust

Trust has not been fully integrated into governance literature, which has largely focused on agency theory to explain behaviour and control within firms (Jensen and Meckling 1976; Eisenhardt 1989; Cruz et al. 2010). Agency theorists have largely ignored trust (Sheperd and Zacharakis 2001), although most economic activities require a supporting trust that cannot be provided by contract alone (Eddleston et al. 2010). This missing part provides a fruitful contribution from the field of family business because families offer naturally communities that generate trust relations (Fukuyama 1995). Besides, firms with a family dimension have incentives to invoke trust as a governance mechanism. Indeed, strong family bonds are characterized as being based on trust and family firms are usually depicted as relying on mutual trust in their governance (Steier 2001; Corbetta and Salvato 2004).

Trust is also a central element in relational contract theory, being the connection norm among the actors (Macneil 1980, 2000, 2003). In order to understand boards and governance in family firms, we employ Macneil's concept to formulate hypotheses about trust, as an informal governance mechanism, in relation to family SME export intensity. It seems interesting to understand how trust and positive relations develop thus influencing family SME export intensity. Based on mutual trust, a common vision of the internationalization process and its goals can be developed among different actors. Furthermore, relations and interactions based on trust among actors may facilitate the understanding and implementation of the export decision. Trust therefore seems to have a crucial role in the export behaviour of family SMEs. When feelings of trust are developed among key actors, board members may be more compliant with the founder/owner-CEO (Westphal 1999), trying to understand reasons behind strategic decisions and supporting each other in taking the connected risks (Zahra 2003). Export being a risk-taking activity, the existence of trust among key decision-makers (founder/owner-CEO, family board members, other family members) may be useful as an informal governance mechanism for managing the connected risks. The general risk-aversion that arises from the export decision, in part related to fear of losing control, could be mitigated by the existence of a high level of trust among board members (family and non-family) and the founder/owner-CEO. However, this discussion about trust and export behaviour needs further understanding.

Trust involves the willingness to make oneself vulnerable to another person despite uncertainty regarding motives, intentions, and prospective actions (Mayer et al. 1995; Kramer 1999). Mayer et al. for instance, defined trust as “the willingness to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party’s behaviours” (1995, p. 712). One key distinction between different types of trust is the psychological processes in which it is based (Lewis and Weigert 1985; McAllister 1995; Lewicki and Bunker 1996). Trust can emerge either from an affective experience with the other person (Lewis and Weigert 1985; Rempel et al. 1985; Drolet and Morris 2000) or from evidence of the other party’s competence and reliability (Cook and Wall 1980; Zucker 1986; Butler 1991).

Referring specifically to boards of directors in family SMEs when using the concept of trust it is thus necessary to clarify among which individuals trust is discussed and the existence of different types of trust (Huse 2007). In this study we discuss the role of trust in the export decision of family SMEs and we explore trust between board members and the founder/owner-CEO. Board members in family SMEs may develop feelings of trust to the founder/owner-CEO. Board members (family and non-family) may perceive that the founder/owner-CEO possesses the required skills and/or motivations for the successful implementation of export activities.

In the debate on the role of trust as an informal governance mechanism which influences family SME export behaviour, it is important to take into account the distinction between *competence-based trust* and *integrity-based trust* (Huse 2007). These two types of trust align with the broader distinction in social psychology between two basic dimensions on which people map others, *competence* and *warmth* (Fiske et al. 2007). Competence-based trust occurs when one person, group or firm relies upon another person, group or firm to have sufficient competence to perform a task or assignment. Integrity-based trust occurs when one person, group or firm relies upon the moral integrity of another person, group or firm. Indeed export activities require complex strategic decisions involving different functions, skills, knowledge but also different relations, interactions, emotions among the decision-makers (founder/owner, family members, non-family members, etc.).

The extent to which board members rely on the viewpoints of the founder/owner-CEO may depend on the competence-based perception of trust (competence-based trust). That is, the perceived trust based on the competence of the CEO is more likely to affect the export decision. Internationalization is a highly complex decision with a variety of information to match. Competence-based trust provides cues as to how to process, interpret and act upon the information. It is founded on the ability or competence of individuals. It enables board members to trust the founder/owner-CEO because of his skills and creativity in strategic problem solving (Dutton and Duncan 1987; Bantel and Jackson 1989). Competence-based trust refers to trust "*from the head*", a judgement based on evidence of another's competence and reliability. It is an instrumental inference that one makes from information about the other's behaviour under specific circumstances. Competence-based trust is thus helpful in understanding and explaining how the information is inferred and interpreted by board members. It reassures board members as to the efficacy of the founder/owner-CEO and strengthens their belief about the successful implementation of the export decision (Fryxell et al. 2002). Therefore, board members become more committed and involved in the internationalization process and as a consequence feel part of the export decision. Drawing on the previous arguments we formulate the following:

Hypothesis 2a There is a positive relationship between competence-based trust and family SME export intensity.

In relation to the overall discussion on informal governance mechanisms, we argue that forms of integrity-based trust (Huse 2007) are more frequent in family firms considering also the influence of the founder's paternalistic view of the firm (Pellegrini and Scandura 2008). Indeed, even if there are various actors involved in family SME decision-making and governance, the founder/owner-CEO is often the main decision-maker (Corbetta and Salvato 2004; Gedajlovic et al. 2004) centring family and business dynamics around himself (Pellegrini and Scandura 2008). Thus, board members' involvement in strategic decisions varies according to the different degree of power of the founder/owner-CEO (Mustakallio 2002). Moreover, board members may be influenced by the character of the founder/owner-CEO's authority relationships and legitimacy (Gedajlovic et al. 2004). Especially in founder-managed firms, the founder/owner-CEO may largely condition the other actors by the coupling of ownership and control in his/her hands (Gedajlovic et al. 2004).

Integrity-based trust develops through emotional bonds between individuals (Lewis and Weigert 1985). When trust intervenes as an informal governance mechanism in family SME export processes, it is often linked to the founder/owner-CEO's authority, moral value and entrepreneurial orientation (Koiranen 2004). Integrity-based trust refers to trust "*from the heart*", a bond that arises from one's own emotions and sense of the other's feelings and motives. With integrity-based trust, individuals express care and concern for the welfare of their partners and believe in the intrinsic virtue of such relationships (Rempel et al. 1985). It usually involves emotional investment and is more enduring over situations than is competence-based trust (Lewis and Weigert 1985; Lewicki and Bunker 1996). Furthermore, in family firms the founder/owner-CEO is seen with authority, high values and moral attitudes derived from his entrepreneurial orientation thus generating forms of integrity-based trust (Huse 2007) which positively influence the export strategy. Factors affecting a trustor's degree of trust towards a trustee include benevolence and integrity of the trustee (Mayer et al. 1995). Moreover, the degree of trust varies in relation to the founder's paternalistic view of the firm (Pellegrini and Scandura 2008) and his/her entrepreneurial orientation (Koiranen

2004). Accordingly, trust aspects of relational norms can also reflect paternalism, family relations and clans (Ouchi 1980; Donaldson 1990). This is consistent with the theory that integrity-based trust should result in actions that express care and concern for the relationship, rather than actions that focus on task outcomes. Therefore, the other actors involved in the internationalization process completely trust the founder/owner-CEO supporting his main decisions. Hence, we formulate the following:

Hypothesis 2b There is a positive relationship between integrity-based trust and family SME export intensity.

