

Tanja Kontinen

Internationalization Pathways of Family SMEs



JYVÄSKYLÄ STUDIES IN BUSINESS AND ECONOMICS 100

Tanja Kontinen

Internationalization Pathways
of Family SMEs

Esitetään Jyväskylän yliopiston taloustieteiden tiedekunnan suostumuksella
julkisesti tarkastettavaksi yliopiston vanhassa juhlasalissa S212
toukokuun 21. päivänä 2011 kello 12.

Academic dissertation to be publicly discussed, by permission of
the School of Business and Economics of the University of Jyväskylä,
in auditorium S212, on May 21, 2011 at 12 o'clock noon.



UNIVERSITY OF JYVÄSKYLÄ

JYVÄSKYLÄ 2011

Internationalization Pathways of Family SMEs

JYVÄSKYLÄ STUDIES IN BUSINESS AND ECONOMICS 100

Tanja Kontinen

Internationalization Pathways
of Family SMEs



UNIVERSITY OF JYVÄSKYLÄ

JYVÄSKYLÄ 2011

Editor
Tuomo Takala
Jyväskylä University School of Business and Economics
Pekka Olsbo
Publishing Unit, University Library of Jyväskylä

Cover picture: "La Défense business quarter in Paris."
Tiffany Art Glass Work by Raija Hämäläinen

URN:ISBN:978-951-39-4381-3
ISBN 978-951-39-4381-3 (PDF)

ISBN 978-951-39-4244-1 (nid.)
ISSN 1457-1986

Copyright © 2011, by University of Jyväskylä

Jyväskylä University Printing House, Jyväskylä 2011

ABSTRACT

Kontinen, Tanja

Internationalization pathways of family SMEs

Jyväskylä: University of Jyväskylä, 2011, 98 p.

(Jyväskylä Studies in Business and Economics

ISSN 1457-1986; 100)

ISBN 978-951-39-4244-1 (nid.)ž- +, !-) %' -!(' , %' fD8: Ł

Finnish summary

Résumé en Français

Diss.

This dissertation investigates the internationalization pathways of small- and medium-sized family firms (family SMEs), and, more specifically, the international opportunity recognition and the importance of network ties/social capital in their foreign market entry (FME). It consists of (i) an introductory essay, and (ii) eight research articles. Family firms dominate the global economic landscape and their business has become more and more international. Family SMEs can be regarded as different from SMEs in general, on the basis of the “familiness” within them, a factor related to the unification of the ownership, management, and family systems in family firms. Familiness can affect internationalization positively and negatively, due to the tendency of family entrepreneurs to have a long-term vision, risk-averse strategies, a fear of losing control when hiring an outsider, the ability to take quick decisions, etc..

The research data consists of a *case database* based on interviews and secondary material collected from eight Finnish family SMEs operating in the French market, together with their French subsidiaries and agents. It also draws on *25 articles on FB internationalization* reviewed in one of the articles included in the overall study (Article I). As regards the findings of the study, six of the case firms took a *traditional* pathway to internationalization, one firm a *born global* pathway, and firm a *born-again global* pathway. The findings indicated that *incremental internationalization* followed from (1) a fragmented ownership base, (2) a strong stewardship orientation, (3) international opportunity recognition in international exhibitions or through an unsolicited order, (4) a strong experience of psychic distance, (5) concentration purely on the main partner in the foreign market, and (6) an inability to give entrepreneurial freedom to the foreign partner.

The findings were compatible with a *developmental phase model* for the foreign market entry of family SMEs. The model describes the perceived phases and elements within the phases, and also the interaction(s) occurring in between the phases, in the FME of family SMEs. The phases in the FME of family SMEs were (1) finding international network ties, (2) formation of network closure, (3) formation of an international view, and (4) formation of further network ties.

Keywords: internationalization; foreign market entry; family SMEs; opportunity recognition; networks; network dynamism; psychic distance; Finland; France

Author's address Tanja Kontinen
Jyväskylä University School of Business and Economics
PL 35 40014 University of Jyväskylä
tanja.kontinen@jyu.fi

Supervisors Adjunct Professor Arto Ojala
University of Jyväskylä

Professor Matti Koiranen
University of Jyväskylä

Reviewers Professor Sylvie Chetty
Massey University

Professor Pavlos Dimitratos
University of Glasgow

Opponent Professor Sylvie Chetty
Massey University

FOREWORD

The present thesis concerns the internationalization pathways of family SMEs. It is also the *result* of internationalization pathways, involving various “foreign market entries,” together with network formation and development, and cross-cultural experiences. During the dissertation process, I have had the opportunity to network with many gifted researchers, at my own university, and while attending conferences and seminars abroad. I count myself most fortunate in – and am profoundly grateful for – the cross-cultural encounters I have had in almost all the continents of the world. With some of the researchers I have also become a co-author and good friend.

Writing this thesis has been a fascinating and rewarding journey. Indeed it has been more, so much more, than I ever expected, since it has helped me to find new ways of thinking about everything I have seen, heard or experienced. I am indebted to many people, without whom writing this thesis would have been impossible.

Adjunct Professor Arto Ojala, my co-author and good friend: thank you so much for everything you have done. Arto offered his help in the very early stages of my thesis, when I was struggling with my research plans. He encouraged me to start by merely writing a conference paper and promised to be my co-author. Most of the articles in this thesis are in fact the outcome of our seamless and rewarding co-operation. Most importantly, writing with Arto has been full of enjoyment, although we have faced very demanding revision processes along the way. Altogether, Arto has taught me something special: the know-how of academic writing that cannot be learnt from books. I am so indebted to you. Thank you, Arto.

I would like to give warm thanks to Professor Matti Koiranen, my administrative supervisor, who offered me a position at the University of Jyväskylä and encouraged me to start a PhD when I had just finished my Master’s degree. Matti has always had confidence in me and my ideas, and that has been really important. I also want to thank most sincerely Associate Professor Emmanuella Plakayonnaki, my methods supervisor, who encouraged me to learn the paradigms of research and who inspired in me a love of critical realist case study methods. I would also like to acknowledge the assistance and advice of Donald Adamson. You have been invaluable in finalizing the academic texts.

I am grateful to the examiners of my thesis, Professor Sylvie Chetty and Professor Pavlos Dimitratos, for their constructive comments, insights, and recommendations for finalizing this thesis. Several other scholars in international entrepreneurship have also given me constructive feedback. My thanks to Professor Jim Bell, Professor Rod McNaughton, Professor Hamid Etemad, Professor Brendan Gray, and all the other IE Scholars that I have talked to. They have made me feel part of the international entrepreneurship research community. This has been a home where I have found inspiration for research, and a sense of belonging among international entrepreneurship researchers. I

am also very thankful to all the anonymous reviewers who reviewed the articles included in this thesis.

I also want to thank Professor Juha Kansikas and Assistant Kari Karjalainen, who have been my closest colleagues in entrepreneurship at the University of Jyväskylä. They have encouraged me and shown great understanding about my dissertation project. I am also much indebted to Senior Lecturer Jill Thomas, Senior Lecturer Chris Graves, and Associate Professor Susan Freeman, who helped me with the last steps of my thesis during my two-month research visit to the University of Adelaide.

I also want to sincerely thank my friends, all of you! You have always been there, supporting me and encouraging me to reach my goals. I want to thank in particular my fellow PhD candidates Kaisa Greenlees and Hanna Kuninkaanniemi. Our lunches and coffee breaks have been extremely important moments for talking about life, and, sometimes, for sharing and developing ideas concerning our dissertations.

For the financial support given to this thesis, I would like to thank the Foundation for Economic Education, the Marcus Wallenberg Foundation, the Foundation for Private Entrepreneurs, and the Concordia Foundation. I would also like to thank my sister, Ulla Hämäläinen, Jyri Martikainen, my mother Raija Hämäläinen and my father Ari Hämäläinen for their support and help with childcare, especially during conference trips and the final stages of the thesis. In addition, special thanks to my mother for the cover of this thesis.

My warmest thanks go to my lovely children, Mikael and Emilia, and to my husband, Mikko, for their love, understanding and support. You have helped me to keep all this in perspective – reminding me that in the end there is a life beyond research!

In Jyväskylä, 1.3.2011

Tanja Kontinen

FIGURES

FIGURE 1	Articles included in the thesis: general topics and relationships.....	18
FIGURE 2	Research fields related to the present study.....	20
FIGURE 3	Family, ownership and business as portrayed by Gersick et al. (1997).	23
FIGURE 4	The F-PEC Scale (Astrachan et al. 2002).....	24
FIGURE 5	Theories and views utilized in the study.....	24
FIGURE 6	A representative range of methodologies and related paradigms (Healy & Perry, 2000, p. 121)	40
FIGURE 7	Popper's three worlds.....	41
FIGURE 8	The ontological and epistemological positioning of this study.	42
FIGURE 9	Four means of theorizing from case studies.....	45
FIGURE 10	Main perspectives of the present research on family SME internationalization.	59
FIGURE 11	Internationalization pathways of the case firms.....	61
FIGURE 12	Developmental phases in the foreign market entry of family SMEs.	73

TABLES

TABLE 1	Summary of Article I.....	32
TABLE 2	Summary of Article II.	33
TABLE 3	Summary of Article III.....	34
TABLE 4	Summary of Article IV.....	35
TABLE 5	Summary of Article V.....	36
TABLE 6	Summary of Article VI.....	37
TABLE 7	Summary of Article VII.	38
TABLE 8	Summary of Article VIII.	39
TABLE 9	Information on the Case Firms.....	48
TABLE 10	Sources of evidence from each case firm.	52
TABLE 11	Data utilized in each article.	52
TABLE 12	Quality criteria for realist case study research, adapted from Healy and Perry (2000).	55
TABLE 13	Summary of network ties in the international opportunity recognition of family SMEs.....	65
TABLE 14	Dimensions in the internationalization pathways of the case firms.....	69
TABLE 15	The ownership structures of the case firms.....	71

CONTENTS

ABSTRACT	
FOREWORD	
FIGURES AND TABLES	
CONTENTS	
LIST OF ORIGINAL ARTICLES	

1	INTRODUCTION	13
1.1	Background of the research.....	13
1.2	Previous research on the internationalization of family businesses.....	15
1.3	Relationship between the articles included in the thesis	17
1.4	The research questions.....	18
2	THEORETICAL BACKGROUND	20
2.1	Key research fields.....	20
2.1.1	International Entrepreneurship.....	21
2.1.2	Family business	22
2.2	Key theories and views of the present study.....	24
2.2.1	The Uppsala model of internationalization.....	25
2.2.2	The opportunity recognition view.....	25
2.2.3	The network theory of internationalization	27
2.2.4	Social capital theory	28
2.2.5	The family business view	30
3	OVERVIEW OF THE ARTICLES INCLUDED IN THE THESIS.....	32
3.1	Article I: "The Internationalization of Family Businesses: A Review of Extant Research"	32
3.2	Article II: "Internationalization pathways of family SMEs: psychic distance as a focal point"	33
3.3	Article III: "International opportunity recognition among small and medium-sized family firms"	34
3.4	Article IV: "Network ties in the international opportunity recognition of family SMEs"	35
3.5	Article V: "Social capital in relation to the foreign market entry and post-entry operation of family SMEs."	36
3.6	Article VI: "Social capital in the international operations of family SMEs"	37
3.7	Article VII: "Succeeding in the French market: recommendations for small businesses"	38
3.8	Article VIII: "Biohit: A global family-owned company embarking on a new phase"	38

4	PHILOSOPHICAL POSITIONING, METHODOLOGY AND APPROPRIATENESS OF THE RESEARCH	40
4.1	On philosophical positioning.....	40
4.1.1	On ontology.....	43
4.1.2	On epistemology	43
4.1.3	On methodology.....	44
4.2	On the cultural contexts and the case firms.....	47
4.3	The case study method	50
4.3.1	Case selection.....	50
4.3.2	Data collection methods.....	51
4.3.3	Method and process of analysis	53
4.4	The design of literature review	54
4.5	Reflections on the appropriateness of this research	55
4.5.1	Ontological appropriateness.....	56
4.5.2	Epistemological appropriateness.....	56
4.5.3	Methodological appropriateness	57
5	DISCUSSION AND CONCLUSIONS.....	58
5.1	Main findings of the present dissertation	59
5.1.1	Existing knowledge regarding FB internationalization.....	59
5.1.2	Foreign market entry	60
5.1.3	International opportunity recognition	63
5.1.4	The formation and development of networks	67
5.2	Internationalization pathways of family SMEs: a summing-up.....	68
5.2.1	Traditional, born global and born-again global pathways	68
5.2.2	Typical phases in the foreign market entry of family SMEs.....	73
5.3	Contributions to FB internationalization.....	77
5.4	Theoretical contributions.....	79
5.5	Methodological contributions.....	80
5.6	Limitations of the study	81
5.7	Managerial implications	82
5.8	Suggestions for further research.....	84
	YHTEENVETO (Finnish summary).....	88
	RÉSUMÉ EN FRANCAIS	89
	REFERENCES.....	90
	ORIGINAL ARTICLES	

LIST OF ORIGINAL ARTICLES

- I. Kontinen, T. & Ojala, A. 2010. The Internationalization of Family Businesses: A Review of Extant Research. *Journal of Family Business Strategy* 1 (2), 97-107.
- II. Kontinen, T. & Ojala, A. 2010. Internationalization pathways of family SMEs: psychic distance as a focal point. *Journal of Small Business and Enterprise Development* 17 (3), 437-454.
- III. Kontinen, T. & Ojala, A. International opportunity recognition among small and medium-sized family firms. *Journal of Small Business Management*, in press.
- IV. Kontinen, T. & Ojala, A. Network ties in the international opportunity recognition of family SMEs. *International Business Review*, in press.
- V. Kontinen, T. & Ojala, A. Social capital in relation to the foreign market entry and post-entry operation of family SMEs. *Journal of International Entrepreneurship*, in press.
- VI. Kontinen, T. & Ojala, A. Social capital in the international operations of family SMEs. *Journal of Small Business and Enterprise Development*, forthcoming.
- VII. Kontinen, T. (2011). Succeeding in the French market: recommendations for small businesses. *Journal of Business Strategy* 32 (1), 15-25.
- VIII. Kontinen, T. Case Biohit: A born global family-owned firm embarking on a new phase. *Entrepreneurship Theory and Practice*, forthcoming.

1 INTRODUCTION

1.1 Background of the research

The present dissertation consists of an introductory essay and eight research articles. The topic is one that is receiving increasing scholarly attention, namely the internationalization pathways of small- and medium-sized family firms, here referred to as family SMEs.

The family is the original economic unit, and from it are derived all other economic organizations (Schulze & Gedajlovic, 2010). As recently as the start of the 20th century, all businesses were family-owned: the presence of the family in the business was taken for granted, and there was thus no need to label a business as a family business. The world has changed dramatically since those times, not least because of globalization, but family firms are still of great importance to any economy. Family SMEs form the majority of all firms around the world: about 85% of all the firms in the EU and USA (IFERA, 2003) and an even a greater proportion in the developing countries are family-owned. Furthermore, they account for an enormous percentage of the employment, the revenues and the GDP of most capitalist countries (IFERA, 2003; Sharma et al., 1996; Shepherd & Zacharacis, 2000).

Despite all this, it was only at the start of the present millennium that the merits of family firms start to be re-evaluated in top-tier management journals (Schulze et al., 2001). Management researchers have tended to be particularly positive about family governance (Schulze & Gedajlovic, 2010). The unification of ownership and management enables the CEO to make opportunistic investments and/or rely on intuition (Gedajlovic et al., 2004). Hence, family firms have the potential to adapt to changing environments, launch products and enter markets that investor-controlled or managerially-led firms are unable to address (Dyer & Whetten, 2006). In adverse economic conditions, family firms have been found to sustain more profitable businesses than firms with other ownership structures (Sirmon & Hitt, 2003). Furthermore, although it was long thought that large multinational corporations had an overwhelming

position in international business (Oviatt & McDougall, 1994), it has recently been recognized that substantial numbers of entrepreneurial and family firms are active in the international arena (Casillas & Acedo, 2005). It is this recognition that has led to family business internationalization becoming an important research area (Fernandez & Nieto, 2005, 2006; Graves & Thomas, 2006, 2008).

So far, scholars in international entrepreneurship, international business and family business have studied the internationalization of family-owned firms to only a limited extent. Recently, however, there has been a call for international entrepreneurship research to expand its coverage beyond early and rapidly internationalizing firms (Dimitratos & Jones, 2005; Young et al., 2003). Research on the internationalization processes of family-owned firms is capable of responding to this need.

Familiness refers to the relationship between a business-owning family and the resources and capabilities of the business. Familiness can be defined as “the unique bundle of resources a particular firm has because of the systems interaction between the family, its individual members and the business” (Habbershon & Williams 1999, p. 11). In this study, a family SME is defined as follows: the family (i) controls the largest block of shares or votes, (ii) has one or more of its members in key management positions, and (iii) has members of more than one generation actively involved with the business. A further criterion concerning the size was that (iv) the firm should have less than 250 employees at the time of the French market entry (OECD, 2003). This definition is based on the behavioral approach presented by Chua et al. (1999, p. 25): “The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families.”

In terms of the philosophical framework, the current study is situated within critical realism. This dissertation includes eight articles based on studies conducted by myself and (in six studies) my co-researcher, Arto Ojala¹. In six of the studies a multiple case study method was used. One of the articles (Article I) is a review article, and the last article is a single case description. Content analysis is applied in all the research articles. The research as a whole combines my personal interest in entrepreneurship and family business, internationalization, and foreign cultures. Foreign cultures and international issues were natural points of interest when I was completing my Master of Philosophy degree in languages in 2002 and when I spent several longer periods abroad. I became interested in entrepreneurship and family business while completing my second Master’s degree in Business Administration in 2004, and later, while writing my Master’s thesis on the internationalization of SMEs in the French market. It was a natural continuum that I should carry on

¹ Based on my co-authorship, I use the pronoun “we” when referring to joint research articles.

with research on the internationalization of family SMEs when I had the chance to come back to the university in 2008, and to embark on a doctoral dissertation. It became clear at the same time that family business (FB) and SME internationalization was starting to attract increasing interest from researchers.

The internationalization of firms has been studied from the perspective of various theories. Due to their historical contexts, each of the theories takes a different view on how firms internationalize their operations. The Uppsala model (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975) was developed in the 1970s to explain the slow internationalization process of multinational firms. The network model (Johanson & Mattsson, 1988) was presented in the 1980s when it became evident that most firms used various networks to facilitate their internationalization activities. The INV theory (Oviatt & McDougall, 1994) was developed to explain why, beginning in the late 1980s, some firms' internationalization behavior did not follow the traditional internationalization theories, such as the Uppsala model. After this, Bell et al. (2003) captured the typical internationalization pathways of SMEs in a single integrative model. The model combines traditional SMEs (which internationalize gradually and incrementally) together with born global SMEs (which internationalize soon after inception), while furthermore presenting the concept of "born-again global" SMEs. Born-again global SMEs are firms that suddenly internationalize as a result of critical events, such as changes in ownership and management, a takeover by another company possessing international networks, and so on (Bell et al., 2001).

The internationalization of family firms is commonly characterized as slow and avoiding risk – though family firms sometimes internationalize rapidly, for instance, in the context of a generational change (Graves & Thomas, 2008). A further feature is that, in a similar way to internationalization among international new ventures (Oviatt & McDougall, 1994), family-owned firms generally internationalize with limited resources (Gallo & Pont, 1996). In this respect the two types of firm have a good deal in common. Shared features of this kind imply that understanding family firms and enhancing their possibilities to internationalize more rapidly is of interest also from a macro-economic perspective.

1.2 Previous research on the internationalization of family businesses

The first published article to focus directly on family business (FB) internationalization² appeared in 1991 (Kontinen & Ojala, 2010). Even up to the present, the number of studies on FB internationalization has remained fairly limited: by the end of 2008 there were altogether 25 scholarly journal articles on

² It should be noted that family firms have been included in studies in which firms in general (and especially SMEs) have been discussed.

the topic. The paragraphs below will briefly outline what is currently known about FB internationalization. They will further indicate some gaps in our knowledge that I would regard as being of particular importance.