2.4 Independence in board behaviour and family SME export intensity

Export activities, even if risk-taking represents a huge opportunity for family SMEs in terms of market expansion, modernisation of activities and increase in their competitiveness. The main challenge is on how to combine tradition with modernity, continuity with change (Cox 2001), elements characterizing family firms.

As aforementioned, informal governance mechanisms (relational norms, competence and integrity-based trust) seem to be challenging to understand how boards of directors contribute to family SME export intensity. Some studies have also highlighted that attributes of both relational contract (informal governance) and agency theory (formal governance) may co-exist and be integrated in the same firm (Huse 1993, 1994; Poppo and Zenger 2002). Thus, in order to catch whether and to what extent informal and formal governance mechanisms may co-exist in family SMEs, complementing and supplementing each other, it is important to take into account aspects of the board of directors derived from agency theory [formal governance mechanisms (e.g., the outsider ratio, the presence of independent directors, etc.)].

The focus is therefore on the role of outside directors (independence in board behaviour) in family SME export behaviour. Over the last few years, some studies have indicated the impact of independence in board behaviour on a firm's strategic decisions (Hill and Snell 1988; Baysinger et al. 1991), and on its financial performance (Chaganti et al. 1985; Schnellenger et al. 1989). Nevertheless, the overall results have been ambiguous, but they have generally supported the agency theory suggestion that independence in board behaviour increases firm performance. Indeed, approaches based on agency theory suggest that to be more effective the board members should be independent from the top management.

When coming to family firms, outside directors are considered differently from what is generally predicted by the agency theory. The board composition (and independence in board behaviour) may have another effect in family SMEs (Castaldi and Wortman 1984; Ford 1988; Ward 1988; Huse 2000; Gabrielsson and Winlund 2000). In the family firm context, outside directors are experienced non-family persons whom the family trusts (Gabrielsson and Huse 2005). In these firms, the independence criterion refers more on the independence from the owner family (or from the main decision-maker). It is often an independence of "mind" when managing complex issues as the decision to go international. Thus, independence in board behaviour may beneficially influence family firm export intensity (Sanders and Carpenter 1998; Sherman et al. 1998). Indeed, outside directors reduce information asymmetry among branches of the family (Gabrielsson and Huse 2005) thus having a critical role in the export decision.

The presence of outside directors may be beneficial to family SME export behaviour in several ways. First, if there is an independent consultation from the decisions taken by the owner family, it will be possible to avoid intrinsic and unconsidered risks connected to the export decision (Zahra 2003). Second, the presence of outside directors may serve as a mechanism to manage divergent points of view among family members, bringing clear and objective counsels in relation to the export strategy (Calabrò et al. 2009). Third, the presence of active outsider directors, involved in long-term goal setting and strategic decision-making, influences positively the implementation of the export activities, because they go beyond the ratification of decisions already made by the founder/owner-CEO. Indeed, one of the main tasks for the board itself is to be involved in this long-term strategy, but it should also support and control decisions (Johannisson and Huse 2000). Finally, outside directors, through their advice and counsel, may influence the degree of the founder/owner-CEO' conservatism (Cox 2001) and so having consequences on how he/she will perceive risks connected to the export decision. Especially in the case of founder-managed firms outside directors can play a valuable role (Whisler 1988). The appearance of an outside director is a direct response to the needs of the founder/owner-CEO. His presence is not legally required, nor is he the representative of external shareholders. Thus, we might expect his role to differ from that of outside directors in other firms.

The needs of the founder/owner-CEO seem to be critical. Actually, if the founder/owner-CEO is an entrepreneurial person who considers the export decision as a way for revitalizing the business and for giving future opportunities to family members, the role of outside directors is perceived as less important. Indeed, the active involvement of the founder/owner-CEO in the export decision, with his/her strong personality and authority, influences all the other actors (family and non-family) by motivating and encouraging them in achieving the export goals. Therefore, in spite of a rigid organizational structure, the founder/owner-CEO (especially in founder-managed firms) can lead his/her organization towards flexibility and change hence favouring the export activities (Cox 2001). This is possible because the governance structure of founder-managed firms can facilitate the identification and pursuit of entrepreneurial opportunities especially when founders-CEOs have the ability, and the incentive, to pursue options that they perceive as "first best" in terms of their personal (subjective) utility (Gedajlovic et al. 2004).

While the aforementioned situation is primarily referred to founder-managed firms (Gedajlovic et al. 2004), many family SMEs are characterized by the presence of founder/owner-CEOs who may have a strong conservative approach. The more the founder/owner-CEO is conservative the less he/she works for change. This implies stagnation and risk of insularity (Miller et al. 2003). Moreover, family SMEs are known for their differentiation through the same activities and policies and to privilege a defensive position with protection of its niche (Gallo and Sveen

1991). On the contrary, the export decision implies starting new activities (new markets, new customers, new competitors, etc.) often weakly connected to the original one (Gallo and Sveen 1991). Hence, family SMEs, highly dependent on the founder/owner-CEO's high degree of conservatism (James 1999), would be unable to promote the export decision, as it is not supported by him/her. The founder/owner-CEO's high degree of conservatism is a significant barrier to export. The role of formal governance mechanisms (e.g., the presence of outside directors) may mitigate the founder/owner-CEO's risk-adverse behaviour. The presence of outside directors is thus fundamental and is an indicator of the struggle against conservatism and strategic inertia (Basly 2007).

In order to get benefits from the presence of outside directors, the founder/owner-CEO and the other family members have to recognize that through independent advice and counsel (professionalization of the business) they would probably make better strategic decisions and achieve better performance (Johannisson and Huse 2000). Indeed, outside directors could prevent the dominance of a single line of thought by challenging the assumptions underlying the firm's strategies and injecting external knowledge (Basly 2007), in turn favouring the export performance. Accordingly, this function of counsel should improve the capacity of the firm to innovate and establish new strategic directions such as the decision to start exporting. Following this reasoning it is possible to create an optimal combination between what is best for the firm and what is best for the family.