Based on existing studies on FB internationalization, it appears that the internationalization of family firms mainly follows a stepwise process, and hence, that the Uppsala model of internationalization is applicable (Claver et al., 2008; Graves & Thomas, 2008). However, some family firms may internationalize rapidly to several different countries, especially after a generational change (Graves & Thomas, 2008), becoming “born-again global” firms. Family involvement in management has been seen as factor tending towards caution in the internationalization of FBs (Claver et al., 2008). Accordingly, researchers have found that FBs are less likely to internationalize than their non-FB counterparts (Fernandez & Nieto, 2005; Graves & Thomas, 2006). This has been thought to be due to their limited growth objectives (Donckels & Fröhlich, 1991), to avoidance of risk (Claver et al., 2008), and to restricted financial capital (Gallo & Pont, 1996). In addition, there could be a connection to limited managerial capabilities (Graves & Thomas, 2006). As regards networking (e.g. with persons or businesses in a target market), family SMEs are less likely to form networks with other businesses than are non-family SMEs (Graves & Thomas, 2004; Roessl, 2005).

The main findings of the studies above suggest that the factors *inhibiting* FB internationalization are mainly organizational: they include an unwillingness to accept outside expertise, a fear of losing control, risk avoidance, and a lack of financial resources. The factors *enhancing* the internationalization of family firms include a general long-term orientation, and speed in decision-making. In addition, it has been found that the FBs that are likely to be more successful in international expansion are those with a willingness to use information technology, a capability for innovation, and a commitment to internationalization, plus the ability to distribute power and use the resources that are available. Generally speaking, the entry on the scene of new generations has been seen as having a positive influence on internationalization, although generational change has sometimes had no influence, or even a negative influence on internationalization.

Altogether, when mapping out the focus of the research reported here, I realized that the Uppsala model of internationalization has only been applied to the internationalization of family firms in a very general sense – and also to a limited number of cultural contexts. Furthermore, there seems to be little knowledge of the ways in which FBs cope with cultural and psychological differences in their entry to a foreign market. I also realized that *international opportunity recognition*, an important aspect affecting internationalization (Dimitratos & Jones, 2005; Ellis, 2011; Zahra et al., 2005) had been overlooked; indeed, there are no research articles discussing this aspect in the context of family SMEs. The opportunity recognition of FBs may well be different from that of other kinds of firm, given the more limited networks of FBs (Graves & Thomas, 2004) and their lack of financial resources (Gallo & Sveen, 1991). As far

as the *bridging networks* of family firms are concerned, there seems to be nothing more than a degree of general knowledge, to the effect that such networks are limited (Graves & Thomas, 2004). The role of networks in FB internationalization has, to my knowledge, not been studied at all. This means that there is a significant research gap concerning FB networks in the process of internationalization, bearing in mind that in research on other kinds of firms, networks have been extensively studied (see e.g. Coviello & McAuley, 1999).

1.3 Relationship between the articles included in the thesis

The present dissertation addresses a number of aspects of FB internationalization that have not been intensively studied up to now. Since I wanted to map out in detail what was known about the topic, the dissertation project started with an extensive literature review. Article I (see FIGURE 1) is a review article discussing all the existing articles on FB internationalization. The review made me aware of unclear aspects of the Uppsala model of internationalization, concerning how it might be applied to the FME of family SMEs within a *particular* foreign market: existing studies had concentrated merely on the general pattern of internationalization. This is dealt in Article II. Another aspect addressed in Article II concerns how family entrepreneurs experience “psychic distance,” an important theme in the Uppsala model. This is a topic that has recently attracted more attention among scholars of international business and international entrepreneurship.

Since the review revealed a lack of knowledge about how entrepreneurs in family SMEs recognize international opportunities, I chose international opportunity recognition as the phenomenon to be addressed in Article III. Opportunity recognition is at the core of entrepreneurship (Shane & Venkataraman, 2000). Article III revealed that network ties were the best descriptors of the international opportunity recognition of family SMEs. Furthermore, much remains to be discovered about how networks operate in family SME internationalization (Graves & Thomas, 2004), although they can be regarded as one of the determinants of the international success of family firms (Graves & Thomas, 2008). Hence, Article IV describes more precisely the role of network ties in the international opportunity recognition of family SMEs. Article V had as its background the claim by a number of scholars that the development of networks is an essential phenomenon in entrepreneurship (Elfring & Hulsink, 2003; Hoang & Antoncic, 2003; Jack, 2010; Jack et. al., 2008). The phenomenon deserves further investigation; hence, Article V continues with the network perspective: it describes the roles of social capital in FME and the possible entry mode change of family SMEs. In Article VI, I continue with the network perspective in relation to social capital, which has proved fruitful in describing the evolving internationalization of family SMEs. The article adopts a novel perspective on network development, borrowing from sociology two important network concepts, namely *network closure* and *structural holes* to

enhance the understanding of networks in international entrepreneurship. Thus, Article VI describes the development of social capital among a number of case firms.

Wishing to end with more practical studies, I wrote Article VII, which presents some managerial implications for firms operating or planning to operate in the French market. The final article (Article VIII) is a case description of one of the case firms, compiled originally for personal teaching purposes. It has been included in this dissertation to illustrate the kind of “story” that can emerge from a case firm, and also to illustrate the process behind a “born global” family firm. This is a type of family firm that has not so far been discussed in research articles concerning FB internationalization.

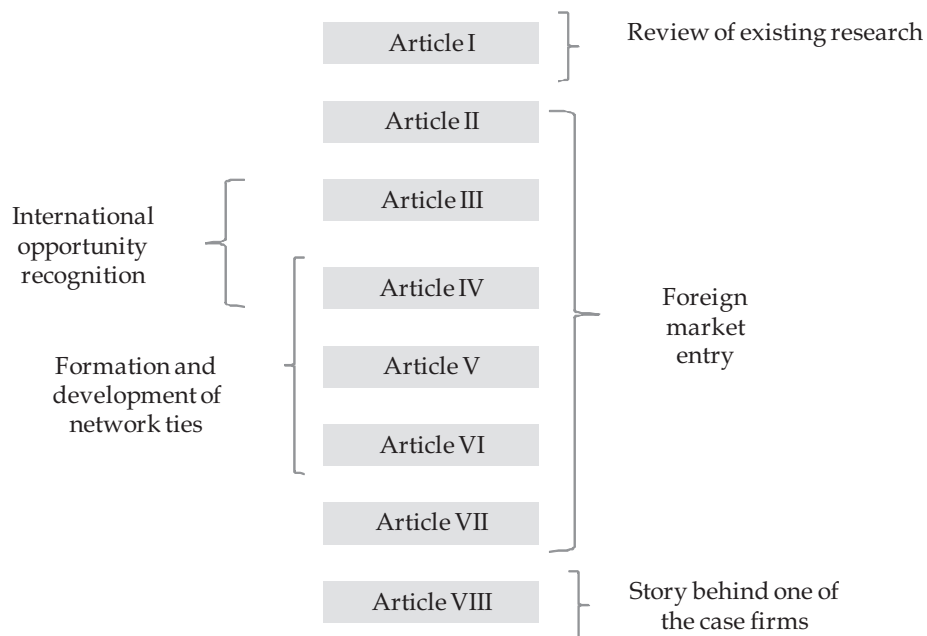


FIGURE 1 Articles included in the thesis: general topics and relationships.

1.4 The research questions

The overall aim of the research reported here was to increase understanding of the internationalization pathways of small- and medium-sized family firms. The part of this thesis (Sections 1-5) summarizes the findings of the articles, and aims to create a model describing the internationalization pathways of family SMEs, based on the case studies. In the final section (Section 5) it aims to draw the various strands of the thesis together and to sum up what might reasonably be inferred about SME internationalization on more general level. Thus the research questions can be laid out as follows:

1. What is the current state of knowledge on FB internationalization? (Article I)
2. How does the foreign market entry of family SMEs progress? (Articles II, III, IV, V, VI)
3. How do entrepreneurs in family SMEs recognize opportunities for new foreign market entries? (Articles III and IV)
4. How do family entrepreneurs form and develop network ties in the context of a foreign market entry? (Articles V and VI)
5. a. How can the internationalization pathways of family SMEs be summed up?
b. Why did their internationalization proceed in that manner?
6. What new insights does the present research offer regarding FB internationalization?
7. What new insights do the findings offer in relation to the theories utilized in the research?

2 THEORETICAL BACKGROUND

2.1 Key research fields

As FIGURE 2 illustrates, this dissertation on the internationalization of family SMEs is situated between the research fields of (i) family business, (ii) international entrepreneurship, (iii) entrepreneurship, and (iv) international business, while also borrowing theories from (v) sociology. In the following pages there will be a brief presentation of the two most important research fields that the study contributes to, namely (i) international entrepreneurship research (which combines ideas from entrepreneurship and international business) and (ii) family business research.

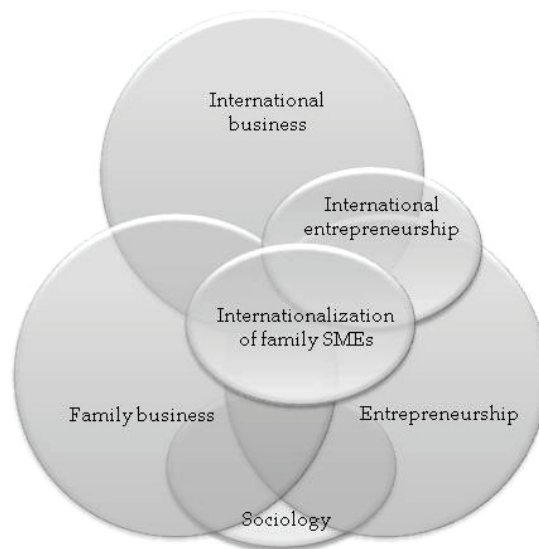


FIGURE 2 Research fields related to the present study.

2.1.1 International Entrepreneurship

The research field of international entrepreneurship took its first steps in the late 1980s, when it was realized that there were a growing number of small entrepreneurial firms in the international arena, and that we had a very limited understanding of their behavior. Oviatt and McDougall (1994) provided a theoretical foundation as to why some firms were international from inception, these firms being termed named international new ventures. They observed that the internationalization of international new ventures is related to opportunity-seeking behavior in which the venture “seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt & McDougall, 1994, p. 49). Improvements in transportation, the development of communication technologies, and increasing international competition had accelerated the phenomenon of rapid and early internationalization (Oviatt & McDougall, 2005), facilitating the presence of small firms in the international arena. In addition, the personal characteristics, knowledge, and network relationships of an entrepreneur were important personal-level characteristics to explain the rapid and early internationalization of new ventures (Oviatt & McDougall, 2005).

The discipline of international entrepreneurship combines ideas from *entrepreneurship* and *international business* (Oviatt & McDougall, 1994, 2005). While scholars in the field of entrepreneurship concentrate on how firms are set up in a domestic context, researchers on international business study large, established multinational companies. During its history, scholars in international entrepreneurship have mainly focused on *early internationalizing firms* such as born globals or international new ventures (Dimitratos & Jones, 2005) within knowledge-intensive sectors (Coviello & Jones, 2004). These studies have investigated aspects such as the reasons for the emergence of early internationalizing firms, firms’ international performance and subsequent international growth, and knowledge and networks in internationalization (see Rialp et al., 2005 for a further review).

However, international entrepreneurship has most recently been defined as “the discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services” (Oviatt & McDougall, 2005, p. 540). Here, no reference is made to the actual speed of internationalization or to the industry. In other words, firms other than rapidly internationalizing SMEs can also be important for the discipline of international entrepreneurship. These established international SMEs, which include international family SMEs, have received less attention from researchers on international entrepreneurship. Scholars have therefore called for research which would go beyond early internationalizing firms (Young et al., 2003), and which would include a variety of enterprises (Coviello & Jones, 2004; Dimitratos & Jones, 2005). This is where the present study is situated: it studies the internationalization of established, international SMEs, and brings the aspect of family-ownership within the field.

2.1.2 Family business

The study of FBs is still at an early stage as a scientific discipline, but it has undergone vigorous development (Sharma, 2004; Zahra & Sharma, 2004) since its beginnings in the mid-1980s (Bird et al., 2002). Family firms dominate the global economic landscape (La Porta et al., 1999). The family is the original economic unit from which all other economic organizations emerged (Schulze & Gedajlovic, 2010). At the start of the 20th century, family firms still held a dominant position, but during the second half of the 20th century modern corporations became increasingly pre-eminent (Colli, 2002). Chandler's (1990) account of the advantages of professional management allowed no positive role for the family in the formation, growth, and management of modern enterprises. Family firms were even regarded as "permanently failing institutions" capable only of reproducing themselves (Meyer & Zucker, 1989). As was mentioned earlier, the merits of family firms started to be re-evaluated in top-tier management journals only at the start of the 21st century (Schulze et al., 2001).

Researchers in the family business field have sought to clarify the specific features of family firms by studying the intertwining of ownership, management and the family in family businesses. However, there has been no clear definition of a family firm, and this has set limits to the cumulative body of knowledge in the field. The definition of a family firm can be based on different kinds of criteria. The most commonly used criteria are (i) a certain degree of family ownership, (ii) a certain number of family members in the management or government of the business, (iii) trans-generational continuity (which has taken place or is being planned), and (iv) subjective perception (such that if the entrepreneur sees the firm as a family business it is to be regarded as one). Moreover, researchers might employ one, two, three or four of these criteria in their definitions and nevertheless have different perspectives for a given dimension (for example concerning what proportion of the shares of the company the family actually needs to own).

Gersick et al. (1997) described family firms in terms of a diagram containing *family*, *ownership* and *business* dimensions, laid out on three axes (see FIGURE 3), the idea being that a perturbation in any of the three axes would also influence the other two. In the *ownership* dimension, one can identify the phases of *controlling owner*, *sibling partnership*, and *cousin consortium*. In the *business* dimension the phases of *start-up*, *expansion/formalization* and *maturity* are typical. The phases in the *family* dimension can be described in the terms of *young business family*, *entering the business*, *working together*, and *passing the baton*.

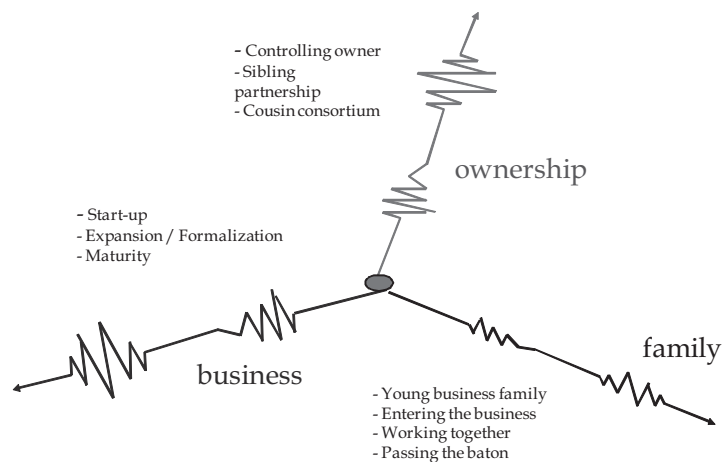


FIGURE 3 Family, ownership and business as portrayed by Gersick et al. (1997).

The definition utilized in the present dissertation is based on the behavioral approach presented by Chua et al. (1999, p. 25): “The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families.” According to Chua et al. (1999), researchers should look at the *behavior* of a firm in order to recognize family firms. The point here is one of over-abundance: if we were to include *all* the firms that are either family-managed or family-owned, or even merely those that are family-owned but not family-managed, we would have far too many firms. A firm owned by a family can be merely a passive portfolio investment, and a firm managed by other than the family may well pursue the aspirations of the family. Nor is the presence of the next generation necessary for a firm to be a family business.

Astrachan, Klein and Smyrnios (2002) have presented a validated branching diagram (the F-PEC scale) which aims to encompass the extent of family ownership. It has the components *power*, *experience* and *culture*, and encourages researchers to move away from seeing family and non-family businesses as exclusive alternatives. FIGURE 4 illustrates this perspective on the definition of a family business. It takes in the different dimensions of family influence: the proportion of family ownership (ownership), the proportion of board members belonging to the family, and the proportion of people in the management who are family members. This approach is in line with empirical research indicating that being a “family firm” is rarely an either-or scenario, since family firms vary in terms of family involvement (Tsang, 2002).

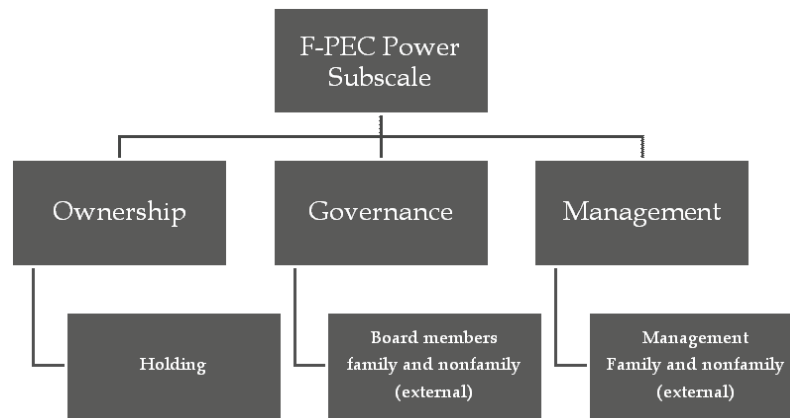


FIGURE 4 The F-PEC Scale (Astrachan et al. 2002).

2.2 Key theories and views of the present study

The key theories of this study as presented in FIGURE 5 below are (i) the Uppsala model of internationalization, (ii) the opportunity recognition view, (iii) the network theory of internationalization, (iv) the social capital theory, and (v) the family business view. These will be introduced below. The theories and perspectives in question are discussed in more detail in the articles included in the dissertation. However, in this section I shall outline the most important features related to them.

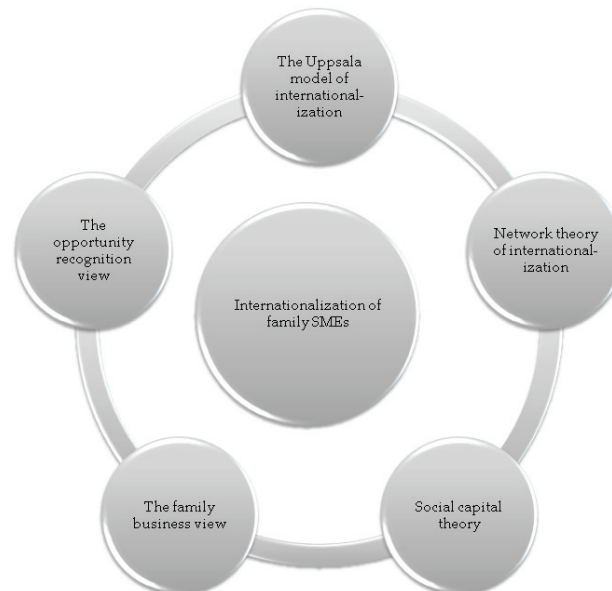


FIGURE 5 Theories and views utilized in the study.

2.2.1 The Uppsala model of internationalization

The Uppsala model (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975) was developed in the 1970s to explain the incremental and slow internationalization process of multinational firms. It is one of the most frequently cited and best known traditional theories in the international business field. According to the Uppsala model of internationalization (Johanson & Vahlne, 1977), when firms start their foreign operations they tend to favor nearby countries that are situated within a low psychic distance, only thereafter expanding their operations to psychically distant markets. This argument is based on the assumption that business environments in psychically nearby countries are easier to understand, making business operations easier to implement. Psychic distance can be defined in terms of those (not merely transient physical or technical) factors “preventing or disturbing the flow of information between firm and market” (Johanson & Wiedersheim-Paul, 1975, p. 308). These factors can include for example differences in language, culture, the political system, the level of education, and industrial development. In addition to the actual internationalization process, the Uppsala model describes the evolution of entry modes through four stages: 1. no regular export, 2. export through agents, 3. founding an overseas sales subsidiary, and 4. carrying out one’s own production. Hence, the operations in a foreign country are supposed to start via indirect entry modes (stages 1–2), which do not require a unit of one’s own in the target country. Consequently, a firm’s knowledge of the target country increases with time: the firm starts learn how to deal with the customers in that country, and this can lead to the establishment of direct operations (stages 3–4).

Generally speaking, the Uppsala model has been seen as giving a good account of the internationalization of family firms (Claver et al., 2007; Graves & Thomas, 2008). However, it has been challenged among scholars in the field of international entrepreneurship (see e.g. Bell, 1995; Oviatt & McDougall, 1994), mainly due to its inadequacy in explaining the internationalization of knowledge-intensive SMEs. Johanson and Vahlne have updated their model in parallel with new research findings on firm internationalization. In their most recent model (Johanson & Vahlne, 2009) they have put more emphasis on networks (as initiated by Johanson & Matsson, 1988) and opportunity recognition as part of the internationalization process of firms. According to Johanson and Vahlne (2009), firms are increasingly tending to struggle with the *liability of outsidership* rather than the *liability of foreignness*. In other words, they see a firm’s problems and opportunities as becoming less a matter of country-specificity and increasingly related to relationship-specificity and network-specificity.