Bearing in mind these arguments, we hypothesize the existence of a positive relationship between the level of the outsider ratio and family SME export intensity. Therefore:

Hypothesis 3 There is a positive relationship between the levels of the outsider ratio and family SME export intensity.

3 Methods

3.1 Data collection and sample

We used data from the Norwegian "value creating board" database (Huse 2009). The database is unique in the way that it has been developed in several surveys, in several countries over many years, and it contains a large number of previously validated scales related to current board behaviour (Huse 2007; Minichilli and Hansen 2007; Pugliese and Wenstøp 2007; Zona and Zattoni 2007.

The data included in the final sample are part of a larger research program ("the value creating board" database). In this study we are using three surveys. Two surveys are from 2003/2004 (the "small firms" and the "innovation" surveys). The other one is from 2005/2006 (the "follow-up" survey). The "follow-up" survey in addition to new observations also includes all firms that responded in the surveys in 2003/2004.

The questionnaire sent in 2003/2004 was made up of 230 questions sent to the CEOs of more than 3,000 Norwegian firms. Survey item responses were based on a 5-point Likert-type scale. The questionnaires were sent by mail to the CEOs. Two postal reminders were sent and one selected group of firms was contacted by telephone to encourage response and to collect reasons for non-response. 986 questionnaires were returned, leading to a response rate of 31.0%. Non-response bias test showed no significant differences between responding and non-responding firms in terms of size. In addition, we tested for differences between early and late respondents finding no significant differences. Various ex-post non-respondent studies were conducted. Together with the second reminder to the CEOs we also asked the CEOs why they did not respond. They received six response alternatives, and we received replies from 75 "non-responding" firms that indicated the following main reasons: time constraints (25 responses), not relevant for the firm (19 responses), do not want to participate/no incentive to participate (10 responses), no opportunity/nobody available (7 responses), no reasons (14 responses).

In the "follow-up" survey, in addition to new observations we also included all firms that responded in the "innovation" and "small firm" surveys in 2003/2004. We asked 265 questions to the CEOs. The questionnaires were sent by mail to the CEOs. Two postal reminders were sent and also in this survey one selected group of firms was contacted by telephone to encourage response and to collect reasons for non-response. At the end of 2005 and the first half of 2006 the program received a total of 973 questionnaires from CEOs. The overall response rate was 33.0% for CEOs. The non-response bias test showed no significant differences between responding and non-responding firms in terms of size. In addition, we tested for differences between early and late respondents and found no significant differences with respect to industry type, number of employees, sales and firm innovative activities.

In order to get the final sample for this study we selected Norwegian firms having CEO responses in both 2003/2004 and 2005/2006. 342 firms met this selection criterion. After we controlled for firm size, considering employment size class divided into two groups 1-49, 50-249, which is the European Union's cut-offs for small and medium-sized firms, respectively. 250 SMEs were identified. From these firms, we selected only those that had three characteristics: firms with families having voting control (Neubauer and Lank 1998), those with the majority ownership (more than 50.0%) and also one or more family member in managerial positions (Fernández and Nieto 2006). Finally, we identified 101 family SMEs. In the final sample we have a majority of very small firms (37.0% with 10 and under employees, 41.0% between 10 and 50, and 22.0% between 50 and 250 employees). The mean age of the family SMEs is 40.6 years (median age 25), and the mean number of board members is 3.5 (median 3.0).

We have also run further analyses in order to see to what extent there were overlaps between ownership, managerial and board member roles in the sample. Tables 1, 2 and 3 detect some of the main characteristics of the analysed family SMEs.

37.0% of family firms (38 family firms) in the sample had less than 11 employees (mean value is 6.6). We have classified them as *micro-sized* family firms. This type

Table 1 *Micro-sized* family firms

	1–10 employees (38 firms)	Board size	Family board members	Family ownership (%)	Total board ownership (%)	CEO is also the founder (yes = 1; no = 0)	CEO is an ordinary board member (yes = 1; no = 0)	CEO-duality (yes = 1; no = 0)	TMT size	No. board members who are also TMT members	Second/subsequent generation (yes = 1; no = 0)
Mean	6.6	3.1	1.2	90.2	43.4	.52	.73	.28	1.2	.89	.15
Median	6.7	3.0	1	100.0	45.0	–	–	–	1.0	1.0	–
Minimum	3.0	2.0	0	57.3	0	0	0	0	1.0	0	0
Maximum	10.0	5.0	4.0	100.0	100.0	1.0	1.0	1.0	3.0	3.0	1.0

Table 2 *Small-sized* family firms

	11–50 employees (42 firms)	Board size	Family board members	Family ownership (%)	Total board ownership (%)	CEO is also the founder (yes = 1; no = 0)	CEO is an ordinary board member (yes = 1; no = 0)	CEO-duality (yes = 1; no = 0)	TMT size	No. board members who are also TMT members	Second/subsequent generation (yes = 1; no = 0)
Mean	23.6	3.2	1.5	76.6	28.5	.40	.66	.23	2.6	1.0	.45
Median	20.0	3.0	2.0	100.0	11.8	–	–	–	3.0	1.0	–
Minimum	11.0	2.0	0	50.1	0	0	0	0	1.0	0	0
Maximum	50.0	7.0	5.0	100.0	100.0	1.0	1.0	1.0	5.0	3.0	1.0

Table 3 *Medium-sized* family firms

	51–250 employees (21 firms)	Board size	Family board members	Family ownership (%)	Total board ownership (%)	CEO is also the founder (yes = 1; no = 0)	CEO is an ordinary board member (yes = 1; no = 0)	CEO-duality (yes = 1; no = 0)	TMT size	No. board members who are also TMT members	Second/subsequent generation (yes = 1; no = 0)
Mean	124.0	4.1	2.1	64.8	12.1	.19	.61	.04	2.5	.57	.85
Median	100.0	5.0	2.0	60.0	0	–	–	–	3.0	0	–
Minimum	52.0	3.0	0	50.2	0	0	0	0	1.0	0	0
Maximum	250.0	7.0	5.0	100.0	100.0	1.0	1.0	1.0	5.0	3.0	1.0

of family firm is characterized by a small board of directors (mean value is 3.1) and in 22 cases there is at least one family board member. These firms are characterized by concentrated ownership by one or more families (mean value of family ownership is 90.2%). In order to analyze the degree of overlaps between ownership, family and management we have also considered the degree of board member ownership. The total board ownership is on average 43.4%. Those firms also have 73.0% of CEOs who are also ordinary board members. However, where family involvement in the business is concerned, it is clear that there is a dominant presence of the founder (in mean usually the founder is also the CEO in 52.0% of the cases). The high founder-dominance is also suggested by a low presence (mean value is 15.0%) of second/subsequent generations into the business. In short, the sub-sample of *micro-sized* family firms is characterized by high ownership concentration, partial overlap between the ownership and the board, small board size, high founder influence and low generational involvement.

41.0% of family firms (42 family firms) in our sample had between 11 and 50 employees (mean value is 23.6). We have classified them as *small-sized* family firms. This type of family firms is characterized by a small board of directors (mean value is 3.6) and in 33 cases there is at least one family board member. These are characterized by concentrated ownership by one or more families (mean value of family ownership is 76.6%). In order to analyze the degree of overlaps between ownership, family and management we have also considered the degree of board members' ownership. The total board ownership is on average 28.57%. These firms are also characterized by 66.0% of CEO who are also ordinary board members. Where family involvement in the business is concerned, it is clear that there is a certain presence of the founder (in mean the founder is also the CEO in 40.0%). However, 45.0% of these firms are characterized by the involvement of the second/ subsequent generations. Compared to the *micro-sized* family firms sub-sample, the one composed by *small-sized* family firms is characterized by lower ownership concentration, lower ownership by board members and lower founder influence.

22.0% of family firms (38 family firms) in our sample have between 52 and 250 employees (mean value is 124). We have classified them as *medium-sized* family firms. This type of family firm is characterized by larger boards of directors (mean value is 4.9) and in 18 cases there is at least one family board member. The degree of family ownership decreases significantly in comparison to the other two sub-samples (mean value of family ownership is 64.8%). Moreover the degree of board member ownership also decreases (mean value is 12.1) suggesting lower overlaps among ownership, management and family. In these family firms the founder is no longer the CEO (only in 19.0% of cases the founder is also the CEO). However, in 61.0% of cases the CEO is also an ordinary board member. Those family firms are characterized by a high generational involvement indeed 85.0% have second/ subsequent generation involvement in the business. In brief, the sub-sample of *medium-sized* family firms is characterized by lower ownership concentration, less overlapping in roles, medium board size, higher generational involvement.

In all the three types of family firms (*micro*, *small* and *medium-sized*) there is a low degree of overlap between the board of directors and the top management team (TMT), indeed at least one board member is also part of the TMT. Moreover, all the analysed family firms have a formal board of directors the observations being part of a wider research project mainly based on the investigation of behavioural perspectives in boards of directors (the "value creating board", Huse 2009).

Finally, we have used this database because it contains measures of the export intensity, family businesses, relational norms, trust and independence in board behaviour.

The independent and control variables were measured in 2003/2004 and the dependent variable (export intensity) in 2005/2006. Indeed, it seems logical to think that the effect of the independent variables on export behaviour requires time, which will not be evident immediately. We use this time lag in view of our wish to overcome the problems of causality inherent in cross-sectional data referred to in literature (Salomon and Shaver 2005). Thus, for the purposes of our research the dynamic perspective is obviously preferable to the static perspective implicit in cross-sectional analysis. Moreover, this study focuses on linking some firms' internal characteristics to its overall international performance to discern a general pattern of relationships among the analysed variables. In this respect, 1 year time lag between the independent variables and the dependent variable seems appropriate, also because some changes and industry adjustments may happen suddenly, not necessarily requiring a long time to be manifested. Yet, there are previous export studies that use one or two-year lags (Sambharya 1995; Tallman and Li 1996).

3.2 Variables

3.2.1 The dependent variable

The level of firm internationalization was measured by the *export intensity*, our dependent variable. The dependent variable was measured by the percent of revenues on export, the most common measurement of SME internationalization (Samiee and Walters 1990; Zahra et al. 1997; Westhead et al. 2001; Bell et al. 2001; Lu and Beamish 2001, 2006). Exporting is considered the most common foreign market entry mode of SMEs (Leonidou and Katsikeas 1996). Exporting in particular is seen as an experimental tool to test international markets and a way to revitalize family SMEs through increase in productive capacity and improvements of their financial position (Claver et al. 2007). Moreover, it gives new employment opportunities and, if successful, being a good form of growth, it is positive for the next generations (Ward 1987; Zahra 2003). Finally, export activities can positively contribute to the achievement of family SME competitive advantage (Claver et al. 2007).

3.2.2 Independent variables

Relational norms were measured in 2003/2004. The variable is the mean of 3 items: "*between board members there are: a. unwritten rules and principles on how the board should conduct its business; b. considerable weight on preservation of personal relations; c. considerable weight on preservation of professional relation*". The Cronbach-Alpha coefficient is .73.

The distinction between *competence-based* and *integrity-based trust* has received considerable empirical support (McAllister 1995; Lewicki and Bunker 1996; Fryxell et al. 2002; Levin and Cross 2004; Holste and Fields 2005; Ng and Chua 2006; Wilson et al. 2006; Huse 2007). Especially, McAllister (1995) found that ratings of many trust-related items reduced to two factors (competence-based and integrity-based trust) rather than one in a confirmatory factor analysis. Other studies have also yielded findings consistent with McAllister's (1995) study (Holste and Fields 2005; Ng and Chua 2006; Wilson et al. 2006). In this paper *competence-based trust* (Huse 2007) was measured in 2003/2004. This variable was measured as the mean of 3 items: "*a. Board willing to accept CEO analyses and evaluations of strategy formation; b. Board willing to base evaluations on CEO knowledge and insights; c. Board willing to mandate the CEO to make strategic decisions basing on his competence and without consulting the board*". The Cronbach's Alpha coefficient is .84.

Integrity-based trust (Huse 2007) was also measured in 2003/2004. This variable was measured as the mean of 3 items: "*a. Board willing to mandate the CEO to be the spokesperson for the firm; b. Board willing to accept strategic decisions made by CEO; c. Board willing to mandate the CEO to make decisions in important situations*". The Cronbach's Alpha coefficient is .75.

The *outsider ratio* was measured in 2003/2004. The outsider ratio was operationalized as the number of outside directors divided by the total board size. Outside directors are board members who are not employed by the firm and who are independent of the CEO. An increase in outsider ratio is often considered to be a way of making the board more independent and active in monitoring firm performance, although earlier studies have shown various and ambiguous results (Johnson et al. 1996; Gabrielsson and Winlund 2000). This indicates that the outsider ratio may be a rather poor measure of actual independence. However, the frequent use of this measure makes it worthwhile to include it in this study.