2.2.2 The opportunity recognition view

The opportunity recognition view is focused on entrepreneurial opportunities (Baron, 2006; Shane, 2000; Shane & Venkataraman, 2000). The main point of

interest here has been on why certain individuals discover opportunities that others do not (Kirzner, 1997; Shane, 2000; Shane & Venkataraman, 2000; Venkataraman, 1997). Several scholars (e.g. Crick & Spence, 2005; Ellis, 2011; Ozgen & Baron, 2007; Singh, 2000) have suggested that an *entrepreneur's contacts/network ties with other persons* are important in opportunity recognition: the extent of an entrepreneur's social network is positively related to opportunity recognition. Hence, the ability to recognize novel opportunities may be determined by the reach and abundance of one's ties with others. The *activeness of entrepreneurs* in the search for new information is also important in opportunity recognition (Baron, 2006; Hills & Schrader, 1998). Hills and Schrader (1998) found that among entrepreneurs, an active search for opportunities through personal contacts was regarded as more beneficial than the identification of opportunities from public information sources such as magazines and newspapers. However, some studies have suggested that entrepreneurs often recognize valuable information by accident, without actively searching for opportunities (Ardichvili et al., 2003; Kirzner, 1997). Researchers have thus noted the importance of *alertness* as a factor when an opportunity is recognized accidentally.

Prior knowledge has been regarded as important in identifying and pursuing an opportunity (Baron, 2006; Shane, 2000; Shane & Venkataraman, 2000). The individual cognitive structures defining the identification of opportunities are developed through the previous life experiences of individuals. Venkataraman (1997) referred to this aspect as a "knowledge corridor" which allows the individual to recognize certain opportunities, but not others. Sarasvathy et al. (1998) also noted that different individuals discovered different opportunities, depending on their particular ways of gathering and processing information.

Opportunity recognition also plays a central role in the internationalization of firms. Ellis (2011, p. 3) defines *international opportunity* as "the chance to conduct exchange with new foreign partners in new foreign markets." Zahra et al. (2005) describe international opportunity recognition as an iterative process whereby the entrepreneur revises his/her concept several times, on the basis of intuition, formal and informal feedback, and the results of errors. Ellis (2008) recognized four different means for recognizing opportunities in a foreign market, namely (i) formal searches, (ii) participation in international trade fairs or exhibitions, (iii) social ties, and (iv) responses to advertisements. Hence, in his material, not all opportunities arose from existing networks, although networks and social ties did play an important role in international opportunity recognition. Researchers on international entrepreneurship have called for more research on international opportunity recognition (Dimitratos & Jones, 2005; Ellis, 2008; Zahra et al., 2005), suggesting that such research is fundamental for the development of the field (Oviatt & McDougall, 2005).

2.2.3 The network theory of internationalization

The network model of internationalization (Johanson & Mattsson, 1988) was introduced in the 1980s when it became evident that most firms used a variety of networks to facilitate their internationalization activities. According to the network model of internationalization (Johanson & Mattsson, 1988), internationalization is related to the development of network ties with other firms belonging to a network in a foreign market. These ties between firms in different markets act as *bridges* facilitating FME (Johanson & Vahlne, 1990). The model proposes that a firm can compensate for its limited resources, either by developing its position in an existing network, or by establishing new ties (Johanson & Mattsson, 1988). In networks, mutual benefits motivate firms to develop and maintain network ties with each other (Johanson & Mattsson, 1988; Johanson & Vahlne, 2003). In foreign markets, a firm can have ties with different types of actors, for example with customers, distributors, suppliers, competitors, non-profit organizations, and bodies in public administration.

The structure of network ties can be divided into *formal ties, informal ties, and intermediary ties* (Ojala, 2009). A formal tie refers to the relationship with other firms and is based on business or market relationships (Adler & Kwon, 2002; Coviello & Munro, 1997). As examples, Adler and Kwon (2002) refer to market or business relationships in which products or services are exchanged using money or by barter. Informal ties, on the other hand, are related to relationships with friends and family members (Coviello, 2006; Krackhardt & Hanson, 1993; Larson & Starr, 1993). Nevertheless, the boundary between formal and informal ties is not always clear. As Larson and Starr (1993) note, informal ties may become formal and vice versa. In the intermediary tie, there is no direct contact between the seller and the buyer. There is, however, a third party, such as an export promotion organization or the organizer of an exhibition that facilitates the establishment of the network tie between the buyer and the seller. In contrast to formal ties, there are no business transactions between the buyer and the intermediary or between the seller and the intermediary. These intermediary ties can provide links between actors in different markets and, consequently, initiate international business activities between the seller and the buyer (Oviatt & McDougall, 2005). Ojala (2009) found that intermediary ties played a central role when Finnish software SMEs entered a psychically distant market.

Larson and Starr (1993) argue that the network ties of a firm evolve from informal ties to more formal ties during the formation of an organization. However, recent studies on rapidly internationalizing firms contradict this assumption (Chetty & Wilson, 2003; Coviello, 2006). Thus, Chetty and Wilson (2003) found that early internationalizing firms, too, focus on formal networks, whereas less international firms rely more on informal networks.

The network model of internationalization does not say anything about the country the firm is entering (an aspect which is regarded as important in the Uppsala model). Furthermore, the network model of internationalization

incorporates a wide range of terminology related to networks, and borrowed from various research fields. The terms, and the contexts under study, often do not overlap, or only partially; hence the studies dealt with are hard to compare.

2.2.4 Social capital theory

In the network model of internationalization, attention is given to the type (informal, formal, intermediary) and context (direct, indirect, etc.) of a network tie. By contrast, the social capital perspective involves the level of trust, emotion, and resources in a network tie. Hence, it offers a fruitful perspective for a deeper understanding of the nature and mechanisms of networks. The resources available to actors in a network of relationships can be called *social capital* (e.g. Adler & Kwon, 2002). This means that the social ties between individuals can be used for different purposes – purposes that may result in benefits for actors within the network (Adler & Kwon, 2002; Nahapiet & Ghoshal, 1998). Burt (1992) claims that social capital, rather than financial or human capital, is the most significant factor contributing to competitive success in all types of firms. In the present study I shall follow the definition by Nahapiet and Ghoshal (1998, p. 243), who take social capital to be “the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit.”

To possess social capital, a person must have relationships with others (Portes, 1998) and access to resources embedded within these relationships (Sobel, 2002). Social capital ties can be regarded as *strong or weak*. Strong ties are associated with relationships that have developed through interaction over time, and which encompass emotional intensity, intimacy, and reciprocal services (Granovetter, 1973). An individual can have only a certain number of strong ties due to the maintenance costs associated with more intimate relationships (Singh, 2000). By contrast, the number of weak ties can be high. These weak ties do not require high maintenance, but can significantly help the entrepreneur in accessing information. Granovetter (1973) argues that weak ties act as bridges to sources of information not necessarily contained within an entrepreneur’s immediate (strong-tie) network: because entrepreneurs interact with weak ties only occasionally, it is likely that they will provide more unique information than strong ties. This is also in accordance with the findings of Burt (2004), to the effect that new ideas tend to emerge through weak ties between separate social clusters.

Among researchers following a sociological line of enquiry (e.g. Burt, 1992; Coleman, 1988), *structural holes* and *network closure* have been regarded as the two most important network mechanisms providing social capital. The traditional view of social capital emphasizes the positive effects of network closure, particularly in terms of cohesive ties, in producing social network benefits (Coleman, 1988). According to structural hole theory (Burt, 1992), social capital stems from the brokerage opportunities created by disperse ties, i.e. by the lack of network closure. According to *structural holes theory* (Burt, 1992), the

benefits of social capital result from the diversity of information and the brokerage opportunities created by the lack of a connection between separate groups in social networks. Structural holes (gaps, lacunae within networks) provide a competitive advantage for a person (or firm) whose relationships *span* the holes. Individuals who have networks with a limited number of structural holes know and have control over more rewarding opportunities.

Network closure is created by a network of strongly interconnected persons (Burt, 2000). The concept emphasizes the positive effect of cohesive social ties in the creation of social capital. Hence, network closure refers to networks in which everyone is connected in such a way that no one can escape the notice of others, which in operational terms usually means a dense network (Coleman, 1988). Social norms are given “closure” when two or more individuals recognize that it is advantageous for their interests to cooperate. In a closed network “people have strong relations with one another or can reach one another indirectly through strong relations to mutual contacts” (Burt, 2010, p. 251).

These two network mechanisms refer to a different means of creating social capital. Although they have been regarded as opposed to each other, they have also been considered complementary mechanisms (Burt, 2000; Gargiulo & Benassi, 2000; Podolny & Baron, 1997). Burt (2000) found that the performance of a firm is highest when both the network closure and the number of non-redundant contacts beyond the firm are high. Networks that span structural holes may provide the manager with timely information about new opportunities, whereas cohesive ties are needed to exploit those opportunities (Podolny & Baron, 1997). According to Burt (2010, p. 151), “Where brokerage is about vision and growth from expanded horizons, closure is about control and productivity associated with people aligned on a shared goal.” However, according to Gargiulo and Benassi (2000), these two mechanisms cannot be maximized simultaneously, since the trade-off between safety (i.e. network closure) and flexibility (i.e. structural holes) is inherent to the dynamics of social networks. In the context of the formation of inter-organizational ties, organizations prefer to form embedded ties (Gulati & Gargiulo, 1999), which may lead to network closure. In a later phase, when organizational change is needed, the flexibility offered by structural holes may be more important than network closure.

Chetty and Agndal (2007) and Agndal et al. (2008) have studied social capital in the context of internationalization and come up with three different roles for social capital, namely efficacy, serendipity, and liability roles. The *efficacy role* refers to the usefulness of firm’s social capital and how it enables market entry or a mode change (Agndal et al., 2008). The *serendipity role* of social capital enters the picture when the opportunity for FME or the entry mode change is triggered by an external party (Chetty & Agndal, 2007). The *liability role* of social capital refers to problems caused by social capital (Chetty & Agndal, 2007). It involves a change in social capital that “occurs as a result of the high costs and amount of time required to monitor and sustain social capital

and poorly performing partnerships that do not accomplish the expected sales” (Chetty & Agndal, 2007, p. 12).

2.2.5 The family business view

Broadly speaking, the feature that makes a family business different from a non-family business is *the involvement of the family in the ownership and management of the firm*: the family business is a combination of the reciprocal economic and non-economic values created through the combination of the family and the business systems. The specific features of a family firm have been called *familiness*. The term familiness refers to the causal relationships between a business-owning family and the resources and capabilities of a business. Familiness is defined as “the unique bundle of resources a particular firm has because of the systems interaction between the family, its individual members and the business” (Habbershon & Williams, 1999, p. 11). Familiness may lead to hard-to-duplicate capabilities, and it can allow family firms to survive and grow in an adverse economic environment (Christman et al., 2005, 2006).

Agency and stewardship theories are two theories which are often linked to the explanation and categorization of family businesses and hence to familiness. Both agency and the stewardship theory set out from the assumption that there is a separation between ownership and control in the business – something which tends not to be the case in family business settings. Hence, as suggested by Schulze et al. (2001), it would be natural to think that there will be reduced agency costs in a family business, given that the owner and the manager are one and the same person (Schulze et al., 2001). According to *agency theory*, the owner delegates work to the manager, who carries out the work (Eisenhardt, 1989a; Schulze et al., 2001). An agency problem arises when the interests of the owner and those of the manager are in conflict. In this situation, the owner may have to resort to monitoring processes to ensure that the manager acts in the owner’s best interest, which, in turn, will increase costs (Eisenhardt, 1989a). Yet although the owner and the manager may be the same person, family businesses, too, face agency costs (Schulze et al., 2001). This is most often related to the factor of altruism: the children of family business owners may become spoiled due to the fact that their parents have given them everything they have wanted (Schulze et al., 2001).

Stewardship theory focuses on the commitment and dedication of managers to the organization. It is based on the idea that the manager, in the role of the steward, feels a strong sense of duty towards the organization and places a higher utility on collective well-being than on individual well-being in aiming to improve organizational performance (Davis et al., 1997; Miller & Le Breton-Miller, 2006). Miller et al. (2008) argue that family-owned businesses are more likely to exhibit stewardship attitudes towards the long-term well-being of the business (including both employees and customers) than non-family businesses. The family business will exhibit stewardship attitudes if it intends to keep the business vital, with a view to sustaining it over generations (Miller & Le Breton-

Miller, 2006). At the same time, however, there is a risk of management entrenchment, leading to the deterioration of the company (Miller & Le Breton-Miller, 2006).

Sirmon and Hitt (2003) suggest five unique characteristics that can differentiate family firms from non-family firms and which are thus related to their familiness: human capital, social capital, survivability capital, patient capital, and governance structures and costs. According to their review, the positive attributes of *human capital* include extraordinary commitment, warm, friendly, and intimate relationships, and the potential for deep firm-specific tacit knowledge. On the other hand, family firms utilize outside managers to only a limited extent, and this may hinder their wealth creation (Sirmon & Hitt, 2003).

According to Sirmon and Hitt (2003) family firms are also based on strong *social capital*: they have shared language and narratives, norms, obligations, and a high level of trust. On this basis the firm can build more effective relationships with suppliers, customers, and support organizations. A family business is an embodiment of the aspirations and capabilities of the family members: it has a strong social element affecting the decisions that determine its strategy, operations, and administrative structure (Chrisman et al., 2005). In the words of Adam Smith (1976, p. 219): "Every man feels his own pleasures and his own pains more sensibly than those of other people... After himself, the members of his own family, those who usually live in the same house with him, his parents, his children, his brothers and sisters, are naturally the objects of his warmest affection."

The feature of the *patient financial capital* of family firms, referred to above, is based on the long-term orientation: money is invested for long time periods. The disadvantage of patient financial capital is a limitation in external financial capital, since family members avoid sharing equity with non-family members. *Survivability capital*, also referred to above, is related to the pooled personal resources that family members are willing to lend, contribute, or share for the benefit of the firm. As indicated by Sirmon and Hitt (2003), family firms also generally enjoy lower *governance costs*, and this can provide a competitive advantage. Nonetheless, family firms' agency costs may start to increase dramatically due to the owner/manager's altruism (Sirmon & Hitt, 2003).

These five unique resources - which are absent from non-family SMEs but which are present in family SMEs - may contribute to wealth creation, so long as they are linked to adequate management capabilities. By extension, wealth creation may allow entrepreneurial activities such as international expansion. Overall, it is important to study how features related to familiness may be able to explain the internationalization of family firms. This will help us to better understand the specific features of family firms in the internationalization context.

3 OVERVIEW OF THE ARTICLES INCLUDED IN THE THESIS

3.1 Article I: “The Internationalization of Family Businesses: A Review of Extant Research”

Article I (see TABLE 1) is a review article discussing all the existing articles on FB internationalization written before 2009. It lays the foundation for the entire dissertation, highlighting fruitful areas of research based on the data collected.

TABLE 1 Summary of Article I

Title	The Internationalization of Family Businesses: A Review of Extant Research
Authors	Tanja Kontinen and Arto Ojala
Aims	To conduct a review of articles on FB internationalization published in academic journals before 2009. To map out the current state of knowledge and to suggest important areas for future research.
Research question(s)	(i) What kinds of methodologies and theories have been used to study the phenomenon of FB internationalization? (ii) What is the current state of knowledge concerning the internationalization of FBs? (iii) How could the phenomenon be studied in the future in order to further develop knowledge concerning FB internationalization?
Theoretical background	As a review article, there was no theoretical framework; however established guidelines for reviews were followed.
Methodology	A systematic review (Transfield et al., 2003) of 25 research articles
Main findings and conclusions	Current research on FB internationalization offers very limited knowledge on the processes and strategies that make FBs unique in their internationalization. There is hardly any knowledge of the networks in their internationalization, or of their international opportunity recognition. The use of FB-specific perspectives to understand FB internationalization is also recommended.

(continues)

TABLE 1 (continues)

Contributions	(i) This was the first academic article to introduce contemporary research on FB internationalization. (ii) Our study served as a step towards identifying the kinds of background theories and methodologies that have been used to study FB internationalization, and determining what is currently known about the phenomenon. Most importantly, (iii) the study identified various fruitful areas of research.
Publication	Journal of Family Business Strategy 1(2), 97-107.

3.2 Article II: “Internationalization pathways of family SMEs: psychic distance as a focal point”

Article II (see TABLE 2) deals with psychic distance and the Uppsala model of internationalization in describing the internationalization of family SMEs. The article is based on research gaps concerning (i) the application of the Uppsala model of internationalization to the FME of family SMEs within a particular foreign market, and (ii) psychic distance in the FME of family SMEs.

TABLE 2 Summary of Article II

Title	Internationalization pathways of family SMEs: psychic distance as a focal point
Authors	Tanja Kontinen and Arto Ojala
Aims	The aim of this paper was to investigate the role of perceived psychic distance in the FME of family SMEs, and entry mode choice in a particular target market.
Research question(s)	(i) To what extent does psychic distance influence the overall internationalization process, and, more specifically, the FME and the entry mode choice of family SMEs when entering the French market? (ii) What kinds of distance-creating factors do family SMEs experience in the FME and their business operations in France? (iii) How are family SMEs able to overcome these distance-creating factors?
Theoretical background	Initially, literature on internationalization process theory was presented and the conceptualization of psychic distance discussed. Thereafter, the internationalization of SMEs was discussed in relation to psychic distance. Finally, literature related to the internationalization of family SMEs was presented.
Methodology	A multiple, in-depth case study covering four family SMEs; 6 interviews; content analysis
Main findings and conclusions	The findings revealed that the family SMEs mainly followed a sequential process and favored indirect entry modes before entering the French market. The French market was experienced as psychically distant, but the case firms were able to overcome the distance by using different distance-bridging factors. Based on the findings, it can be argued that psychic distance has an especially important role in the internationalization and FME of family SMEs, mainly because of a general cautiousness caused by family presence.
Contributions	(i) This article validated and extended earlier findings concerning the internationalization pathways taken by family SMEs. (ii) The study investigated psychic distance in the context of FME and operations within a particular market (hence as distinct from other studies concerning family SMEs). (iii) This paper analyzed how the case firms were able to overcome psychic distance between Finland

(continues)

TABLE (2 continues)

	and France. (iv) Altogether, this paper highlighted the important role of psychic distance in the internationalization process and the FME of family SMEs.
Publication	Journal of Small Business and Enterprise Development 17 (3), 437-454.

3.3 Article III: “International opportunity recognition among small and medium-sized family firms”

The phenomenon studied in Article III (see TABLE 3) is international opportunity recognition. Opportunity recognition is at the core of entrepreneurship, but it has not been studied to any great extent in the internationalization context.

TABLE 3 Summary of Article III

Title	International opportunity recognition among small and medium-sized family firms
Authors	Tanja Kontinen and Arto Ojala
Aims	The aim of the paper was (i) to discuss the importance of important network ties, activeness and alertness, and prior knowledge when a firm is exploring opportunities for entry into a foreign market, and (ii) to examine the specific features of family SMEs in this context.
Research question(s)	(i) What kinds of network ties were involved in opportunity recognition? (ii) What was the level of active search and alertness among the entrepreneurs, in terms of recognizing the foreign market entry opportunity? (iii) What was the nature/extent of the prior knowledge of the entrepreneur when the international opportunity was recognized?
Theoretical background	Discussion of the internationalization of family firms, some central concepts in opportunity recognition, and review of the literature on international opportunity recognition.
Methodology	A multiple case study with eight family-owned SMEs; 16 interviews; content analysis
Main findings and conclusions	The firms mainly recognized international opportunities by establishing new formal ties rather than using existing informal or family ties. Due to the small size and the flexibility of the management team in family SMEs, these firms were able to react quickly to new international opportunities. However, there was no direct relationship between the prior knowledge of the firms and their international opportunity recognition. Trade exhibitions formed the primary context for the international opportunity recognition of the SMEs in this study.
Contributions	Contributions related to (i) research on the international opportunity recognition of SMEs, (ii) indications on how network ties, activeness and alertness, and prior knowledge affect international opportunity recognition, (iii) research on family-owned SMEs (largely ignored in the field of international entrepreneurship).
Publication	Journal of Small Business Management, in press.