3.2.3 Control variables

3.2.3.1 Industry type We classified firms as competing in high (coded 1) and low (coded 0) technology industries basing on CEOs' responses. In high technology sectors, an early international presence can enhance firm survival and success (Von Glinow and Mohrman 1990). In these sectors the high costs of R&D cannot be recovered only by domestic operations so firms need to seek international customers (McDougall and Oviatt 1996). In growing industries, an opportunity-based internationalization strategy is often necessary (Anderson and Reeb 2004). Incremental internationalization is more common in mature or low technology industries.

3.2.3.2 Firm size Firm size was measured by the number of the firm's employees in 2004. A logarithmic transformation of the fiscal year-end number of the firm's employees was used in the regression analysis. Firm size is a reliable surrogate for the various resources a firm may be endowed with (Dhanaraj and Beamish 2003). Firm size can be a proxy for quality of management, technological intensity or investment in research and development (Ali 2004). The larger the firm, the greater the likelihood that a firm has better quality management, manufacturing slack or bigger research and development budget. These factors are directly related to export performance (Samiee and Walters 1990).

3.2.3.3 Board size Board size indicates the number of board members with voting rights. There is expected to be an inverse U-shape relationship between board size and firm performance (Zahra et al. 2000). Therefore, that seems to be related with the operation of internationalizing the business. In our study almost all firms had relatively small boards, so we expect a linear positive relationship.

3.2.3.4 CEO tenure Tenure was measured via a self-report question asking how many years the CEO had held this position in the family firm. CEO tenure may be particularly relevant in family firm international behaviour because family firm CEOs tend to remain in power much longer than CEOs in non-family firms (Gersick et al. 1997), and thus have an enduring impact on the firm's organizational culture and decision-making processes. Dominant leadership over long tenures may make employees less likely to question ideas and practices. CEOs with longer tenure have been found to be more likely to conform to industry norms, presumably because their firm-specific human capital keeps them from compromising the comfortable status quo (Finkelstein and Hambrick 1990). Indeed, Zahra (2005) found that CEO tenure in family firms was inversely associated with risk taking. It appears that when family firms are highly dependent on the CEO, suboptimal decisions can result because the family firm has not planned for change or the leader dominates decision-making (Feltham et al. 2005). Therefore, family firm CEOs with long tenure may display less entrepreneurial behaviour than their newer counterparts because of their resistance to change and support for the status quo.

3.2.3.5 Second/subsequent-generation involvement Generational involvement refers to the generation that controls the family firm (Davis and Harveston 2000; Kellermanns and Eddleston 2006; Cruz and Nordqvist 2008; Kellermanns et al. 2008). When multiple generations are involved in the family firm, the organization has greater input and a variety of individual perspectives, both valuable assets for entrepreneurial ideas. Newer generations tend to push for new ways of doing things (Kepner 1991) and are often the driving force behind innovation (Litz and Kleysen 2001) and entrepreneurial activities (Salvato 2004). Indeed, the second and subsequent generations may have acquired abilities and knowledge that the founders do not have, and they will be impatient to demonstrate their capabilities by looking for strategic chances. It has been empirically demonstrated that second/subsequent generation family SMEs show higher export intensity than the first-generation (Fernández and Nieto 2005). According to previous operationalizations of generational involvement, we asked the CEO which generation was managing the family business (Bammens et al. 2008; Cruz and Nordqvist 2008). This variable has two different values: 0 for first-generation family firms and 1 for second-generation (or subsequent generation) family firms.

3.3 Multiple linear regression analysis

Multiple linear regression analysis was used to test the hypotheses. We made a hierarchical analysis with two steps. In the first step, we ran the regression including the control variables (Model 1). In the second one, we ran the regression including all the control variables and also entering the independent variables (relational norms, competence and integrity-based trust, independence in board behaviour) (Model 2).

4 Results

The means, standard deviations, and correlations for the dependent, independent and control variables are shown in Table 4. Intercorrelations among independent variables were generally low thereby minimizing the problem of unstable coefficients (because of collinearity) in the linear regression models. Possible collinearity among the variables was tested by estimating variance inflation factors (VIF test), which passed the recommended standards (Hair et al. 1998). The highest observed VIF equalled 1.61. The VIF test suggests that multicollinearity does not defect results. The condition index was also estimated to ensure that collinearity was not a problem for the estimation of regression models. Indeed according to the

Table 4 Intercorrelations for the sample (n = 101 family firms)

	Mean	S.D.	1	2	3	4	5	6	7	8	9	10
1. Export intensity	5.6	14.7	–									
2. Industry (high-tech vs. low-tech)	.13	.34	.26**	–								
3. Firm size (ln number of employees)	25.34	38.2	.37**	.13	–							
4. Board size (number of board members)	3.3	1.3	.21**	.03	.34**	–						
5. CEO tenure (year in position)	8.2	6.8	.03	.14*	−.01	−.10	–					
6. Second/subsequent generation involvement	.48	.49	.29**	.10	.26**	.29**	.14	–				
7. Relational norms	4.8	1.3	.11	.12	−.08	−.18**	.08	.22*	–			
8. Integrity-based trust	4.1	.6	.22**	−.01	.13*	−.03	.13*	.29**	.10	–		
9. Competence-based trust	3.8	.8	.18	.11	.12	−.05	.05	.25**	.10	.23	–	
10. Outsider ratio	.57	.36	.28**	.19	−.04	.09	−.09	.03	−.01	.11	.11	–

Pearson's product-moment correlation coefficients

** Correlation is significant at the .01 level (2-tailed); * Correlation is significant at the .05 level (2-tailed)

Table 5 Relational norms, trust, independence in board behaviour and the export intensity ($n = 101$ family firms)

Variables	Export intensity (Percent of revenues on export)	
Equations	Model 1	Model 2
Control variables		
Industry (high-tech vs. low-tech)	.42***	.32***
Firm size (ln number of employees)	.02	.05
Board size (number of board members)	.02	.05
CEO tenure (year in position)	−.10	−.08
Second/subsequent generation involvement	.34**	.20**
Independent variables		
Informal governance mechanisms		
1. Relational norms		.20**
2. Competence-based trust		−.08
3. Integrity-based trust		.24**
Formal governance mechanism		
4. Outsider ratio		.18**
Adjusted R^2	.22	.31
F	9.5***	8.2***

Table is reporting beta-coefficients (standardized partial regression coefficients)

* $P < .10$; ** $P < .05$; *** $P < .01$

standard proposed by Belsley (1991) who recommended that all condition indexes had to be less than 30, there is no evident problem with collinearity in our sample. We also made various residual analyses with log-linear transformation of firm size. These transformations did not make significant changes in the results.

We tested the hypotheses via multiple regression analysis. SPSS was used to run regressions. The results are shown in Table 5.