3.4 Article IV: “Network ties in the international opportunity recognition of family SMEs”

Since Article III highlighted network ties as the most essential feature in the international opportunity recognition of family SMEs, Article IV (see TABLE 4) describes more precisely the role of network ties in the international opportunity recognition of family SMEs. Furthermore, knowledge is limited concerning bridging network ties in the context of FB internationalization; hence Article IV article addresses this research gap.

TABLE 4 Summary of Article IV

Title	Network ties in the international opportunity recognition of family SMEs
Authors	Tanja Kontinen and Arto Ojala
Aims	The aim of this article was to understand how the network ties of family SMEs function in recognizing opportunities to enter foreign markets. This study sought to discover whether there are differences in the network formation of <i>family SMEs</i> as compared with <i>SMEs in general</i> , in the context of international opportunity recognition.
Research question(s)	(i) What types of network ties do family entrepreneurs utilize in international opportunity recognition? (ii) How does the strength of network ties explain the international opportunity recognition of family entrepreneurs? (iii) What is the level of networking activeness of family entrepreneurs when they recognize the opportunity to enter a foreign market?
Theoretical background	Presentation of the network model of internationalization, brief discussion of the internationalization of family SMEs, and presentation of research related to opportunity recognition in general, and opportunity recognition specifically, within an international context.
Methodology	A multiple case study with eight family-owned SMEs; 16 interviews; content analysis
Main findings and conclusions	Those family SMEs that lack existing network ties recognize opportunities through weak ties formed in international exhibitions. Moreover, rather than being proactive, family SMEs seem to respond reactively to opportunities that emerge coincidentally. The trustfulness of the tie is important when they consider these opportunities and form new ties for internationalization. The nature of the cooperator appears to be more important than the target country.
Contributions	This study contributed to (i) the network theory of internationalization by widening it towards family-owned SMEs, (ii) research on international opportunity recognition, bearing in mind the particular need for studies on the role of individual-level network ties in the recognition of opportunities for internationalization, (iii) family business research, by investigating the poorly researched role of <i>bridging networks</i> when family firms enter foreign markets.
Publication	International Business Review, in press.

3.5 Article V: “Social capital in relation to the foreign market entry and post-entry operation of family SMEs.”

Article V (see TABLE 5) is also about network ties: it describes bridging social capital in the FME and the possible entry mode change of family SMEs, thus also contributing to research on the bridging network ties of family SMEs.

TABLE 5 Summary of Article V

Title	Social capital in relation to the foreign market entry and post-entry operation of family SMEs.
Authors	Tanja Kontinen and Arto Ojala
Aims	The aim of this article was to examine the role of bridging social capital in the initial entry and operation mode change of eight family SMEs.
Research question(s)	(i) What types of social capital do family SMEs utilize in their FME and post-entry operations? (ii) What kind of role does social capital have in these contexts?
Theoretical background	Discussion of the concept of social capital, and more specifically, its types and roles in FME and entry mode change. Secondly, the specific features of family SME internationalization are discussed.
Methodology	A multiple case study with eight family-owned SMEs; 16 interviews; content analysis
Main findings and conclusions	Social capital generally had a serendipity role based on weak and intermediary relationships in the FME of the family SMEs. In entry mode change, the role of strong and formal ties was clear and the roles of social capital were most commonly efficacy and liability roles. Thus, it seems that the social capital of family entrepreneurs is limited to their strong bonding social capital, and perhaps to their strong national social capital. However, when they start to internationalize their operations, they have to find new networks to gain bridging social capital which will enable foreign operations. It seems that having a limited number of international ties drives family SMEs to search for relevant contacts from international exhibitions and trade shows.
Contributions	(i) We contribute to the field of international entrepreneurship by expanding research beyond early internationalizing firms. (ii) We wish to contribute to family business studies through an investigation of the bridging social capital of family firms. (iii) The study is intended to contribute to the field of social capital in the context of internationalization, though an investigation of family-owned SMEs – a perspective seen as lacking within organizational research – and by investigating social capital in the context of FME and post-entry operations in a particular target country. (iv) We here respond to the call made by Pedersen et al. (2002), who suggested that current literature on foreign operation modes is static, due to the fact that researchers have neglected the changes that may take place following market entry.
Publication	Journal of International Entrepreneurship, in press.

3.6 Article VI: “Social capital in the international operations of family SMEs”

Article VI (see TABLE 6) describes the dynamics of social capital among four case firms. It continues investigations into the fruitful topic of the bridging social capital of family SMEs (studied on a more superficial level in Article V).

TABLE 6 Summary of Article VI

Title	Social capital in the international operations of family SMEs
Authors	Tanja Kontinen and Arto Ojala
Aims	The aim of this study was to determine how family SMEs develop their social capital during the progress of international operations, and to examine how, within this course of events, two posited mechanisms, namely (i) network closure, and (ii) structural holes, interact with each other.
Research question(s)	(i) How do the international operations of family SMEs develop in terms of structural holes? (ii) How does network closure develop in the international operations of family SMEs? (iii) How do family SMEs bridge structural holes and develop network closure in their international operations?
Theoretical background	Discussion of social capital, structural holes and network closure.
Methodology	A multiple case study with four family-owned SMEs; 11 interviews; content analysis
Main findings and conclusions	Our material demonstrated that <i>family entrepreneurs had a large number of structural holes in their foreign markets</i> , especially when launching international operations, but also after several years of running international operations. Instead of trying to span structural holes, they concentrated merely on <i>developing network closure</i> with agents and subsidiary staff. <i>A lack of simultaneous maximization of the two network mechanisms</i> was perceived. However, the most successful firm was able to encompass both network mechanisms, including the bridging of structural holes, and succeeded very well in the French market.
Contributions	(i) The study investigated the development of <i>social capital in the international operations of family SMEs</i> – hence responding to calls for more research on network development in the entrepreneurial process (Jack, 2010), especially in the context of internationalization (Prashantham and Dhanaraj, 2010). (ii) It contributed to research on social capital by applying the notions of <i>network closure</i> and <i>structural holes</i> to firm internationalization, and by extending a theory on these features to family SMEs’ international operations. (iii) The study contributed to <i>family business research</i> by revealing how these mechanisms restrict and facilitate family SMEs’ international operations, bearing in mind that despite the suitability of family SMEs for research on social capital (Salvato and Melin, 2008), it has been unclear how social capital affects their internationalization and foreign operations.
Publication	Journal of Small Business and Enterprise Development, forthcoming.

3.7 Article VII: “Succeeding in the French market: recommendations for small businesses”

Article VII (see TABLE 7) is a practically-oriented analysis of the best managerial practices of the case firms in the French market. The aim is to give entrepreneurs a more understandable description of the practices of family SMEs operating in the French market. The article looks at the phenomenon from the perspective of the cultural differences that were constantly highlighted during the interviews with the case informants.

TABLE 7 Summary of Article VII

Title	Succeeding in the French market: recommendations for small businesses
Authors	Tanja Kontinen
Aims	The purpose of this research was to make managerial recommendations for firms operating or planning to operate in the French market.
Research question(s)	What are good practices for foreign firms in the French market?
Theoretical background	Discussion of the features of French culture and French business culture.
Methodology	A multiple case study with eight family-owned SMEs; 22 interviews; content analysis
Main findings and conclusions	This article provides the readers with the procedures, practices, and attitudes recommended for firms doing business in the French market by dividing them into four categories: (i) developing and nurturing relationships, (ii) use of international trade exhibitions, intermediary organizations, French commercial databases, and market research, (iii) culture and language knowledge, and (iv) understanding French business culture.
Contributions	Compared to the attention given to other countries, previous research has focused on managerial practices in France to only a limited extent.
Publication	Journal of Business Strategy, 32 (1), 15-24.

3.8 Article VIII: “Biohit: A global family-owned company embarking on a new phase”

Article VIII (see TABLE 8) of this dissertation is a case description of one of the case firms. I compiled it for the purposes of my teaching in entrepreneurship. It describes the phases and different procedures of one of my case firms. The aim of the case was to illustrate the story of a “born global” family firm – a type of family firm that has not so far been discussed in research articles concerning FB internationalization.

TABLE 8 Summary of Article VIII

Title	Biohit: a global family-owned company embarking on a new phase
Authors	Tanja Kontinen
Aims	The aim of this paper was to describe the prior and initial phases of the company, and examine its innovation and management practices.
Research question(s)	What is the story of Biohit?
Methodology	An in-depth case study; 6 interviews; content analysis
Contributions	This case could provide teachers of entrepreneurship a case illustrating the basic nature of entrepreneurship and the possibility to discuss the most important theories of entrepreneurship via a practical illustration.
Publication	Entrepreneurship Theory and Practice, forthcoming.

4 PHILOSOPHICAL POSITIONING, METHODOLOGY AND APPROPRIATENESS OF THE RESEARCH

4.1 On philosophical positioning

The present dissertation is based on *critical realism*. As shown by FIGURE 6, realist studies can be situated between constructivism and positivism.

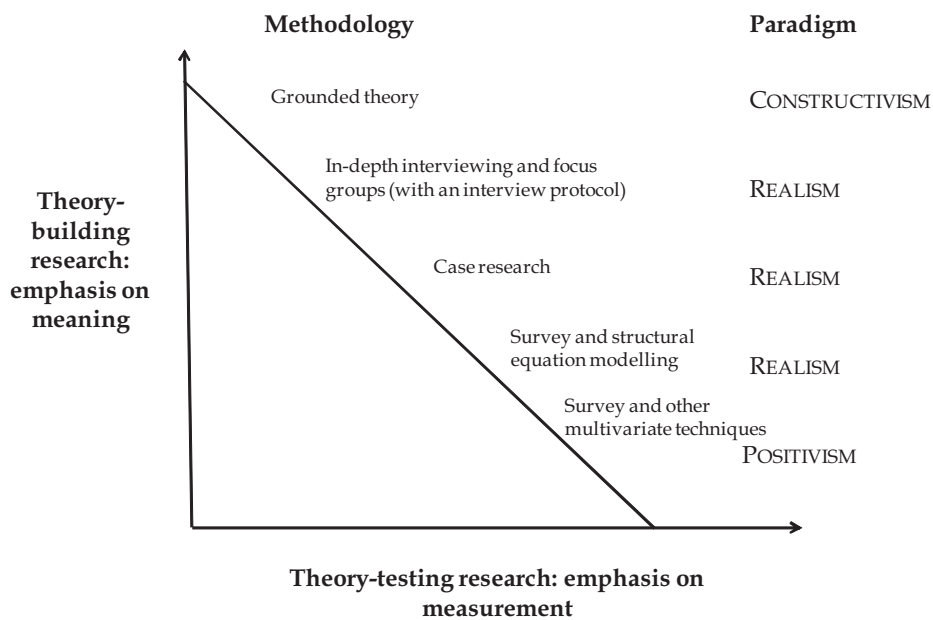


FIGURE 6 A representative range of methodologies and related paradigms (Healy & Perry, 2000, p. 121).

For several centuries, *positivism* (based on survey and other multivariate techniques) has had a dominant position in science. Positivism assumes that findings attained through experiments and surveys are true. Hence, it is based on *World One* (see FIGURE 7 below), taking objective and material things within its scope. By contrast, *constructivism* regards truth as a matter of a particular belief system held in a particular context. Constructivists see reality as consisting of the multiple realities that people have in their minds. Researchers within this paradigm deny the possibility of knowing what is real, and reject the possibilities of discerning an objectively true causality; individuals can create an interpretation of their own (Easton, 2010). *World Two* below is related to constructivism, since it treats of the subjective world of minds. *Realists*, for their part, believe that there is a “real” world to be discovered, but that it is imperfectly apprehensible. Thus, *World Three* below is related to *realism*; it consists of abstract things that originate in people’s minds, but which nevertheless exist independently of any one person. (Guba & Lincoln, 1994; Healy & Perry, 2000; Magee, 1985.) In other words, in realism, illustrated in the form of *World three*, “a participant’s perception is not reality as constructivism would suggest. Rather, a participant’s perception for realism is a window to reality through which a picture of reality can be triangulated with other perceptions” (Healy & Perry, 2000, p. 123).

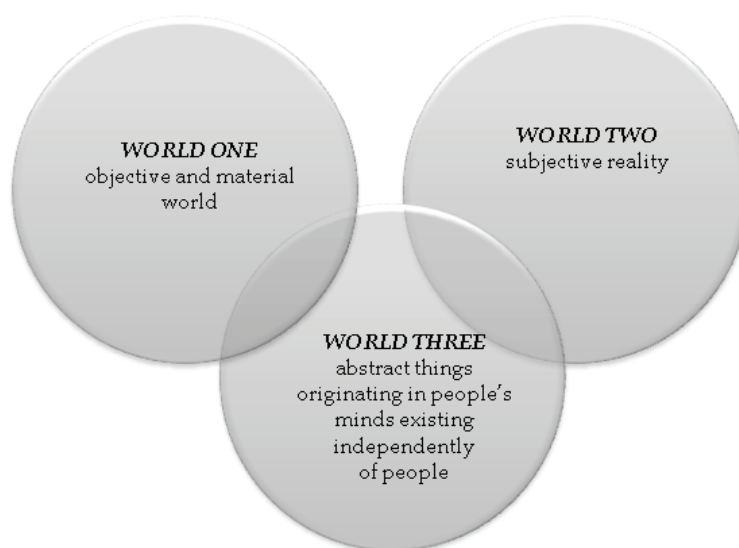


FIGURE 7 Popper’s three worlds.

Concerning the choices of the current study, a strictly positivistic approach is not necessarily appropriate when one is studying a social science phenomenon such as the internationalization pathways of family SMEs. The research of internationalization pathways involves humans and their real-life experiences. Constructivism would suit the phenomenon under study, but since my

intention was to be both rich in context and to include causal explanations (Welch et al., in press), I chose to follow the paradigm of critical realism related to World three in FIGURE 7. This seemed to have the potential to reconcile conflicting elements. Although qualitative research is assumed to be context sensitive, Welch et al. (in press) have noted a strong trend towards decontextualization in much case research. Richness of context appears to have functioned as an obstacle to theorizing within the field, even if a rich context is arguably the very essence of a case study.

It should be noted that a case study methodology does not in itself strictly define the paradigm to be applied, or the ontology or epistemology (discussed below). It can involve a number of perspectives, drawn from different ontological, epistemological, and methodological premises, and positioned on a continuum from realism to constructivism (Järvensivu & Törnroos, 2010). As FIGURE 8 illustrates, the current study is mainly critical realist in approach, and situated at the intersection of critical realism and moderate constructivism. However, some of the articles included are more at the positivistic end of the scale (especially Article III). This aspect was dependent on the publishing outlet: within the review process (and especially when writing for the *Journal of Small Business Management*) we were asked to modify the research write-up in a more strictly empirical direction, whereas in other papers (for instance Articles I and VII), I was/we were able to be more interpretative (taking them slightly more in the direction of moderate constructionism). Nevertheless, as mentioned above, a critical realist way of thinking predominates in the writing as a whole.

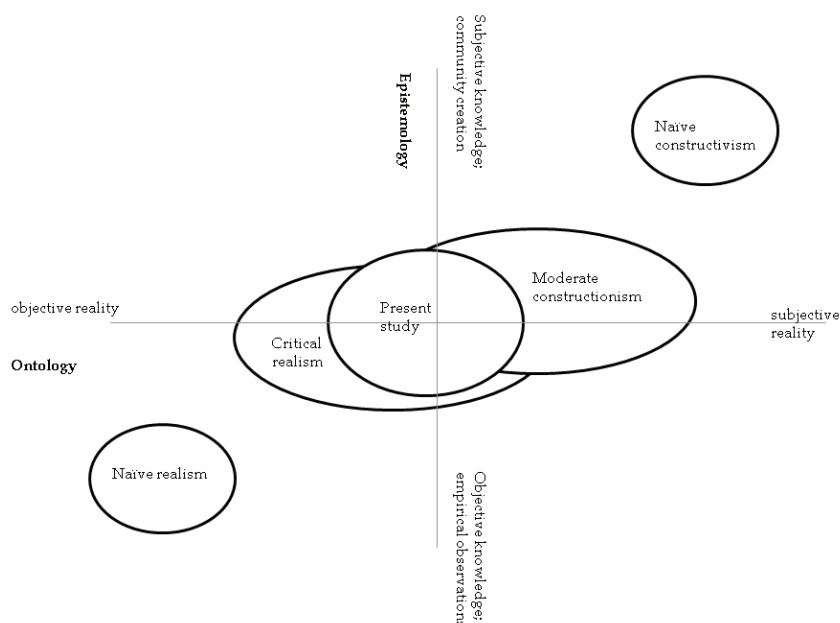


FIGURE 8 The ontological and epistemological positioning of this study.

4.1.1 On ontology

Ontology pertains to what exists, in this case the reality investigated by researchers (Healy & Perry, 2000). Ontologically, this study follows the concepts of critical realism presented by Sayer (1992, 2000) and Easton (2010). According to notions of ontology in critical realism, there exists a reality “out there” independent of observers. The world is socially constructed, but not entirely so – sometimes the “real world” breaks through and “destroys the complex stories that we can create in order to understand and explain the situations we research” (Easton, 2010, p. 120).

Critical realism distinguishes between “the actual events that are created by the real world and the empirical events that we can actually capture and record” (Easton, 2010, p. 128). Based on this, there will always be surmise concerning the nature of the real. What this implies is that we aim to approach the real by investigating empirical events. In the present study, I have aimed to understand and explain the internationalization pathways of family SMEs by looking at actual events and experiences among the case firms during the process of internationalization. On the basis of these empirical observations, I discuss abstract notions that could make sense of what took place. For instance, the construct of social capital makes it possible to explain the behavior of the case firms in terms of certain features of social capital features that exist on an abstract level, independently of any individual.

4.1.2 On epistemology

Epistemology pertains to knowledge: what is known, and how (and to what extent) something is known. In the present case it involves the relationship between the reality of something and how it is known to the researcher (Healy & Perry, 2000). Critical realists accept that the world is, in part, socially constructed, but that there is also a “real” world that “breaks through” (Easton, 2010, p. 120). Hence, individuals “construe rather than construct the world” (Easton, 2010, p. 122). Sayer (2000, p. 17) explains the “construing” of the world thus:

Critical realism acknowledges that social phenomena are intrinsically meaningful, and hence that meaning is not only externally descriptive of them, but constitutive of them (though of course there are usually material constituents, too). Meaning has to be understood, it cannot be measured or counted, and hence there is always an interpretative or hermeneutic element in social science.

In the present study, a strong interpretative element enters into the understanding and explanation of the internationalization pathways of family SMEs. I have moved back and forth between the empirical data and the theories, following a hermeneutic cycle. Looking at the phenomenon through a variety of perspectives and theories has taken me towards a “final” interpretation of the phenomenon. Critical realists accept that there are differences between the empirical, the actual (i.e. interpretable) and the real. In this study, data were

obtained concerning both people and material things, and I accept that my explanations, like all explanations, are interpretative (Easton, 2010). As suggested by scholars in the field of critical realism (Easton, 2010), I went on to collect further data that could help me to distinguish between different explanations, and then to discuss the data thoroughly with other researchers. In line with the view of Woodside and Wilson (2003), I believe that is only by seeing the same data through the theoretical lenses used by different researchers that can we gain an understanding of some of the features of the real world.

To illustrate how this study differs from pure social constructionism, I would point to an important difference between social constructionists and critical realists, namely that the possibility of knowing “the truth” is rejected by social constructionists but accepted – in part, and with reservations – by critical realists (Easton, 2010). Of course, in all this one has to accept that observation is fallible, and that it is “unlikely to reveal completely and lead to a full understanding of any social situation” (Easton, 2010, p. 123). However, this does not negate the insights that observation offers.

4.1.3 On methodology

The *methodology* is the technique utilized by the researcher to investigate reality (Healy & Perry, 2000). Sayer (1992) argues that methodology should not just be regarded as a matter of choosing among different methods of data production and analysis, such as case research or a survey. For Sayer it is rather about *choosing among competing methods of theorizing* (Sayer, 1992). Welch et al. (in press) argue that (among scholars of international business) there are four different means of theorizing when conducting case studies: 1. inductive theory-building, 2. natural experiment, 3. interpretive sensemaking, and 4. contextualized explanation. FIGURE 9 illustrates the different means of theorizing presented by Welch et al. (in press):

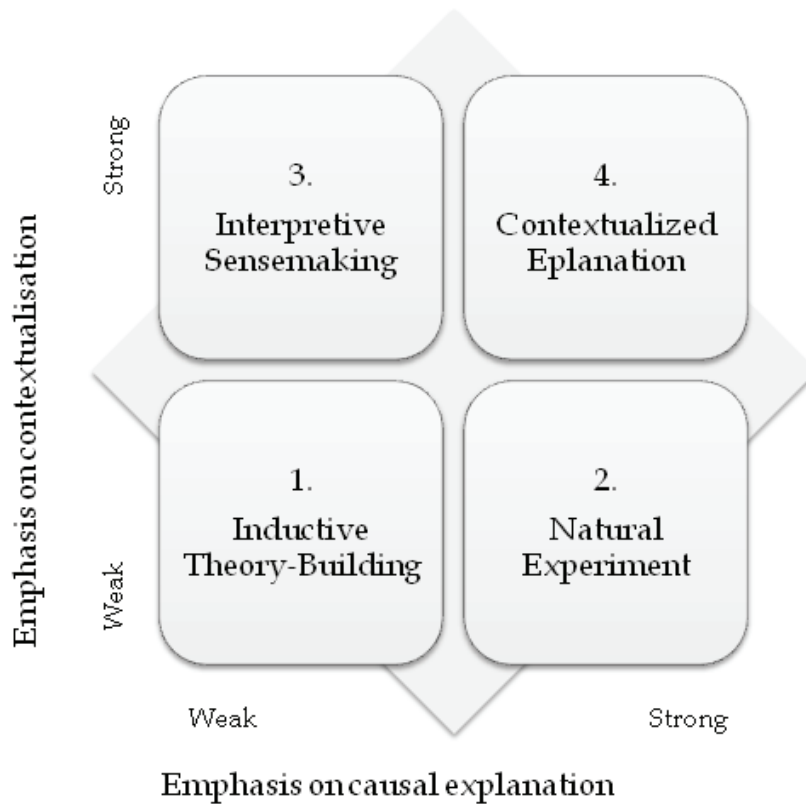


FIGURE 9 Four means of theorizing from case studies.

Three of the four means presented above, namely inductive theory-building, natural experiment and interpretive sensemaking, are well established methods of theorizing from case studies, whereas contextualized explanation, which is applied in the present research, is a more recent addition to the methodological literature (Welch et al., in press). In *inductive theory-building*, the emphasis is lying on the potential of the case study to induce new theory from empirical data and to generate theoretical propositions upon which large-scale quantitative testing can be based; this method seeks to establish regularities rather than the reasons behind them. The *natural experiment* is related to the deductive logic of testing propositions, revising existing theories and establishing causal relationships. This method has been introduced to the field for instance by Yin (1994, 2009). Researchers concerned with *interpretive sensemaking* embrace context, narratives and personal engagement. Stake (1995), a representative of this tradition, sees that particularization is the goal of case studies – in other words, the understanding of the uniqueness of the case study in its entirety.

In view of the above, it is understandable that there has been a strong trend towards decontextualization among case study researchers, with

theorizing moving towards generalization and away from context (Welch et al., in press). However, case studies are by nature rich in context, and Welch et al. (in press) see that the method of *contextualized explanation* has a great deal of potential for future case studies. Bhaskar (1998), who is a critical realist philosopher, regards the explanation of social phenomena as being both causal (matching the positivist view) and interpretive (matching the hermeneuticist view). Hence, Bhaskar (1998) emphasizes the importance of both explanation (*erkären*) and understanding (*verstehen*) in the conduct of research. In other words, causalities play a role in this tradition – which can be termed “contextual explanation.” However, causation does not mean merely a search for event regularities: scholars “need to go beyond the events to understand the nature of objects, and cause-effect relationships do not consistently produce regularities in an open system” (Welch et al., in press, p. 17).

As was mentioned above, a critical realist case study method was applied in the research reported in this dissertation. Following Easton (2010, p. 119), *case research* is here defined as “a research method that involves investigating one or a small number of social entities or situations about which data are collected using multiple sources of data and developing a holistic description through an iterative research process.” In a critical realist case study, the research question addresses a research phenomenon of interest, in terms of discernible events, and asks what causes them to happen (Easton, 2010). In the present study, the phenomenon chiefly addressed is the internationalization pathways of family SMEs. In relation to the choices made in the present study, internationalization is a complex phenomenon, and the international opportunity recognition and social capital/network ties of firms are equally complex. The choice of multiple cases made it possible to identify the subtle similarities and differences within a collection of cases (Brown & Eisenhardt, 1997; Eisenhardt, 1989b; Yin, 1994).

In this study the theoretical objective, in other words the method of theorizing, is mainly contextualized explanation, the aim being both to understand and to explain the phenomenon; however, there are also features of inductive theory-building. According to Eisenhardt and Graebner (2007), papers building theory from cases are not only among the most interesting, but also among the most highly-cited papers. The present dissertation develops and refines existing theories in its discussion of the findings of the study. In the introductory part of this thesis, two models of the internationalization of family SMEs are also presented. In line with van Maanen et al. (2007, p. 1148), the theorizing in the present research was “a compromise between simplicity and complexity, originality and semblance, and specificity and generality.” Furthermore, again in the manner described by van Maanen et al. (2007), the formation of the family SME internationalization model – and of the propositions in the articles – was no “ah-ha” epiphany, but rather the result of an abundance of speculations and approximations.

Nevertheless, some of the articles of the present dissertation contain features of inductive theory-building, since testable propositions have been formed in them and some degree of decontextualization can be discerned. It is

worth pointing out that rather than choosing this path ourselves, we were guided in this direction by the reviewers and editors of the journals we submitted our manuscripts to: they indicated a wish for the kinds of propositions that we eventually included.

4.2 On the cultural contexts and the case firms

The cultural contexts of the firms under scrutiny are those of Finland and France, since the firms involved are Finnish family SMEs operating in the French market. Finland was chosen as the country of origin (i) due to my own identity as a Finn, having an understanding Finnish culture and (ii) due to Finland being a small and open economy with a very limited domestic market (OECD, 1997). In countries where the domestic market is small, internationalization is an important growth strategy, forming part of efforts to guarantee long-term survival (Autio et al., 2000; Sapienza et al., 2006). The choice of the French market as the context made possible the investigation of the internationalization in a particular context, one that would be similar for all the firms involved in the study (cf. Shane, 2000) – bearing in mind that laws, regulations, and customs may well vary in different markets (Shrader et al., 2000). Despite its geographical closeness to Finland, France is culturally/psychologically different from Nordic and English-speaking countries (Ronen & Shenkar, 1985; Trompenaars & Hampden-Turner, 1997), with the consequence that running a business there often involves cultural confrontations.

It is notable that in Trompenaars' and Hampden-Turner's (1997) seven-scope cultural model, Finland and France are positioned at opposite ends in several cultural classifications. Moreover, in a study on communication in Finnish-French mergers and acquisitions, Irrman (2006) observed that the Finns and the French had many conflicts due to their cultural differences, and especially, to their differing ways of communicating. Clearly, ways of avoiding/resolving conflicts need to be found, since France is a very important market – the third largest economy (GDP) in Europe and the eighth largest economy in the whole world (CIA, 2010).

As can be seen in TABLE 9 the range of products in the case firms is fairly wide, but all the firms manufacture material goods. The number of personnel varies from 18 to 249 employees, the average being 106 employees. The firms were established between 1876 and 1988. Hence, they were established during different historical contexts, and this could also influence their internationalization behavior. Firm B started to internationalize as early as 1929, whereas Firms D, F, and H started only in the 1990s. The remaining firms launched international business in the 1970s or 1980s. The accession of Finland to the European Union facilitated the internationalization of the case firms in the 1990s, since it eliminated the formal restrictions that had previously applied. Furthermore, the growing importance of SMEs in comparison to large

companies in the 1970s and 1980s led more SMEs and FBs to consider the benefits of internationalization. Nevertheless, the different historical contexts can be seen as enriching the study, since irrespective of the differences, there were important similarities in the internationalization pathways of the case firms. In other words, it seems that the “familiness” element may have played a larger role in the internationalization behavior of the firms than the historical context. It is true that the born global and born-again global case firms (see TABLE 14) internationalized intensely in the particular context of Finland’s accession to the EU. However, there are also many other features (such as existing network ties and the entrepreneurial orientation of the owner-manager) that can explain the internationalization behavior of these firms.

TABLE 9 Information on the Case Firms.

	Number of employees	Year of establishment	Start of internationalization	Industry segment	Operations in France
Firm A	249	1876	1970s	Industrial furniture	1982 export 1984 subsidiary
Firm B	18	1923	1929	Wooden toys	1968 export
Firm C	200	1967	1979	Machines for forestry and agriculture	1997 subsidiary
Firm D	20	1973	1990s	Wooden villas	1998 export 2002 representative
Firm E	140	1972	1980s	Packaging material	1989 export 2006 production subsidiary
Firm F	40	1988	1991	Pipettes and analyzing systems	1991 production/sales subsidiary
Firm G	30	1978	1980	Fire safety equipment	1990 import 1991 export
Firm H	150	1955	1990s	Sauna stoves and equipment	1990s export

Firm A, which provides office equipment and manufactured products made of sheet metal, was established in 1876. For almost the first hundred years it was a domestic company. During its history it has manufactured several products, many of which have been replaced by cheaper products produced in low-cost countries. Over the last fifty years, Firm A has bought several smaller companies, some successfully and others less so. It is now in its fifth generation, with its main growth and internationalization having taken place during the fourth generation. In 1970, Firm A started exporting to the Nordic countries. In 1980, exporting was expanded to Germany, and in 1982, export to France was launched. This led to the establishment of a subsidiary in France in 1984.

Firm B, which manufactures wooden toys, was established in 1923. Currently, the third generation is in charge of the business. The internationalization of Firm B began as early as six years from its establishment (i.e. in 1929, when it exported to Sweden and England). In 1947, export to Argentina was launched, followed by new markets in 1960 (the USA, Denmark, Norway, and Iceland). The entry to France occurred in 1968, and the same distributor is still selling the firm’s products in France. The product range of

Firm B has been very similar throughout its history, comprising traditional, educational wooden toys which have hardly changed at all. Firm B still has exporting as its only mode of foreign operation, and it has only a small share of the market in all the countries exported to.

Firm C, founded in 1967, and currently run as a business by the second generation of the family, manufactures machines for forestry and agriculture. The internationalization of the firm began at the end of the 1970s with exports to Sweden, Norway and Denmark. Germany was entered in 1988 and Austria in 1995, both with distributors taking care of the exporting. France was entered in 1997 in the form of a subsidiary. Nonetheless, another product of Firm C was taken to France one year later via a distributor.

In the case of *Firm D*, which manufactures villas made of wood, internationalization started 21 years after its establishment (1973), and continued in 1994 with the export of villas to Germany and Japan. The French trade started in 1998 in the form of exporting. It was intended that a network of distributors would be formed, but the attempts to find reliable people failed. Hence, a representative office was established in France in 2002 with a view to facilitating administration.

The story of *Firm E*, currently run by the second generation, began in 1972. This firm manufactures different kinds of packaging materials. Poland was its first export market (1985). The firm exported to ten European countries and had a subsidiary in Poland before it entered France in 1989. The operational mode in the French market changed to a joint venture involving a production plant in 2006. During the time of the second generation of the business (which is 100 per cent owned by the son of the founder) the internationalization of the firm has been conducted vigorously. It now has subsidiaries in fourteen countries and sales in over sixty countries worldwide.

Firm F was launched in 1988 by an experienced entrepreneur. This firm produces various products including pipettes and analyzing systems. It has always been very active in its innovations and patenting policy. It is one of the leading companies in its field in the world. The first export market, entered in 1991 in the form of a production subsidiary, was France. For this entrepreneur internationalization was fairly easy, being based on strong international industrial relationships.

Firm G, which was founded in 1978, produces fire safety equipment. This industry is highly traditional and also extremely diversified, since different countries have different kinds of fire safety equipment. In the 1980s, Firm G started exporting to Norway, Sweden, Germany and Estonia. Exports to France were launched in 1991. This was preceded by imports from France, starting in 1990.

Firm H is a producer of sauna stoves and sauna equipment in general. The firm is now in its third generation as a family business, having been founded in 1955. At the start of the 1990s, Firm H started exporting to several markets – ten European countries altogether, including the Nordic countries and Germany – before it launched exports to the French market.

4.3 The case study method

The criteria for selecting the case study design as the primary method of this dissertation (the secondary one being the literature review design presented below) were the following:

(i) the context: the case study method enables the researcher to study phenomena that cannot be separated from their context (Bonoma, 1985). To understand and explain the internationalization pathways of family SMEs, it was essential to examine the context;

(ii) the complexity of the phenomenon under study: in an entrepreneurial process there are several components interacting simultaneously, and the phenomenon is connected to the organizational context. Case study research makes it possible to capture these different dimensions at the same time (e.g. Eisenhardt, 1989b);

(iii) the fit between critical realism and the case study design: as noted by Easton (2010), critical realism and case study research make a good fit, allowing a focus both on explanation and on understanding the phenomenon under study;

(iv) the limited number of studies on the phenomenon of family SME internationalization. Since the number of studies concerning family SME internationalization is limited (25 scholarly articles up to 2009), and since there is evidence that familiness really does make the internationalization of family SMEs different from that of family SMEs, it seemed a good idea to conduct a case study. Furthermore, most of the existing studies on FB internationalization have been confirmatory (statistically verifying theory-driven hypotheses), and there have not been many exploratory studies, such as case studies.

4.3.1 Case selection

My sampling strategy was *purposeful sampling*. To be eligible as a case firm, the following criteria had to be fulfilled: (i) the firm is Finnish, (ii) the firm had fewer than 250 employees at the time of the French market entry, hence fulfilling the criteria of the Finnish government and the EU for classification as an SME (OECD, 2003), (iii) the firm belongs to the manufacturing industry, (iv) the firm is family-owned, with the family controlling the largest block of shares or votes, having one or more of its members in key management positions, and having members of more than one generation actively involved with the business³, (v) the firm is doing business in the French market for more than five years. Suitable case firms were sought in different databases, including Finnish export statistics, and the databases of the French-Finnish Chamber of Commerce and Finpro Paris (Finpro, 2008). I identified six SMEs that had direct

³ This definition is based on the two criteria of ownership and management presented, for instance, by Graves and Thomas (2008), and on the factor of continuity (see for instance Zahra, 2003).

operations in France, five of which were included in this study. The remaining three cases were family SMEs with indirect operations in France, selected from different geographical locations in Finland.

The interviewees selected consisted of owner-managers, managing directors, subsidiary managers, managers of international affairs, and those sales administrators who had the greatest in-depth knowledge of internationalization and operations in France. These professions correspond to the informants commonly utilized in the field of international entrepreneurship (see Coviello & Jones, 2004). As a first step the owner-manager of each firm was interviewed. The owner-manager was then asked to recommend another/other informants who would have extensive and detailed knowledge of the phenomenon under study. In selecting the most knowledgeable persons and interviewing two informants from each firm, I aimed to get the most relevant knowledge, and to counteract the biases of individual opinions (Huber & Power, 1985). Having two or more interviews from each case firm also made it possible to ask more detailed questions of the second interviewee.

4.3.2 Data collection methods

As mentioned above, I collected data from *eight selected Finnish family SMEs in the manufacturing sector and from 21 informants in these firms*. Data were collected in 2004 and in 2008–2009. In 2004 I collected data for my Master's thesis, which was related to the internationalization of family SMEs. These interviews (conducted in four case firms) plus their analysis gave me the basic idea for the present dissertation. Since the earlier interviews were fully transcribed and rich in information, I decided to make further use of them. Nevertheless, more data were required; thus in 2008 and 2009 I conducted further interviews in the four case firms previously studied, and went on to select four additional case firms for the purposes of this dissertation. The interviews with the four "new" firms were also conducted in the latter phase of data collection, in 2008 and 2009.

The units of analysis were (i) the internationalization process, (ii) international opportunity recognition, (iii) networks, and (iv) cross-cultural experiences. The main form of data collection was interviewing, but in addition secondary materials, such as web pages, annual reports, financial records, meeting minutes, and brochures were utilized (see TABLE 10). The secondary material was used to understand the history and the products of each firm, to form detailed case histories, and to understand the circumstances behind certain events, with particular reference to aspects such as foreign market entries and changes in the operation modes. The secondary material was also utilized to triangulate with the information given by the informants. The secondary material was especially important when I was writing the case history of Firm E (Article VIII).

TABLE 10 Sources of evidence from each case firm.

Firm	Interviews	Domestic informants	Foreign informants	Web pages	Annual reports	Financial records	Meeting minutes	Brochures
Firm A	3	2	1	X	X	X		X
Firm B	2	2	0	X	X	X		X
Firm C	3	2	1	X	X			X
Firm D	2	1	1	X				X
Firm E	2	2	0	X	X	X		X
Firm F	6	4	1	X	X	X	X	X
Firm G	2	2	0	X				X
Firm H	2	2	0	X	X			X

The four interviews that took place in France were conducted with the French subsidiary managers and agents. These interviews allowed me to get a more versatile understanding of the internationalization process. The French informants significantly helped me in understanding the challenges that the Finnish family SMEs had encountered in France.

As shown by TABLE 11, in some of the articles, only some of the case firms and parts of the interviews were utilized. In these cases, the selection was made on the basis of the case firms that were rich in information with regard to the topics discussed.

TABLE 11 Data utilized in each article.

Article	Data
Article I	25 Research articles
Article II	4 case firms; 6 interviews
Article III	8 case firms; 16 interviews
Article IV	8 case firms; 16 interviews
Article V	8 case firms; 16 interviews
Article VI	4 case firms; 11 interviews
Article VII	8 case firms; 22 interviews
Article VIII	1 case firm; 6 interviews

The interviews were semi-structured in format, being guided by a list of topics. They were conducted by myself (as someone fluent in English and French, and with experience of living in French-speaking countries, hence having relevant cultural knowledge). I followed the guidelines set out by Huber and Power (1985) to minimize the risk of providing inaccurate or biased data. Altogether, 22 semi-structured open-ended interviews lasting 60-90 minutes were conducted with two to five respondents from each firm, in the firm's headquarters in Finland and/or its subsidiary/agency in France.

The interviewees were first asked to describe their business in general, thereafter their operations related to internationalization as a whole, and from that the business connected to internationalization in France in particular. Based on general information on the entry to the French market, more detailed questions were then asked about the following issues: (i) the firm's activity in

pursuit of entry to France, (ii) important events, persons, firms, or organizations that influenced the entry to France, and (iii) the firm's knowledge and experiences concerning the French market. All these questions were developed according to the guidelines issued by Yin (1994), with the aim of making the questions as non-leading as possible. This encouraged the interviewees to give authentic answers to the interview questions. Because the interviews focused on the entrepreneurs' past experiences, I followed the guidelines for retrospective studies issued by Miller et al. (1997) and by Huber and Power (1985).

All the interviews were digitally recorded and transcribed verbatim. A second listening was conducted to ensure correspondence between the recorded and the transcribed data. The complete case reports were sent back to the interviewees and any inaccuracies they noticed were corrected. In addition, e-mail communication was used to collect further information and to clarify any inconsistent issues. To improve the validity of the study I collected and analyzed many types of secondary information (such as websites and annual reports). By comparing the interview data with other documents from the case firms, I carried out triangulation on the information (Bonoma, 1985; Miles & Huberman, 1994). For instance, when the entrepreneurs described phases in their internationalization, I compared their views with the information in their brochures, website pages, etc. Furthermore, when they described their products or management structure, I compared their descriptions with potential secondary data. I noted any inaccuracies, contacted the informant, and tried to determine which information was correct. Sometimes, the secondary sources allowed me to complete the account, providing information the informants had not been able to remember. All this made it possible to arrive at a more in-depth picture of the case firms under study (Bonoma, 1985).

4.3.3 Method and process of analysis

The units of empirical observation in this study were: (i) social units within case firms, (ii) instances of international opportunity recognition, and (iii) instances of managerial cross-cultural practices. The method used the data analysis was content analysis. The analysis of the case data consisted of three concurrent flows of activity (Miles & Huberman, 1994): (i) data reduction, (ii) data displays, (iii) drawing conclusions/verification.

(i) As regards data reduction, the data were selected, scrutinized and simplified by writing a detailed case history of each firm. In fact, the data reduction started even before data collection, since I as a researcher selected the conceptual framework, research questions and data collection approaches of the present study. The writing of detailed case histories is in line with Pettigrew (1990), who suggests that organizing incoherent aspects in chronological order is an important step in understanding the causal links between events. That allowed me to identify and categorize the unique patterns of each case. The sub-topics for the identification and categorization derived from the research questions. In addition, checklists and event listings were used to identify critical factors related to the phenomenon (Miles & Huberman, 1994).