We tested two models. In Model 1, we controlled for industry (high-tech vs. low-tech), firm size, board size, CEO tenure and second/subsequent generation involvement. The adjusted R^2 was .22. Although industry and second/subsequent generation involvement were significant ($\beta = .42$, $P < .01$; $\beta = .34$, $P < .05$), firm size, board size and CEO tenure did not affect family SME export intensity.

In Model 2 we regressed family firm export intensity onto the independent variables [relational norms, trust (integrity and competence-based) and independence in board behaviour (the outsider ratio)] and the control variables. The adjusted R^2 was .31. Relational norms were positively and significantly related to export intensity ($\beta = .20$, $P < .05$), thus supporting hypothesis 1. Although competence-based trust did not have a significant impact on export intensity, integrity-based trust showed a significant relationship with export intensity ($\beta = .24$, $P < .05$), thus providing partial support for hypotheses 2. Moreover, we found a positive and significant relationship between the level of the outsider ratio (independence in board behaviour) and the export intensity ($\beta = .18$, $P < .05$), thus providing support for hypotheses 3.

5 Discussion and findings

To date, little empirical research has been conducted to identify how family firms strive to manage and cope with the complexity arising from the internationalization of their operations.

This empirical study has attempted to fill this gap in literature by examining how family SMEs' *unique* governance mechanisms influence their export behaviour. Thus, in order to get the actual contribution of boards to the export behaviour of family SMEs, this study focuses on the *dual* nature of family SME governance structure, that is the presence of both formal and informal attributes, and it explores if they can be both seen as simultaneously complementing and supplementing each other (Poppo and Zenger 2002).

This study contributes to the literature on family business internationalization by stimulating the development of studies in the intersection of governance and internationalization in line with the academic debate which suggests that a critical determinant of a firm's ability to successfully deal with such complexity is its governance structure (Melin 1992; Hoskisson et al. 1993; Daily and Schwenk 1996; Sherman et al. 1998; Buck et al. 2000; Filatotchev et al. 2001; Hoskisson et al. 2002; Filatotchev et al. 2007). The study also responds to Zahra's (2003) call for further research on family firm internationalization using other informal dimensions of family firm governance (e.g., trust).

The study applies the agency (Jensen and Meckling 1976; Fama and Jensen 1983) and the relational contract (Macneil 1980, 2000, 2003) perspectives, addressing the apparent paradox of both independence and relational norms by considering them as two distinct dimensions. The focus of the paper indeed echoes Huse's work (1993 and 1994) on boards in small firms. In both studies the author discussed the paradox of independence and interdependence in board-management relations. We used similar arguments, but addressing the need to move to the context of family SMEs and a different outcome: export performance. In particular, the role of the board of directors (Gallo and Sveen 1991; Gallo and Pont 1996; Calabrò et al. 2009), its composition (Sanders and Carpenter, 1998), the role of trust between board members and the founder-CEO (Westphal 1999), the view of internationalization as an outcome of informal social processes (Ramaswamy et al. 2000), are all issues that are explored in this study. Therefore, this study shows how issues regarding boards and governance in family SMEs are important and challenging. The study provides compelling evidence that both formal (independence in board behaviour) and informal (relational norms and trust) governance mechanisms may be synthesized and coexist in the same firm. Insofar as informal governance mechanisms complement (Poppo and Zenger 2002) formal governance mechanisms, strength of trust, relational norms, shared visions and social interactions are heavily present in family firms. Anchored in governance research (Borch and Huse 1993; Huse 1993, 1994) that advocates for an integration of informal governance and agency perspectives, the present research provides empirical evidence that high levels of family SME export intensity result from the ability to create social and human capital in the family firm (Nahapiet and Ghoshal 1998) in addition to formal agency theory requirements (Jensen and Meckling 1976; Fama and Jensen 1983).

Three observations emerge from the analyses.

First relational norms are significant and determine the degree of family SME export intensity, supporting hypothesis 1. The existence of unwritten rules and the focus on preservation of personal and business relationships (Macneil 1980, 2000, 2003) help decision-makers facing the complexity of the export strategy. Particularly, the existence of relational norms increases the commitment to long-term perspectives, aligned and continuous goals, and valuable social relationships which can potentially foster the export decision. The export activities may often take years to generate profits, depriving the family of short-term wealth (Zahra 2003). Clearly, the existence of these norms significantly enhance the identification with the firm (Fernández and Nieto 2005), encouraging the actors to behave altruistically (Zahra 2003) by ensuring organizational survival and growth through the international expansion.

Second, trust between board members and the founder/owner-CEO has mixed effects on family SME export intensity, partially supporting hypothesis 2. Integrity-based trust is positively and significantly associated with export intensity (Table 2), but there are no relationships between competence-based trust and export intensity. By examining *how* directors place trust in the founder/owner-CEO—from the *head* (competence-based trust) or the *heart* (integrity-based trust)—we address several issues. First, in line with previous studies, trust is here considered important to the success of a family firm, whereas lack of trust may be a threat to the viability of a family firm (Kets de Vries 1993; Walsh 1994; Steier 2003). Second, the distinction between competence and integrity-based trust is in line with two distinct systems of social psychological processes in family SMEs. Whereas competence-based trust involves a calculative and instrumental assessment, integrity-based trust involves empathy, rapport, and self-disclosure. These processes of trusting differ experientially and have distinct antecedents and consequences (McAllister 1995; Kramer 1999; Drolet and Morris 2000).

For example, integrity-based trust implies that directors share the same values of the founder/owner-CEO. Shared values represented by high levels of value commitment indicate a group orientation where harmony and group or organization success holds greater value than individual achievement. This is supportive of a collective culture that may help sustaining a complex decision as that of starting export. This type of trust influences both family and non-family board members because it is characterized by strong relational ties, frequency of interactions, and history of relationship in families. Indeed, while non-family board members may appreciate the values and moral integrity of the founder/owner-CEO and even share them, family board members are more influenced by this unique set of family values because they are tied both to the family and the business (Hoy and Verser 1994). Moreover, family board members have stronger insights and experiences about characteristics of the founder/owner-CEO and his/her trustworthiness. Therefore, developing continuous interactions over time can provide an additional pathway for family and non-family board members to learn of the trustworthiness of the founder/owner-CEO.