(ii) As regards the data displays, the relevant data were collected in matrices, graphs, charts, and networks, and within Tables in Microsoft Excel or Nvivo qualitative analysis software. For instance, the components of international opportunity recognition in the case firms were collected in a table in order to identify similarities and differences between them. As regards the network ties and their development, network charts were compiled to understand them better. As a third example, I could mention the experiences of psychic distance, which were collected in a table under the subgroups of negative, neutral, and positive experiences. Many of these data displays can be found in the published articles, but many more tables and figures were compiled during the process of analysis to help with the organization of the data.

(iii) In the conclusion/verification phase, I concentrated on finding aspects that appeared to be significant. I noted regularities, patterns, explanations, causalities, propositions, etc. For instance, I became aware of the kinds of issues that affected the international opportunity recognition of the case firms, the kinds of features exhibited by the case firms in the development of their social capital, and how their ownership structures influenced their internationalization pathways.

4.4 The design of literature review

Data for Article I were collected by identifying relevant family business internationalization articles. For this purpose a keyword search was conducted in nine databases: *Inderscience*, *Business Source Elite (EBSCO)*, *Emerald*, *Informaworld*, *JSTOR*, *SAGE Journals Online*, *Science Direct (Elsevier)*, *Springerlink*, and *ISI Web of Knowledge*. To ensure thorough coverage, there was also a manual search in the most important source of family business research, namely *Family Business Review*. In addition, Google Scholar (Google), Live Academic Search (Microsoft), Scirus (Elsevier), and OAIster (University of Michigan) were used to find relevant articles in the field. To be accepted for the review, the studies had to be published in peer-reviewed academic journals before 2009. If internationalization was not in fact the phenomenon examined, or if the article was written without any references to scientific studies, it was excluded. Finally, Article I is based on 25 research articles on FB internationalization. All the articles on FB internationalization published before 2009 were included within it.

In conducting the review, we adopted the basic guidelines for a systematic review set out by Transfield et al. (2003). Thus, our review process consisted of three stages: 1) planning the review, 2) conducting the review, and 3) reporting and dissemination (for further details, see Transfield et al., 2003). In conducting the analysis, we identified the following aspects as critical: *methodological issues*, *theoretical framework(s)*, *topic of research*, and *main findings and conclusions*. Each article found in the databases was analyzed by both of the present authors,

working separately. If there were any inconsistent findings, these were discussed to arrive at a common understanding. With 375 units (25 articles x 15 analytical units⁴) to analyze, we both ended up with a similar result for 368 of them, yielding a 98.1 percent agreement. The seven units of analysis we needed to discuss concerned the sample size, the theoretical framework, or the main analytical approach of the study in question; these were often poorly reported in the articles.

4.5 Reflections on the appropriateness of this research

The appropriateness of this research can be assessed through the six quality criteria set out for realist research by Healy and Perry (2000). The “quality” criteria are presented in TABLE 12. They are discussed from the perspective of the current research to evaluate the appropriateness of this dissertation.

TABLE 12 Quality criteria for realist case study research, adapted from Healy and Perry (2000).

	Criterion	Brief description	Case study techniques
Ontology	Ontological appropriateness	“Research problem deals with complex social science phenomena involving reflective people”	Selection of research problem, for example, as a <i>how</i> or a <i>why</i> problem
	Contingent validity	Open “fuzzy boundary” systems involving generative mechanisms rather than direct cause-and-effect	Theoretical and literal replication, in-depth questions, emphasis on “why” issues, description of the context of the cases
Epistemology	Multiple perceptions of participants and of peer researchers	Neither value-free, nor value-laden; rather <i>value-aware</i>	Multiple interviews, supporting evidence, broad questions before probes, triangulation. Self-description and awareness of own values. Published reports involving peer review.
Methodology	Methodological trustworthiness	Trustworthy - the research can be audited	Case study database, use in the report of relevant quotations and of matrices summarizing data; also

(continues)

⁴ The analyzed units were: type of article, country of research, data collection, time frame (year(s) and crosssectional/longitudinal), sample size, response rate, industry type, firm size, FB definition, informants, analytical approach, theories utilized, topic of the article, and main findings and conclusions.

TABLE 12 (continues)

			of descriptions of procedures (e.g. case selection and interview procedures)
	Analytic generalization	Analytic generalization rather than statistical generalization	Identify research issues before data collection, to formulate an interview protocol that will provide data for confirming or disconfirming theory
	Construct validity		Use of prior theory, case study database, triangulation

4.5.1 Ontological appropriateness

For the sake of ontological appropriateness, it is important that the research problem should be related to complex social science phenomena involving what Healy and Perry (2000) call “reflective people” – reflective in the sense that they think about past events critically and discuss them with the researcher and other people in the firm. In practice, the ontological appropriateness can be assessed according to whether there is a good match between the research problem and the research questions. In the present research, I aimed to increase understanding of a research gap, i.e. the internationalization process of family SMEs, by asking the question, “What is the nature of the internationalization pathways of family SMEs?” Unquestionably, internationalization or FME is a complex phenomenon involving multiple aspects. Detailed understanding of it cannot be obtained by focusing on a single variable, but rather through interviews or by observing reflective people.

Contingent validity. As regards contingent validity, this study sought to follow the sound scientific guidelines of critical realism. There has been no attempt to isolate direct cause-and-effect-paths, but rather to name and describe the generative mechanisms operating in the real world. The informants were asked in-depth questions, and the emphasis in the data collection was on “how” and “why” questions. Furthermore, the contexts of the cases were described as fully as possible, subject to the word limits of journal articles. In fact, Article VIII was written to increase the contingent validity of the research. It describes the context of one case firm in a very detailed fashion.

4.5.2 Epistemological appropriateness

Multiple perceptions of participants, the researcher, and peer researchers. I have accepted in this research that “there is a real world to discover even if it is only imperfectly and probabilistically apprehensible” (Healy & Perry, 2000, p. 123). I have tried to indicate the awareness of my own values in this introductory part of the thesis. Thus, this study is neither value-laden nor value-free, but it is

value-aware. In addition to my own perspectives –which are inevitably present – perspectives were gained through multiple interviews (altogether 22 interviews with 8 firms), with further secondary material used for the purposes of triangulation. Initially, broad questions were asked of the interviewees, seeking to avoid an over-narrow focus, and increasing the level of epistemological appropriateness. Furthermore, all the texts included in this thesis were subject to peer review processes.

4.5.3 Methodological appropriateness

Methodological trustworthiness. According to Healy and Perry (2000), a methodologically trustworthy study includes relevant quotations and matrices summarizing the data. In the research articles in this dissertation, I included as many quotations as possible subject to the word limits set by the journals. I have also used figures and tables both in the articles and the present introductory part of the thesis. Description of procedures, such as case selection and interview procedures, are also important in increasing methodological trustworthiness (Healy & Perry, 2000). The present research describes case selection and interview procedures in detail, and gives full accounts of the analytical processes.

Analytic generalization. According to Healy and Perry (2000), important features in the appropriateness of analytical generalizations in a case study include the identification of research issues prior to data collection, and the formulation of an interview protocol. Moreover, as argued by Healy and Perry (2000, p. 123), “Given the complexity of realism’s world, realism research must be primarily theory-building, rather than the testing of the applicability of a theory to a population, which is the primary concern of positivism.” In the current study, at an early phase I identified as a research issue the internationalization process of family SMEs, and especially the networks involved in this process. I then formulated a semi-structured interview protocol with broad questions that would help in extending the theories that I had found to be applicable to the area under study. I have since worked on extending these existing theories and on building theory on the internationalization of family SMEs.

Construct validity. Overall, based on the use of prior theory, a case study database, and triangulation, there is no reason to believe that the construct validity of the present dissertation would not be at an appropriate level.

5 DISCUSSION AND CONCLUSIONS

The aim of this section is, in the first place, to suggest answers to the research questions set out in 1.4. These relate to the articles included in the dissertation (Questions 1-4), and further to the conclusions that can be drawn from the work as a whole (Questions 5-7). Tables on the internationalization pathways/phases of family SMEs will be included, with discussion also of the methodological and theoretical contributions of the dissertation, plus possible limitations, and areas for future research.

For the purposes of easy cross-reference, the research questions (see 1.4) are repeated below:

1. What is the current state of knowledge on FB internationalization?
2. How does the foreign market entry of family SMEs progress?
3. How do entrepreneurs in family SMEs recognize opportunities for new foreign market entries?
4. How do family entrepreneurs form and develop network ties in the context of a foreign market entry?
5.
 - a. How can the internationalization pathways of family SMEs be summed up?
 - b. Why did their internationalization proceed in that manner?
6. What new insights does the present research offer regarding FB internationalization?
7. What new insights do the findings offer in relation to the theories utilized in the research?

5.1 Main findings of the present dissertation

The main findings of this dissertation are divided into four categories (see FIGURE 10):

- i. Existing knowledge concerning FB internationalization (Article I);
- ii. International Opportunity recognition (Articles III and IV);
- iii. Formation and development of network ties (Articles IV, V, and VI)
- iv. FME (Articles II and VII).

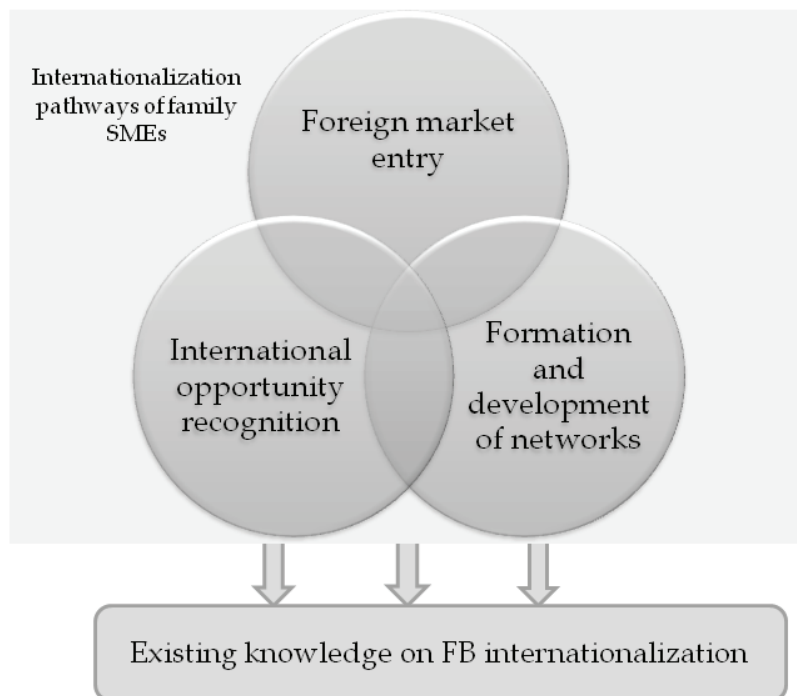


FIGURE 1 Main perspectives of the present research on family SME internationalization.

5.1.1 Existing knowledge regarding FB internationalization

Research Question 1 (What is the current state of knowledge on FB internationalization?) formed the basis of the entire dissertation and has already been discussed (see 1.2); hence it will be treated only briefly here. Based on the review of 25 articles published between 1991 and 2008, FBs seemed to follow the propositions laid down in the Uppsala model of internationalization. However, some family firms were found to take born-again global pathways to internationalization. FB managers were perceived to have limited managerial

capabilities and to conduct unstructured procurement in the context of internationalization.

The factors *inhibiting* FB internationalization were found to be mainly organizational: they include an unwillingness to accept outside expertise, a fear of losing control, risk avoidance, and a lack of financial resources. The factors *enhancing* the internationalization of family firms include a general long-term orientation, and speed in decision-making. In addition, it was found that the FBs that were likely to be more successful in international expansion were those that had a willingness to use information technology, a capability for innovation, and a commitment to internationalization, plus the ability to distribute power and use the resources available. The entry on the scene of new generations was seen as having a positive influence on internationalization, although generational change sometimes had no influence, or else had a negative influence on internationalization.

From a methodological perspective, the review revealed that the studies included in the review tended to answer *what* questions rather than *how* questions and/or *why* questions. Secondly, it was found that the reporting of methodological issues in the articles concerning FB internationalization was often limited, and that the range of informants was rather narrow, mainly concentrating on the executives within the firms concerned.

5.1.2 Foreign market entry

As regards Research Question 2 (How does the foreign market entry of family SMEs progress?) it should be noted that in Article II (included in this dissertation) only four case firms (Firms A, B, C, and D) were included. This was because the data collection from the four remaining firms (Firms E, F, G, and H) was still under way at the time. Since the remaining four firms (Firms E, F, G, and H) offered some new information on the phenomenon, mention will be made of their internationalization pathways in this section of the thesis. FIGURE 11 illustrates the countries entered by each case firm prior to France, and below that, the operation modes they have utilized in the French market.

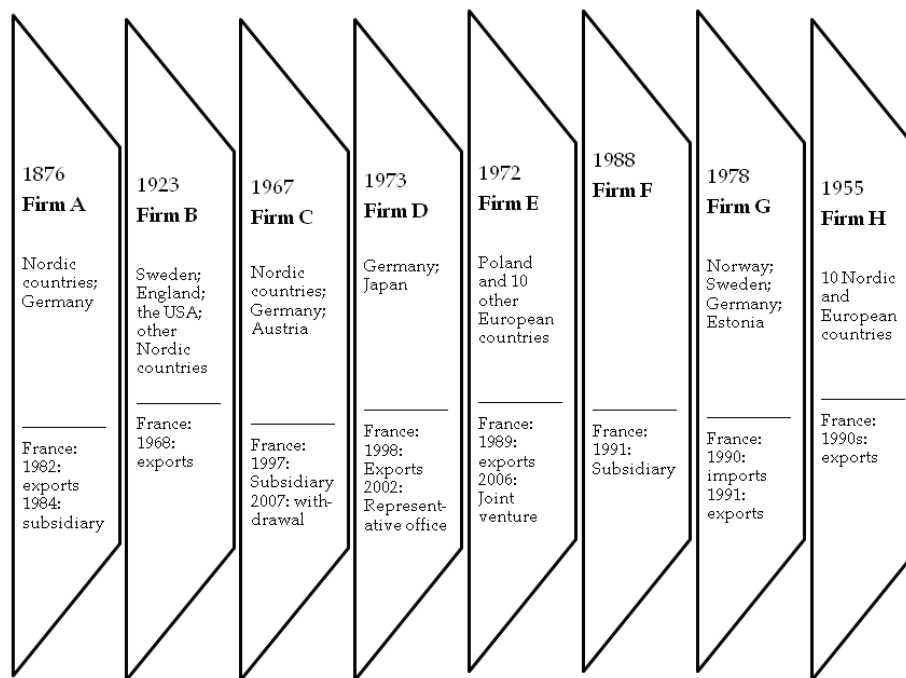


FIGURE 11 Internationalization pathways of the case firms.

In line with Bell et al. (2003), three types of internationalization patterns were discovered among the case firms. Internationalization was incremental and gradual among *traditional* family SMEs (Firms A, B, C, D, G, and H), whereas it was quite rapid in the *born global* family SME (Firm F) and also in the *born-again global* family SME (Firm E), following its generational change. However, in contrast to the findings by Bell et al. (2003), *the born global family SME did not conquer many markets at the same time, tending rather to follow a year by year progression.*

As indicated above, six of the case (Firms A, B, C, D, G, and H) firms can be regarded as essentially traditional internationalizers: they generally started with indirect entry modes (exports) in nearby countries and, having learned from those operations, proceeded to markets that were further away, and sometimes, to direct entry modes. However, two case firms (Firms E and F) demonstrate that among family SMEs, too, rapid internationalization is possible. Since Firm F entered the French market within three years of its inception, it can be regarded as a *born global family firm*. Hence, it was international from its inception and traded abroad within three years of its establishment. This is a type of family firm that, to my knowledge, has not been previously discussed in any detail in the context of family firm internationalization. Firm E, by contrast, can be regarded as a *born-again global firm*, since – after its generational change in the mid-1990s – it internationalized very extensively. This is the type of firm that was discovered by Graves and Thomas (2008).

Nevertheless, Firms E and F also display some traditional internationalization features: before the generational change, Firm E, internationalized sequentially to countries in Europe that were fairly close in geographical terms. The owner-manager of Firm F, too, had taken traditional internationalization pathways in two earlier firms operating in the same field. For instance, his first firm (for further details, see Article VIII) internationalized first to neighboring countries; furthermore his first operation mode was indirect exports and the following one exports, with foreign subsidiaries becoming established only after this. Hence, it seems that it was the available networks that enabled the firm's rapid internationalization, in addition to its high-technology product and its extremely active innovation and patenting policy – features which according to Bell et al. (2003) are also common for a firm taking a born global pathway to internationalization. In the case of Firm E, too, networks were an important resource for its rapid internationalization, together with a bold strategy after generational change: the current owner-manager (the son) had been sent to Central Europe to establish network ties with foreigners, and this helped with the firm's new strategy.

As regards market selection, France was a target country at a rather late phase in the internationalization processes of the case firms, except in the case of Firm F, for which France was the first foreign market, based on the possession of strong social capital there (see Articles II, IV, V, and VI). Hence, on a general level, the findings support Claver et al. (2007) and Harris et al. (1994) who concluded that FBs are more likely to choose psychically close countries when expanding globally. In their entry mode choices, Firms A, B, D, E, G, and H entered France using indirect entry modes as their first procedure. The first entry of Firms C and E was direct, with these firms establishing a subsidiary in France. However, Firm C entered France by exporting via independent representatives with its second product, and Firm E's owner-manager had utilized indirect entry modes in its preceding two firms. This finding is in contrast to Pinho (2007), who claimed that FBs do not have a preference for indirect entry modes over direct entry modes. Altogether, the findings related to the internationalization process before entering France, and also to the entry mode choices in France, are in line with the Uppsala model (Johanson & Vahlne, 1977). This might be due to the tendency of FBs to avoid gambling with family money in seeking to secure long-term growth, and to proceed slowly, making only minor investments (Donckels & Fröhlich, 1991).

When I examined the case firms from the perspective of the Uppsala model, I also noted experiences of psychic distance in relation to the FME to France of the traditional internationalizers. Indeed, there were several indicators suggesting that, in these firms, France was experienced as a psychically distant country. The distance-creating factors were connected to (i) the French language, (ii) the long period required to find partners and to build trustful relationships, (iii) the French hierarchical management style, and (iv) different work styles, hours of working, the French relationship orientation and the general temperament. Despite this, the family SMEs were able to operate in

France, finding ways – via have been termed distance-bridging factors (see Child et al., 2002) – to overcome the problematic aspects. The family SMEs were able facilitate and accelerate their entry into the French market by recruiting knowledgeable local employees, and at the same time by learning the language and the culture themselves. In fact, FBs seem to be more motivated to increase their knowledge of foreign languages and cultures by themselves than has been reported in earlier studies (Coviello & Martin, 1999; Ojala, 2008); these focused on SMEs in service and knowledge-intensive sectors where knowledge is acquired mainly through recruiting.

A further point to note here is that network relationships played a major role in overcoming distance-creating factors. Moreover, the selection of an entry mode suitable for the product also seemed to decrease perceived psychic distance. Earlier experiences from other markets constituted another factor that helped the case firms, for example in assessing suitable strategies for a country with a different culture. And finally, the case firms consistently operated in France in an honest, friendly, and trustworthy manner, while at the same time familiarizing the French actors with Finnish culture. These actions seemed to decrease psychic distance as time progressed.

It should be emphasized here that the owner-manager in Firm E (with a *born-again global* pathway to internationalization) and the owner-manager in Firm F (with a *born global* pathway to internationalization) did not mention any issues when I asked about their cross-cultural experiences. According to them, people all around the world are more or less similar, and they had not found the French to be psychically distant from the Finns.

5.1.3 International opportunity recognition

Research Question 3 (How do entrepreneurs in family SMEs recognize opportunities for new foreign market entries?) was discussed in Articles III and IV. Here it will be discussed through the perspectives of (i) network ties, (ii) activeness/alertness, (iii) prior knowledge, and (iv) primary context.