The founder/owner-CEO with his/her continuous involvement in the daily business makes an alignment of interests within the firm (Gedajlovic et al. 2004;

Thomas and Graves 2005). Plus, intensive communications and enduring exchanges among members within family firms facilitate the sharing of experiences and knowledge that, enhance the level of trust among the key actors and promote risk-taking activities and long-term investments (James 1999), like the export process (Zahra 2003). The internationalization choice is often considered as a result of complex and dramatic decision-making process (Gallo and Pont 1996), especially in dynamic and rapidly changing environments. But, since board members are supposed to swiftly assess a situation and ratify suggestions made by the founder/owner-CEO (Huse 2007), we can argue that board members with the same value system and cognitive framework as the CEO and with a high level of integrity-based trust may meet such requirements readily thus contributing positively to the export strategy (Gallo and Pont 1996).

Contrary to expectations, we did not find a significant relationship of competence-based trust with export intensity (hypothesis 2b). A possible explanation is that although export intensity may be strongly associated with the level of competence of the main decision-maker, it could happen that strong feelings of belonging, high identification in the business, and a strong reliance on the founder/owner-CEO's moral integrity may mitigate such an effect. Therefore, competence-based trust becomes less influential than integrity-based trust with regard to the export decision.

Another possible explanation to the absence of relationships between competence-based trust and family SME export intensity is linked to the typology of the family firm we have analyzed. Indeed, our sample is mainly composed of *micro-sized* (37.0% of firms have less than 11 employees) and *small-sized* (41.0% of firms have between 11 and 50 employees) family firms. Especially micro-sized family firms are characterized by a high dominance of the founder/owner-CEO (Gedajlovic et al. 2004) who is also a member of the board in many cases. This type of family firm has at least one family board member who may often tend to rely on the founder/owner-CEO decisions and is more aligned with his/her values and interests. In family firms, the founder shadow and his/her paternalistic behaviour towards family and non-family members within the firm enable board members to care more about his moral integrity and values than the CEO's competence. It could be also possible that the founder/owner-CEO has not enough competence to decide for internationalization. Indeed, older generations of founder/owner-CEOs may be considered not enough modern and entrepreneurial (may be too conservative) by the younger members of the same family or by external members sitting in the board. Some kinds of old founder/owner-CEO know perfectly how to cope with their close environment, the environment they always had to face in their life. However, very often they do not know the outside of it, they do not trust what is different and unknown, therefore they might not internationalize because of incompetence towards what is outside their known environment. Indeed, our sample is mainly characterized by first-generation family firms or at least family firms with the first generation still involved in the business (see Table 1). This implies that the entrepreneurial momentum is still present and that decisions are mainly linked to founder/owner-CEO willingness (Gedajlovic et al. 2004). We address the missing impact of competence-based on all these reasons.

Third, the presence of outside directors has a positive effect on the export intensity of family SMEs, supporting hypothesis 3. Through this finding it is possible to highlight that in family SMEs it is possible to synthesize aspects related both to formal (independence in board behaviour) and informal governance mechanisms (relational norms and trust). Family SMEs that do not limit the presence of outside directors may benefit from their presence (Johannisson and Huse 2000) because they are also valuable to sustain and undertake international activities (Calabrò et al. 2009). Indeed, outside directors are more oriented in providing advice and guidance (Minichilli and Hansen 2007) in relation to the export process (Calabrò et al. 2009).

The role of outside directors in family SMEs is associated with the "independence" that those directors may have from the family. The concept of "independence" assumes different *nuances* in family SMEs. Indeed, in family firms independence is considered in relation to the owner family which can also implicate differences in culture. This may be useful when important decisions have to be taken. Indeed, outside directors may give insightful opinions on what should be done, which is the interest that must prevail for the viability of the family firm (Whisler 1988). The presence of these directors may significantly influence SME export through the advice and counsel that these board members are able to bring (Calabrò et al. 2009). This also suggests important practical implication for family SMEs. In fact, in order to improve board contribution to export activities it seems important to avoid appointing family members or individuals belonging to a close relational family circle (Ward 1988; King et al. 2001) and being more oriented to the recruitment of professional and independent directors (Calabrò et al. 2009).

There are further arguments sustaining the importance of more outside directors in family SMEs. The presence of independent directors may fill the lack of managerial capacity (Gomez-Mejia 1988), thus sustaining the family SME export strategy (Calabrò et al. 2009). Furthermore, Pearce and Zahra (1992) linked boards to firm internationalization arguing that firms making the decision to expand overseas first require new board members to acquire the necessary skills and background to successfully pursue the opportunities in these new markets. The absence of outside directors may thus limit family SMEs' ability to compete internationally due to a lack of monitoring and coordination capabilities needed to manage geographically distant and dispersed activities (Calabrò et al. 2009). However, it is important to highlight that these arguments are not in line with agency theory prescriptions but are more in line with resource-based theory prescriptions (Barney 2001).

These overall results give evidence to the solution of the apparent paradox in addressing both agency and relational contract issues in family SMEs. The use of formal and informal governance models affects the way a family SME operates, its strategic choices, its decision-making processes, the balance of power, and ultimately its export intensity.

Our study's overall pattern of results also suggests considering the difference among first generation versus second/subsequent generation family SMEs in the export decision. We controlled for second/subsequent generation involvement, because when discussing on family firms internationalization the role of generations seems to be an important explanatory variable. Indeed, our findings suggest that family SMEs managed by second/subsequent generations showed a higher degree of export intensity than first generation managed family SMEs. We used this variable as a proxy for founder/owner-CEO conservatism. Indeed, although first generation family SMEs are often based on innovative ideas (Aldrich and Cliff 2003), after a few years, they often lose their entrepreneurial momentum (Salvato 2004). Because founders of family firms typically want to build a lasting legacy for their offspring, they often become conservative in their decisions because of the high risk of failure of entrepreneurial ventures (Morris 1998; Autio and Mustakallio 2003; Zahra et al. 2004) and their fear of losing family wealth (Sharma et al. 1997). In addition, the centralized decision-making of first generation firms (Dyer 1988) may limit the exchange of entrepreneurial ideas (Zahra et al. 2004), thereby decreasing the interest in overseas opportunities. Thus, although the founder/owner-CEO was willing to take the risks associated with starting a business, his desire to keep the business in the family and to maintain family wealth may keep him from taking the risks associated with the export decision. Therefore, first generation family SMEs may have the least amount of export intensity. In comparison, while first generation family SMEs tend to want to maintain the status quo, later generations tend to push for new ways of doing things (Kepner 1991). Indeed, family SMEs managed by second/subsequent generations must rejuvenate, recreate, and reinvent themselves over time if they are to sustain the same level of growth and financial inheritance of the previous generation (Jaffe and Lane 2004). Export activities are thus particularly important to later generations because they promote the continuity of the family firm and help the family firm create jobs and wealth for the newer generations (Poza 1989). Indeed, later generation family members are much more likely to be the driving force behind innovation (Litz and Kleysen 2001) and entrepreneurial activities (Salvato 2004; Ward 1987). These findings are also in line with studies on international entrepreneurship suggesting that firm internationalization may be precipitated by particular “episodes” that can lead to rapid international expansion (Bell et al. 2001). Indeed, generation involvement is an important aspect in family SME life-cycle. International entrepreneurial activities that may help family firms succeed in the succession process include creating new products and services, entering new markets, and internationalizing operations and sales (Sharma et al. 1997). Therefore, second/subsequent generation family members may be most likely to add fresh momentum to the entrepreneurial endeavors of family businesses (Salvato 2004). The generational change (“episode”) can lead to an “era” of rapid and dedicated internationalization, in which the role played by the main decision-makers is fundamental for the international orientation. In this scenario, changes in board composition (e.g., the appointment of professional outside directors) are often the catalyst for a shift in strategic direction leading to internationalization (Ruzzier et al. 2006). Therefore, the investigations of issues in the governance and international entrepreneurship field may shed new light on the export behaviour of family SMEs. Finally, our results corroborate prior studies of family firms that have shown a significant effect of generation involvement on entrepreneurial activities, suggesting that second/subsequent generation family firms are more entrepreneurial (*in favour of exporting*) while first generation family firms are more conservative (*protecting the kingdom*).

Finally, since our empirical data were exclusively collected in the Norwegian context, we should interpret the results accordingly. Norwegian family SMEs compete in small domestic markets compared to markets in United States and countries in Middle and Southern Europe (Calabrò et al. 2009). This situation has historically forced entrepreneurial Norwegian firms to increase their international activities in order to grow and increase profits (Huse and Gabrielsson 2004). These firms often need possibilities of renewal in foreign markets rather than in the domestic market (Zahra et al. 1997). Therefore, the export decision may be also influenced by contingency factors which contribute to the understanding of the main reasons that lead Norwegian family SMEs to propend to export activities. Probably, these reasons lead to the development of more international-oriented competence and skills.

6 Limitations and future research directions

The study advances theoretical and empirical understanding of how *dual* governance affects family SME export activities. The results presented highlight the importance of formal and informal governance as mechanisms that transmit the effects of the board of directors' functioning in export decisions. Although the use of dual governance in our study can be considered useful in that we could enlarge the knowledge on family firms governance, our design has limitations that we should point out.

First, informal governance is represented in our study by the role of relational norms and the role of competence and integrity-based trust. Insofar as these variables are conventional when studying informal governance, an important avenue for future research is to carefully distinguish and operationalize other dimensions of informal governance (e.g., altruistic relationships, inter-organizational relationships, etc.) and investigate whether export activities could be driven by these factors. Second, formal and informal governance may play different roles in different kinds of family-owned SMEs (e.g., *micro*, *small* and *medium-sized* considering their number of employees). For example, informal governance may be more important in *micro* and *small-sized* family firms while formal governance may become more important in *medium-sized* family firms (or vice versa). This is an interesting research idea which seems worthwhile to explore further given the discussion of "threshold firms" (Whisler 1988; Gedajlovic et al. 2004) where the increasing formalization of the growing firm put demands of more formal governance mechanisms. Third, we acknowledge that our study was limited to family firms. We were unable to directly test our conjecture that the way in which dual governance operates in family SME export behaviour is distinct from the way it operates in non-family firms. An important area of future research would be to examine the role of informal governance in non-family firms and its effect on performance variables. Fourth, our operationalization of internationalization is limited to export intensity (e.g., the export-to-sales ratio). Even though we are in line with previous studies that consider the export intensity as an objective measure which provides a directly comparable evaluation of performance (Katsikeas et al. 2000; Shoham et al. 2002), this univariate measure limits our ability to capture the important nuances of internationalization. Thus, it would be fruitful for future research to investigate how internationalization at different levels (e.g., foreign investments, firm establishments in foreign markets, etc.) may be influenced by family SME dual governance. Finally, our empirical data were exclusively collected in the Norwegian context, which limits our ability to draw definitive conclusions about generalizability. Notwithstanding, we view cross-country studies as an important extension of our research because comparing results among different contexts could overtake context-specific feature bias.

7 Implications for practice

Our findings that relational norms, integrity-based trust and independence in board behaviour have a positive impact on family SME export intensity imply that, to promote trust and relational norms, board members (family and non-family) and founders/owners-CEOs need to actively engage in managing interpersonal relationships fostering trust among them. Doing so involves monitoring the level of trust among directors and key decision-makers and initiating trust-building activities (Long and Sitkin 2006). The results from this study also suggest that through relational norms and trust relationships it will be possible to improve communications, goals and risk sharing thus effectively contributing to family firm international performance. Thus, our conjecture that the effects of these informal governance mechanisms on family SME export intensity implies that investing time and energy in improving trust may be an effective means to improve performance. The various actors involved in the family SME governance system therefore need to take into account the right momentum about whether trust-building interventions are likely to be a worthwhile investment. Finally, the study's results have implications for the appointment of board members who are independent from the owner family. Outside directors with well-established networks and competence (Ward 1988; Whisler 1988) seem likely candidates to lead strategic initiatives because they bring the clout needed to advance risky and growth-oriented projects, such as the export choices.

8 Conclusions

In conclusion, this study advances the theoretical and empirical understanding of family firm internationalization by examining how family SMEs' unique governance mechanisms have an impact on their export behaviour. Thus, in order to get the actual contribution of boards to the export behaviour of family SMEs, this study shows that by synthesizing (Poppo and Zenger 2002) the *dual* nature of family SME governance [(the presence of relational norms and integrity-based trust (*informal mechanism*) and independence in board behaviour (*formal mechanisms*)] it is possible to achieve a higher level of export performance. Thus, informal governance mechanisms (as suggested by relational contract theory) seem to be involved in the export strategy suggesting also that by considering only the agency theory it is not possible to catch the real understanding of boards and governance in family SMEs. Furthermore, this study contributes to the literature on family business internationalization by stimulating the development of studies in the intersection of governance and internationalization in line with the academic debate which suggests that a critical determinant of a firm's ability to successfully deal with such complexity is its governance structure (Melin 1992; Hoskisson et al. 1993; Daily and Schwenk 1996; Sherman et al. 1998; Buck et al. 2000; Filatotchev et al. 2001; Hoskisson et al. 2002; Filatotchev et al. 2007). Finally, the findings from this study suggest the need for more integrated theories of governance by corroborating prior research findings suggesting that the way family firm governance influences their internationalization is different from what prior studies have shown. We hope that this study encourages others to take a closer look to how family firm dual governance features affect their performance.

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