New/existing network ties. Only three out of the eight case firms⁵ were able to use their *existing* formal or informal network ties for their international opportunity recognition. Hence, family SMEs seem to have only limited bridging network ties beyond the firm itself. In the remaining five cases, *new* formal ties were formed in trade exhibitions, or as a response to unsolicited inquiries. When one compares these findings on family SMEs with a number of previous studies on *non-family* SMEs, one can see differences. In Coviello and Munro's (1995) study, more than half of the software firms under study obtained their opportunities through existing formal/informal ties. Bell (1995)

⁵ This is the case if we see internationalization as starting with *outward* operations. If we see internationalization as starting from *inward* operations, the number of case firms falls to only two. In Article III, internationalization was regarded as having started from inward operations and the number of firms utilizing existing ties was considered to be two. In Article III, the network tie of the firm that was based on their French imports was regarded as an already-existing tie.

found that software SMEs followed their existing domestic networks abroad. In addition, Coviello (2006) found that formal (economic) ties dominated at all stages in the internationalization of international new ventures. This finding suggests that in family SMEs – where there are not many international connections (Graves & Thomas, 2004) – existing network ties do not generally lead to international opportunity recognition. This study takes the findings of Graves and Thomas (2004) further, since it suggests that in the context of international opportunity recognition, family SMEs generally compensate for their limited network ties by forming new, formal network ties. However it should be noted that this finding is inconsistent with the studies of Ellis (2011) and Singh (2000) (on non-family firms) which indicated the importance of existing network ties in opportunity recognition; in the present study, family SMEs used new network ties rather than existing ones.

Formal/informal/intermediary network ties. Network ties mediated by international exhibitions – intermediary network ties – were the source of international opportunity recognition in four case firms. Interestingly, none of the intermediary ties was mediated by, for instance, the export-promoting organizations (cf. Ojala, 2009). It seems that the entrepreneurs in the family SMEs studied here wanted to select their network ties for themselves, on the basis of a feeling of trust (discussed in more detail below). Furthermore, none of the family SMEs utilized family ties in the international opportunity recognition process. Ozgen and Baron (2007) suggested that family ties do not facilitate the opportunity recognition process of information technology firms. However, in the case of family SMEs with strong internal network ties (Salvato & Melin, 2008), this finding is somewhat surprising, since it could be assumed that family SMEs would also use their strong family ties in their internationalization. Only one firm recognized the opportunity via informal ties.

Strong/weak network ties. In the present study, the ties involved in international opportunity recognition were found to be generally *weak*, having been formed in international exhibitions, or deriving from an unsolicited order. Interestingly, none of the weak ties was formal, indicating the lack of existing business ties that could be used for internationalization. As regards new ties, the personality of the potential cooperator was significantly more important than the proven skills or qualifications of the person – and more important also than the target market, as can be seen from the fact that only one of the firms had taken a decision to enter France. In this result one can see a contrast with that of Ojala (2009), who found that the target country and its potential was the most important criterion for knowledge-intensive SMEs. The weak ties of family SMEs quickly developed into strong ties. The family entrepreneurs were willing to put a lot of their own time into developing the ties, once they gained a sense of the goodness of the tie. This might be connected to the strong internal ties of family SMEs – they want to have a similar strong relationship with outside cooperators. There is a contrast here with the findings of Söderqvist and Chetty (2009): in their research, strong ties had a central role in the FME of SMEs, and the dynamism of the ties was a constant factor, both in the strong to

weak and in the weak to strong direction. However, the findings in the present study indicate that family SMEs developed their weak ties into strong ties very quickly, and made efforts to maintain the strength of the ties.

The findings also indicate that the family entrepreneurs in question were fairly fastidious in the weak ties they chose to form, cooperating only with those individuals that they felt were trustworthy – “good people.” This finding suggests that family SMEs control their resources by carefully searching for and developing new contacts. This is in line with the general findings of Carney (2005) and Sirmon and Hitt (2003). However, here the importance of this aspect is also highlighted with regard to FME. When the case firms developed strong ties, the opportunity to enter France became self-evident, because of the trust that existed between the cooperating parties. The decision was taken rapidly, without any need for extensive strategic deliberations.

TABLE 13 Summary of network ties in the international opportunity recognition of family SMEs.

Firm	New	Existing	Formal	Informal	Intermediary	Strong	Weak
A	X				X		X
B	X				X		X
C		X	X			X	
D	X		X				X
E	X				X		X
F		X		X		X	
G	(X)	X	X			X	
H	X				X		X

Activeness/alertness. On the basis of our case findings, family SMEs were more reactive than proactive in their attempts to enter the French market – though many of them cannot be regarded as straightforwardly reactive or proactive in this matter, since they had some background plans for growth and internationalization. The rather low level of activeness towards the French market can at least partly be explained by the fact that the family entrepreneurs trusted their feelings about the rightness of a certain tie. They did not strategically search for international ties in a particular market. Rather, they had a strong need to feel good about the potential and the suitability of their cooperators. Hence, their motivation to select certain co-operators derived from a strong inner trust in their own firms.

This finding provides an interesting contrast with the findings of Ojala (2009), who observed knowledge-intensive non-family SMEs which proactively formed networks, and were willing to enter certain foreign markets with high market potential. This difference might be connected to the fact that family entrepreneurs do not want to take risks in their internationalization process; they concentrate on seizing opportunities that seem to involve trust and, hence, trust their instincts about taking things further (Gallo & Pont, 1996). To summarize, it seems that, among family SMEs, international opportunities are

likely to be recognized on the basis of alertness rather than activeness. It seems that small management teams provide a distinct advantage in relation to the alertness of family SMEs: they allow decision processes to be quick and flexible (compare Gallo & Pont, 1996; Tsang, 2001). Hence, they can proactively seize emerging opportunities, whether they are actively looking for new international opportunities or not.

Prior knowledge. Several studies have underlined the importance of prior knowledge for both opportunity recognition in general (Baron, 2006; Shane, 2000) and international opportunity recognition in particular (Johanson & Vahlne, 1977; Oviatt & McDougall, 1995; Reuber & Fischer, 1997). Interestingly, among family SMEs, prior knowledge (including industry-specific knowledge, internationalization knowledge, and market-specific knowledge) had no significant effect on international opportunity recognition. Thus, although the prior industry knowledge of the family SME entrepreneurs seemed to be strong, it did not seem to facilitate their international opportunity recognition to any great extent, since most of the firms had *no international industry relations*. In addition, their market-specific knowledge was limited in most cases, and within those firms that did possess a good knowledge of French culture and language, this knowledge did not significantly contribute to the opportunity recognition process, since they had not developed relations in the French market that would serve business purposes. Altogether, in the international opportunity recognition phase, prior knowledge plays a fairly minor role (although its importance may increase when a firm starts to execute the perceived opportunity). This might be connected to family entrepreneurs' desire to avoid risks and to protect the socio-emotional wealth of their staff (Gomez-Mejia et al., 2010), with the implication that their opportunity recognition is based on finding trustworthy partners. In other words, *whether or not they have experience of internationalization or knowledge of the target market from a non-business context, they recognize their opportunity only when they meet a potential cooperator, often in international trade exhibitions or by coincidence*. In addition, by meeting cooperators personally, the risk connected to FME is reduced.

Primary context. The findings of this study indicate that the primary context in which the family SMEs recognize the opportunity for FME is that of trade exhibitions. The importance of trade exhibitions is consistent with earlier literature indicating the important role of trade exhibitions for opportunity recognition (Ellis, 2000; McAuley, 1999; Meyer & Skak, 2002). Trade exhibitions form a context with a dense network that facilitates access to important information, since persons in the network can easily share essential knowledge (compare Burt, 2000). Consequently, trade exhibitions and similar forums where people share common interests are a context in which potential business partners may well be found, without the investment of huge amounts of money or time. They form a natural context for family SMEs, which often have limited financial resources, and which tend to have a cautious attitude regarding investments and changes in operations (for example Gallo & Pont, 1996; Graves & Thomas, 2008). This finding is also in line with the observation of Ellis (2011)

that firms compensate for their limited networks by participating in trade exhibitions. In addition, international exhibitions may be important for the reason that family business owners do not want to use external sources to facilitate their internationalization (Graves & Thomas, 2004). All in all, it can be stated that although family SMEs utilized *new* network ties in their international opportunity recognition, these were generally found in forums with a high network density. In these forums, the number of potential network ties is high (Coviello, 2006), and the interaction between different parties is facilitated (Oviatt & McDougall, 2005). In two cases, unsolicited inquiries were the primary context of the opportunity recognition. This again underlines the importance of alertness to opportunities (Ardichvili et al., 2003; Kirzner, 1997) and the role of serendipity in FME (Crick & Spence, 2005; McAuley, 1999; Meyer & Skak, 2002).

5.1.4 The formation and development of networks

This section will discuss Research Question 4 of the dissertation (How do family entrepreneurs form and develop network ties in the context of a FME?) In the initial FME, the family SMEs seemed to utilize weak and intermediary relationships, and social capital generally had a serendipity role. Three out of the eight case firms were able to utilize existing strong relationships for the FME, social capital in these cases taking on an efficacy role. However, most of the family SMEs did not have international ties, and they needed to develop them for the FME. As regards post-entry mode change, the role of strong and formal ties was obvious, and the social capital generally had efficacy or liability roles. There was only one post-entry change towards the use of intermediary ties, and to a serendipity role. From this it would appear that most often, the family SMEs concentrated on developing trustworthy relationships. If they succeeded in this, they might change their mode of operation from indirect to direct.

Overall, it seems that the social capital of family entrepreneurs is limited to their strong bonding social capital and, perhaps, to their strong national social capital. When they do internationalize, they generally need to find new networks to collect some bridging social capital, in order to make the FME possible. It is a resource that they usually do not have initially. In terms of structural holes, in our material the *family entrepreneurs had a large number of structural holes in their foreign markets*, especially when launching international operations, but also after several years of running international operations. However, instead of trying to span structural holes, they concentrated merely on developing network closure with agents and subsidiary staff. This led the family entrepreneurs to serendipitous procurement in their international operations: their international networks were limited, and they only started to search for new cooperators when there was a true need for it, at which point they behaved opportunistically.

Altogether, all the case firms spent a lot of resources on finding suitable network ties and on developing good *network closure* with the selected social

capital ties. Yet despite their efforts, network closure between the headquarters and the subsidiaries/agents was often somewhat limited. Network closure was strong when the headquarters and the subsidiary/joint venture/representative office staff had a relationship based on respect, total trust, similar values, open communication, commitment, passion for the field, and freedom to act according to one's own personality and creativity. The *medium* type of network closure was based on closeness and commitment, but trust and respect were generally lacking. As regards *weak/weakening* network closure, in the case of headquarters-subsidiary cooperation the problems were related to poor knowledge-sharing and the possibilities of influencing how the firm was run. In Firm A, entrepreneurial freedom was either given too early (to their first subsidiary managers, who reportedly misused it) or not at all (to their last subsidiary manager, who felt frustrated). This would suggest that headquarters staff ought to be able to give entrepreneurial freedom at a particular phase – not too early, but soon enough. In the case of headquarters-agent cooperation, the problems were more related to not knowing and trusting each other sufficiently.

If the overall picture is one of the *strengthening* of network closure being related to family SMEs agents' and subsidiaries' feelings of closeness and commitment, a *weakening* of network closure was related to negative feelings on the part of family SMEs' agents and subsidiaries concerning trust (a lack of it), mutual respect, open communication, and freedom to act according to one's own personality and creativity. As regards the question of how network closure and structural holes explain the development of international operations in the French market, the evidence at present seems rather to suggest that *a general concentration on increasing network closure runs counter to the long-term survival of family SMEs in the target market*; once a problem with the partner appears, there are no networks to replace that partnership. As Gulati and Gargiulo (1999) suggested, the establishment of strong ties is important in the formation of inter-organizational ties, but in a later phase, the flexibility offered by structural holes may be more important than network closure. Moreover, as argued by Coleman (1988) and Podolny and Baron (1997), by focusing on network closure family entrepreneurs lose timely information on new opportunities. Altogether, in our material it appeared that *the entrepreneurs gained support and resources from their cohesive networks, but that the obligations hindered their ability to pursue new opportunities*. The greatest threat to the family SMEs seemed to be related to the dependency on one foreign cooperator and, hence, to a lack of the social capital obtainable by spanning structural holes.

5.2 Internationalization pathways of family SMEs: a summing-up

5.2.1 Traditional, born global and born-again global pathways

This section will discuss Research Questions 5a (How can the internationalization pathways of family SMEs be summed up?) and 5b (Why

did their internationalization proceed in that manner?) with reference to the pathways taken by the family SMEs in this study. As was mentioned above, six of the case firms followed a *traditional* pathway to internationalization, one a *born-again global* pathway and one the *born global* pathway (See TABLE 14). These pathways correspond to the different internationalization patterns discussed by Bell et al. (2003). In this section, the features behind these specific pathways will be discussed.

The determinants behind these pathways will be considered from the major perspectives of this study and, furthermore, from the perspective of stewardship attitudes towards the long-term well-being of the business (including both employees and customers) (Miller et al., 2008). It seems important to understand stewardship attitudes if one is to understand the features that might make family SMEs different in their internationalization from SMEs in general (who might otherwise be following broadly similar internationalization pathways to family SMEs). Hence, the dimensions selected to illustrate features that might underlie different internationalization pathways are (i) ownership structure, (ii) stewardship attitudes, (iii) international opportunity recognition, (iv) attitude to psychic distance, and (viii) the development of networks.

TABLE 14 Dimensions in the internationalization pathways of the case firms.

Dimension	Traditional pathway	Born global pathway	Born-again global pathway
(i) <i>Ownership base</i>	Fragmented ownership	Concentration of ownership	Concentration of ownership
(ii) <i>Stewardship attitudes</i>	Strong	Weak/moderate	Weak/moderate
(iii) <i>International opportunity recognition</i>	International exhibitions	Existing strong network ties	International exhibitions; later own active search
(iv) <i>Attitude to psychic distance</i>	Experienced strongly; willingness to learn to cope with it	Regarded as insignificant by the current owner-manager	Regarded as non-existent and / or insignificant by the current owner-manager
(v) <i>Development of network ties</i>	Active development of trust and concentration on one specific tie; inability to give entrepreneurial freedom	Active development of trust and concentration on one specific tie	Ability to develop trust, give entrepreneurial freedom, renew the worst network ties and develop new network ties at the same time

George et al. (2005) have suggested that institutional and venture capital ownership increase the scale of SME internationalization (indicating the important role these investors play in firms of this kind). On the other hand, CEO and top management team management increase managerial risk aversion, and also the scope and scale of internationalization. Concerning (i) the ownership base of the case firms (see TABLE 15), there were differences in

between the different family firms: the ownership base among the traditional family SMEs seemed to be divided among multiple persons: between the siblings and the father (Firms B and C), several siblings (Firm H), several cousins and outside shareholders (Firm A) or siblings and other founder generation members (Firms D and G). Typically, each owner has about 25% of shares. In Firm B, the ownership was divided among two siblings (with 20% each) and the father (60%). The owner-manager (one of the siblings) considered this setting to be extremely demanding, since the siblings had totally different visions. The father, for his part, was trying to strike a balance between the two siblings while wishing that the new generation would decide on matters themselves. This was making it difficult for the owner-manager to develop the firm in any particular direction. In the case of Firm B, the owner-manager was currently planning to buy out the ownership shares of the sibling and the father, with the problem that this would be extremely expensive. As regards Firm C, the situation was similar to that in Firm B, but with the ownership divided between three siblings and the father. In this case the direction of the firm was even harder to define, since the father wanted to have equal ownership with his children and to give all of them the same rights.

Overall, the findings of this study indicate that *a fragmented ownership base may lead to cautious internationalization*. The born-again global firm, by contrast, was characterized by concentrated ownership: it was 100% owned by the current owner-manager representing the second generation of the firm. The concentration of ownership enabled him to make his own decisions, and being a talented and bold successor he took advantage of the situation to create a new strategy for the firm. As regards the born global firm, the owner-manager owns the majority of the shares (with family members owning about 88% of the shares altogether). However, the firm is very founder-centered, meaning that despite the shares belonging to the other family members, he decides on everything related to the firm. In 1999 the firm went public, with 20% of the shares of the firm becoming owned by investors. In spite of this, going public has not really accelerated the internationalization of this firm. Altogether, these findings suggest that ownership structures other than institutional or venture capital ownership (George et al., 2005) can produce successful internationalization. However, fragmented ownership seemed to lead to cautious internationalization strategies.

TABLE 15 The ownership structures of the case firms.

Firm	Generation	Ownership structure
Firm A	4 th	Among several cousins and outside shareholders
Firm B	3 rd	Among 2 siblings (20%+20%) and the father (60%)
Firm C	2 nd	Among 3 siblings (25%+25%+25%) and the father (25%)
Firm D	1 st	Among 2 siblings (25%+25%) and 2 outside partners (25%+25%)
Firm E	2 nd	100% owned by the owner-manager
Firm F	1 st	A listed company: 88.23% owned by the family; 66.6% by the owner-manager; 15% by the sons (6.36%+6.48%+2.43%), 6.36% by the wife; 11.73% by outside shareholders
Firm G	1 st	Among the owner-manager (50%) and two outside partners (25%+25%)
Firm H	2 nd	Among four siblings (25%+25%+25%+25%)

As regards (ii) the stewardship characteristics (e.g. Habbershon & Williams, 1999), it is possible to see here too a difference between the traditional and the born global and born-again global firms. Among the traditional family SMEs, the will to guarantee the survival of the firm for future generations came through in all their thinking, whereas in the born global firm, the owner-manager expressed a preference for having his sons create something new for themselves instead of just having the firm passed on to them. Nor did the owner-manager of Firm E make any reference to a need for careful management of the resources of the firm: on the contrary, he was prepared to make major decisions and investments at all times. However, both of these entrepreneurs were very proud of being important employers in their home economy and had a strong desire to guarantee that this would be so in poor times also.

The traditional family SMEs seemed to be committed to their domestic tradition (see e.g. Gallo & Pont, 1996; Gallo & Sveen, 1991) and were not interested in a new kind of thinking that would develop the firm in the context of their FME. This being the case, they only had agents in the French market (Firms B, C, G, H). This was an entry mode with a high level of control: they were not ready to act in the foreign market in a different manner (Firm D), nor did they give entrepreneurial freedom to their subsidiary staff (Firm A). It should be noted that this is also related to ownership: when several family members have an equal share in the firm, it is hard to make any radical decisions in cases where the family members disagree on future strategies. By contrast, the born global and born-again global family SMEs continuously renewed their products and strategies, and listened to their co-operators. For instance, the entrepreneur in Firm F ran an innovation-led firm which continuously co-operated with universities and people in industry. Firm E, too, changed its strategy in parallel with changes in the world: when it became clear that the firm needed better access to Central Europe in order to be able to deliver more rapidly and in smaller quantities, it established a production joint venture in France. This measure was also based on the perception that the agents traded in many products other than those of Firm E, and that the agents were unable to give Firm E's products their full attention. In the case of Firm A,

dissatisfaction with the domestic view of the headquarters was voiced most emphatically by the subsidiary manager of Firm A, who felt extremely frustrated at not being listened to. By contrast, the subsidiary/joint venture managers of Firms F and E expressed their satisfaction at being able to act entrepreneurially in the French market, making some decisions of their own and being listened to.

When one examines (iii) the context of international opportunity recognition (IOR), one can again see a difference between the traditional, the born global and the born-again global family SMEs. For the traditional family SMEs, the context was either that of international exhibitions or an unsolicited order. This meant they started to internationalize when they were offered an opportunity to export or when they met a suitable person in the international exhibitions. For the born global family SME, the IOR was based on an existing, strong, network tie and it differed significantly from the other case firms. In the case of the born-again global family SME, the original IOR was based on attending international exhibitions, but after that, on the owner-manager's own active search for new international opportunities. Hence, in the case of the born global and born-again global family SMEs, there was more existing social capital or more of a self-initiated active search in the background of the IOR.

In terms of (iv) the attitude to psychic distance, there was again an obvious difference between the traditional and born global and born-again global family SMEs. The traditional family SMEs experienced psychic distance very strongly and were willing to cope with it themselves. In contrast, the owner-managers in the born global and born-again global firms found no difficulties in dealing with the French, and could see no important differences between the French (or any other nationalities) and the Finns. Hence, the liability of foreignness emphasized by Johanson and Vahlne (1977) was very strong in the case of traditional family SMEs, but did not appear to have any influence on the FME of born global and born-again global family SMEs.

In their most recent article, Johanson and Vahlne (2009) emphasize the liability of outsidership, and this view is strongly emphasized in the present study, even if the born global and born-again global family SMEs coped much better with this challenge. Hence, with regard to (v) network development, the traditional family SMEs actively developed trust with their co-operators, just as in the case of the born global and born-again global firms; however, the born global and born-again global family SMEs were able to do much more with their networks. In addition to this, the born global and born-again global family SMEs were able to draw back from controlling their network partners too strongly: they were able to give entrepreneurial freedom to their co-operators – an aspect which was regarded as extremely important by the co-operators themselves. The born-again global family SME was able to go still further with its networking: in addition to trust-building and the ability to give entrepreneurial freedom, it concentrated on developing *new* network ties and on *replacing* the poor network ties with new ones. This was something that the

traditional and born global family SMEs did not do: they concentrated solely on their primary partner in the target market.

Altogether, it seems that the ownership structure and the degree of the stewardship orientation strongly influenced the way in which family SMEs internationalized: how they recognized international opportunities, experienced psychic distance, or established and developed networks. The need to be loyal to the whole family and to future generations made the internationalization of the traditional family SMEs rather cautious and risk-averse (see e.g. Claver et al., 2008). Moreover, the formation and development of network ties was experienced as more demanding, since the owner-managers were afraid to collaborate with someone who might be untrustworthy and might thus affect the performance of the firm negatively.

5.2.2 Typical phases in the foreign market entry of family SMEs

In this section, Research Question 5a (How can the internationalization pathways of family SMEs be summed up?) and 5b (Why did their internationalization proceed in that manner?) will be discussed further via a categorization of the typical phases in the FME directed at the French market. FIGURE 12 illustrates the phases, which will then be described and discussed in terms of the mechanisms within the phases, and the interactions taking place in between the phases in the FME of family SMEs. To begin with, it should be noted that some case firms did not go further than phase 2, while the born global firm F, by contrast, was able to start directly from phase 3 on the basis of its strong existing network ties.

FIGURE 12 Developmental phases in the foreign market entry of family SMEs.



(i) The first phase in the FME of family SMEs was the finding of suitable network ties for their FME. Suitable ties were most often found by *attending international exhibitions* or by *reacting to unsolicited approaches*. Note that the born global firm F did not need to take this phase at all, since it had really strong, ready-made network ties in the target market, and was able to start from phase 3. In general terms, it should also be emphasized that the case firms did not find suitable network ties in *all* the exhibitions they attended. Indeed, family entrepreneurs generally did not accept “just anyone” as their co-operator; they were fairly fastidious about the network ties they wanted to cooperate with. They only started co-operation with people who “felt good” or “were suitable” for some other reason, and they internationalized in markets where they found reliable co-operators. This finding provides an interesting contrast with the findings of Ojala (2009), who observed that non-family knowledge-intensive SMEs formed proactive networks, and were willing to enter particular foreign markets with high market potential. The difference might be related to the fact that family entrepreneurs do not want to take risks in their internationalization process; they concentrate on seizing opportunities that seem to involve trust and trust their instincts about taking things further (Gallo & Pont, 1996). This could have a connection with the strong internal ties of family SMEs – they want to have the same kind of strong relationship with outside cooperators, right from the beginning. The findings here tend to confirm the view that family SMEs control their resources by carefully searching for and developing new contacts. This is in line with the general findings of Carney (2005) and Sirmon and Hitt (2003). However, in the present case, the importance of this aspect is also highlighted with regard to FME. When the case firms developed strong ties, the opportunity to enter France became self-evident, because of the trust between the cooperating parties. The decision was taken rapidly, without any need for extensive strategic deliberations, although the network ties were generally fairly new.

When one compares these findings on family SMEs with a number of previous studies on *non-family* SMEs, differences can be seen. In Coviello and Munro’s (1995) study, more than half of the software firms under study⁶ obtained their opportunities through *existing ties*. For his part, Bell (1995) found that software SMEs followed their existing domestic networks abroad. Furthermore, Coviello (2006) found that formal (economic) ties dominated at all the phases of internationalization of international new ventures. The findings of the present study suggest that in family SMEs – where there are not many international connections (cf. Graves & Thomas, 2004) – existing network ties do not generally lead to international opportunity recognition. It should be noted that this finding is inconsistent with the studies of Ellis (2008) and Singh (2000) (on non-family firms) which indicated the importance of existing network ties in opportunity recognition: in our study, family SMEs used new network ties rather than existing ones.

⁶ Some of these firms may be family firms. However, the ownership structure was not discussed in the article.

(ii) Once the case firms had found a suitable network, a phase of “formation of network closure” followed. The born global firm F was able to skip this phase because of the owner/manager’s strong existing social capital. However, generally speaking, the formation of good network closure was an essential phase for family entrepreneurs, who were used to strong, internal ties in their firm and who wanted to have similar ties abroad. A central feature in this phase was *the ability to learn about the target culture and to be able to cope with psychic distance*, since it significantly facilitated the formation of trust. Traditional family SMEs were, at first, troubled by the presence of cultural differences. However, they were truly eager to learn about the target culture. Interestingly, the born global and born-again global firms did not even recognize the existence of psychic distance from the French: from their earlier experiences abroad, the entrepreneurs in these firms had gained sufficient understanding of cultural differences, and they did not need to struggle with them at this point. For traditional family SMEs, it came as something of a surprise that they had to act so differently in the French market in order to make their businesses operate effectively. This meant that the traditional firms used a lot of resources in meeting the challenge of psychic distance. All in all, it seemed that the *liability of foreignness* (Johanson & Vahlne, 1977, 2009) was strong in the case of the traditional family SMEs, whereas it played a minor role in the case of the born global and born-again global family SMEs.

Two other important features in the second phase of “formation of network closure” were *regular communication* and *formation of mutual trust*, which were demanding issues for some of the traditional family SMEs – and indeed some did not really get past the sub-steps within this phase. It took a long time to gain the trust of foreign co-operators. For family SMEs, in which inner trust is generally at a high level (Salvato & Melin, 2008; Sundaramurthy, 2008), all actions are closely controlled, and relationships are close, it was especially difficult to understand and accept the lack of trust and the time needed to build it. All in all, there are indications that for the most part, family SMEs may have more difficulties in the establishment of network relationships with foreign partners than other types of SME (cf. Coviello & Martin, 1999). This is in line with the views of Johanson and Vahlne (2009), who suggest that networks strongly determine the internationalization of firms and that nowadays the *liability of outsidership* has an essential role in the internationalization of firms. It also supports Graves and Thomas’s findings (2008) suggesting that an essential determinant in the internationalization of family SMEs is the ability to develop a network of relationships.

(iii) Only the born global and born-again global firms entered Phase 3, “Formation of an international view.” These firms (Firms D and F) had *the ability to have a joint view with their foreign co-operator* and *the ability to give entrepreneurial freedom to their foreign co-operator*. In general terms, this meant that the subsidiary staff were listened to and that their need to (for example) differentiate a product suitable for the French market was taken into consideration. In terms of entrepreneurial freedom, the subsidiary staff was also

given the freedom to form a strategy of their own and not to be forced to ask about every detail from the headquarters. The controlling management style practiced by the traditional family SMEs (e.g. Gallo & Pont, 1996; Graves & Thomas, 2006) did not seem to suit the French partners, who wished to influence the strategy of the firm and to have possibilities for differentiation. The inability of traditional family SMEs to spread decision-making power and give entrepreneurial freedom was based on their centralized decision-making and strong, inner enterprise culture (Gallo & Sveen, 1991), and on their habit of duplicating their domestic enterprise culture in the target market (Tsang, 2001, 2002). The born global and born-again global family SMEs had a different mindset, in spite of the high level of family ownership within them (Firm E: 100%, Firm F: 88%). Hence, *it was not the family ownership in itself that seemed to determine the inability to create an international view, but the mindset of the owner-manager and his earlier network ties.*

Altogether, the two qualities mentioned above (the ability to have a joint view with their foreign co-operator and the ability to give entrepreneurial freedom to their foreign co-operator), related to the further development of network closure, were extremely important in the degree of success in foreign operations. Firm A is a good example of a firm which was not able to enter this phase, despite having an innovative product and despite proceeding into a subsidiary mode very soon after its initial FME: the point was that Firm A lacked an international vision and did not give entrepreneurial freedom to its subsidiary manager (problems which, for their part, resulted from the firm's strong domestic vision and failures with preceding subsidiary managers). Hence, this firm was unable to overcome the typical disadvantages of family firms.

(iv) The fourth phase in the internationalization pathways of family SMEs is named "the formation of further network ties." This phase has many similarities with "the bridging of structural holes," which is, according to Burt (2000), the most important network mechanism. The born-again global Firm E was the only one that entered this phase. After Firm E had built good network closure with its co-operators, the firm further *networked actively on many different occasions, met customers personally, contacted intermediary organizations, and sought potential co-operators through registers.* In other words, Firm E was able to look for and develop networks other than the one with their primary co-operator. None of the other case firms entered this phase. These new network ties enabled Firm E to find better agents to replace poor ones. The co-operation with intermediary organizations such as *Finpro* and *Invest in France* led to the finding of their joint venture partner, which made it possible to launch a production plant in the French market. Altogether, based on its search for new network ties, Firm E was more able to hear about new opportunities in the target market, and to obtain help when it wanted to develop its strategy in the French market or replace a poor agent. In family firms with high level of social capital (Salvato & Melin, 2008) and limited resources, the search for new contacts might seem to be irrelevant, but for success in international operations it seemed to be essential.

This was an advanced way of dealing with the liability of outsidership (Johanson & Vahlne, 2009) in a foreign market. From the perspective of social capital theory, it is a phase in which *a firm has been able to take advantages of both mechanisms of social capital* (Gargiulo & Benassi, 2000), namely *network closure* (Coleman, 1988) and *structural holes* (Burt, 1992).

To summarize, it seems that the firms taking traditional pathways were either in their founder generation or had fragmented ownership, spread between cousins or siblings. They had a strong stewardship orientation in comparison to the born global and born-again global case firms. It seemed that overall, the traditional firms remained on a less advanced level in this developmental model than the born global and the born-again global firms.

Another point to note here is that the born-again global family SME was the most advanced in developing its international operations in terms of the perspectives of this dissertation. The reasons for this might be that the born-again global firm had not found a highly suitable partner in the target market prior to its extensive search for new network ties. The born global firm, for its part, has been able to trust its original partner. However, this is a somewhat dangerous strategy, since if the sole co-operator of Firm F were to leave the firm, there would be almost nobody to replace him.

5.3 Contributions to FB internationalization

This section will discuss Research Question 6 (What new insights does the present research offer regarding FB internationalization?). The aspects considered are (i) review of existing knowledge, (ii) foreign market entry, (iii) international opportunity recognition, and (iv) the formation and development of network ties.

Review of existing knowledge. Article I (Review of existing knowledge on FB internationalization) contributes significantly to research on FB internationalization. To the best of my knowledge, we conducted the first review of FB internationalization research to be published in academic journals. This review also identified the kinds of background theories and methodologies that have been used to study FB internationalization. Most importantly, we determined what was currently known about the phenomenon and summarized the knowledge in a readable form. This helped in identifying fruitful future areas of research. It was discovered that current research on FB internationalization offered very limited knowledge on the processes and strategies that make FBs unique in their internationalization.

Foreign market entry. This dissertation offers several contributions related to the FME of family SMEs. Firstly, I was able to validate and extend earlier findings concerning the internationalization pathways taken by family SMEs. Secondly, the study explored the effects of “liability of foreignness” and “liability of outsidership” on the internationalization of family SMEs. Thirdly, the study investigated psychic distance in the context of FME and operations

within a *particular market* – unlike other studies on family SMEs, which have been concerned with the general pattern of internationalization (e.g. Graves & Thomas, 2006, 2008). Fourthly, the current research demonstrated some of the kinds of distance-creating factors that family SMEs encountered in their FME and operations in France.

As regards the FME of family SMEs, this dissertation also responded to the call of Pedersen et al. (2002) for the investigation of post-entry mode changes after the initial FME. Furthermore, it offered practical tools for small firms operating or planning to operate in the French market. Indeed, Article VII can be of even greater benefit to practitioners planning to enter the French market. It links features of French (business) culture to the practical experience of SMEs, and can thus advance understanding of foreign operations in the French market.

International opportunity recognition. In examining the international opportunity recognition of family SMEs – which has not been studied to any great extent prior to this research – we conducted a holistic study assessing the role of network ties, activeness and alertness, and prior knowledge in the international opportunity recognition of family SMEs. We showed that the primary context of international opportunity recognition for family SMEs is that of international exhibitions. Prior knowledge had no direct effect on the context of international opportunity recognition. Alertness was better than activeness as a descriptor of the actions taken by the family SMEs. New network ties (mainly formed at international trade exhibitions) had a crucial role in the international opportunity recognition of the family SMEs studied. Interestingly, family ties were less important. Hence, among the family SMEs, international opportunity recognition did not usually take place through existing network ties. In this regard, we observed a contrast with the knowledge-intensive SMEs studied by Bell (1995) and Coviello (2006), where existing network ties had a more significant role. This can be explained through the limited scope of the networks (Graves & Thomas, 2004) that the family SMEs could utilize for international expansion.

Formation and development of network ties. The present dissertation makes several contributions related to knowledge concerning network ties in the internationalization of family SMEs. First of all, we observed the kinds of network ties that family entrepreneurs utilized in their international opportunity recognition, namely weak, intermediary ties found at international exhibitions or formed as the result of an unsolicited order. Secondly, we saw how family entrepreneurs utilized and developed their social capital ties after the original FME. We saw that family entrepreneurs concentrated on the development of network closure and that only one of the case firms also concentrated on finding new network ties beyond the main co-operator.

We extended the understanding of weak ties in the development of social capital by demonstrating that the possibility to develop a new weak tie into a trustworthy one was particularly important for family entrepreneurs, with a sense of the “rightness” of the tie emerging as essential. Furthermore, our

findings indicate that family SMEs were quick to develop their new weak ties into strong ties, and that they made efforts to maintain the strength of such ties. Indeed, the nature of the weak tie was seen as more important than the target country. Altogether, we found support for Granovetter's (1973) views on the importance of weak ties in providing new information.

Models of family SME internationalization. In addition to discussing several novel and important perspectives in the internationalization of family firms, this study has also created two models: one in which the effect of familiness on the internationalization pathways of family SMEs is examined, and another in which the developmental phases in the FME of family SMEs are recognized.

5.4 Theoretical contributions

In relation to Research Question 7 (What new insights do the findings offer in relation to the theories utilized in the research?), this section will include a brief discussion of the theoretical contributions of this dissertation.

The Uppsala model of internationalization. As regards the Uppsala model of internationalization, this study validated the model in the context of family SMEs, showing how one of the central components presented in the model, namely psychic distance, influenced the internationalization of family SMEs. In the concluding section, the updated Uppsala model (Johanson & Vahlne, 2009) was also discussed.

The opportunity recognition view. This study has contributed to the theory of opportunity recognition by utilizing a holistic perspective on the matter – in other words, by discussing how network ties, activeness and alertness, and prior knowledge are related to the opportunity recognition of family SMEs. In most previous studies, only one or two of these perspectives have been utilized. Secondly, this study answered calls (Dimitratos & Jones, 2005; Ellis, 2011; Zahra et al., 2005; Young et al., 2003) concerning the overall need to study international opportunity. Thirdly, this dissertation identified the primary context in which family SMEs recognize international opportunities for new market entry. Fourthly, we responded to the calls made by Ellis (2000, 2011) and by Singh (2000) concerning the need to study the importance of network ties in recognizing opportunities for internationalization.

The network theory of internationalization. Initially, this dissertation extended the network theory of internationalization by utilizing it in the context of family SMEs. Secondly, it demonstrated the kinds of network that were utilized in the context of the internationalization of family SMEs. Thirdly, it investigated the development of *social capital in the international operations of family SMEs* – hence responding to calls for more research on network development in the entrepreneurial process (Jack, 2010), and especially in the context of internationalization (Prashantham & Dhanaraj, 2010).

Social capital theory. This study has contributed to research on social capital by applying the notions of *network closure* and *structural holes* to the firm

internationalization context, and by extending a theory on these aspects in the context of family SMEs' international operations. In addition, the study validated and also built on the studies by Chetty and Agndal (2007) and by Agndal et al. (2008), demonstrating the ways in which the roles and types of social capital affect FME and entry mode change in the context of family SMEs.

The family business view. This dissertation has contributed to family business theory by investigating an important challenge faced increasingly by family SMEs, namely internationalization. Studies on this topic are still limited, and we developed knowledge of the field by reviewing the existing literature concerning the topic, by recognizing topics that require future research and by conducting research on many of them. The present study has also made an important contribution to the field of family business by studying the bridging network ties of family firms, an aspect which has not been studied in detail in the context of family firms prior to the present study. Furthermore, I demonstrated how network closure and structural holes restricted and facilitated family SMEs' international operations. Finally, I found explanations for the internationalization pathways of family SMEs via the "familiness" perspective, creating a developmental phase model applicable to the challenges of family SMEs in their FME to a particular market.

International entrepreneurship research field. By studying family SMEs, this study has expanded international entrepreneurship studies beyond the early internationalizing phase, and has responded to calls for research beyond rapidly internationalizing firms (Dimitratos & Jones, 2005; Young et al., 2003).

5.5 Methodological contributions

In the current study a critical realist multiple case method was applied. This method has been applied to international entrepreneurship and family businesses to only a very limited extent, despite its potential to generate "contextualized explanation" (Welch et al., in press). According to Welch et al. (in press, p. 4), "the dominant view of the case study as a tool solely for inductive theory-building has restricted its theorizing potential, both in terms of generating causal explanations and contextualizing theory." I found the perspective in question very fruitful, since it allowed me to study the phenomenon through various different theoretical lenses, working towards a more holistic understanding. It also encouraged me to gather more than merely interview data, and to continue data collection for as long as was needed. The approach was also suited to this research process in the sense that the models presented in the introductory part of this dissertation derived from several perspectives, and from a good deal of referring back and forth.

5.6 Limitations of the study

Although every effort was made to conduct high-quality research, a number of limitations must be borne in mind. First of all, the present study applies the case study method. As is commonly recognized, the possibilities to generalize from case results are limited. On the other hand, the aim of this study was not to generalize over the broad spectrum of FMEs, but to arrive at some less far-reaching analytical generalizations, to the extent that a case study research design allows. The case study method made it possible to acquire detailed knowledge concerning the FME of the case firms and, hence, to get a more holistic understanding of the theme. Secondly, the focus was purely on companies from one home country internationalizing to a particular foreign market, and thus the narrowness of the focus might be seen as a limitation. Naturally, there are some aspects that could differ depending on the home country and the target country. For instance, firms in some Asian countries are able to utilize emigrant relationships that help them with networking and, at the same time, with their international opportunity recognition (Bagwell, 2008; Child et al., 2002; Prashantham & Dhanaraj, 2010). In these cases, transnational family ties (Bagwell, 2008; Tsang, 2001) may have a greater impact on international opportunity recognition than was the case in the present study. In addition, the cultural and psychic distances between countries may affect how firms recognize international opportunities. Hence, as the psychic distance between countries increases, network formation, and consequently opportunity recognition, would become more difficult (Johanson & Vahlne, 2009; Ojala, 2009).

Thirdly, in considering the findings of this study, it should be noted that there have been changes in international markets during the period of internationalization of the case firms. For instance, free trade agreements and areas (for instance GATT, EU, NAFTA) have been established or expanded (see for instance Pett & Wolff, 2003; Yamin et al., 2007). Furthermore, improvements in transportation connections, the development of communication technologies, and increases in international competition have facilitated the internationalization of many firms (Oviatt & McDougall, 2005).

Fourthly, having only two to four interviews per firm could be seen as a limitation. Nevertheless, having regard to the small size of the firms and the role of the persons interviewed, one can see that these informants had the kind of crucial knowledge required for the purposes of this study.

Fifthly, an article-form dissertation was a demanding choice from the perspective of methodological consistency. Some of the publishing outlets asked us to modify the research write-up in a more positivistic direction within the review process, whereas in other articles, I was/we were able to be more interpretative. Hence, the review process created challenges, in cases where the reviewers either disagreed with or did not fully understand the kind of qualitative methodology that was used. The multiple-article format also created

other challenges, such as writing a coherent methodology section within the summary of an article-based dissertation.

5.7 Managerial implications

Foreign market entry. One general implication of the study was that when entering psychically distant markets, managers of FBs should be provided with the capacity to overcome all the distance-creating factors that they might encounter. They should be prepared to use a variety of facilitating factors in overcoming psychic distance, for instance recruiting local skilled employees with cultural, language, business and industry-specific knowledge, building good networks, and selecting a proper entry mode. However (posing a specific challenge to FBs), the entry mode should also suit the objectives of the family.

The managers of FBs should also be prepared to operate in the target market according to its norms, values and habits. Thus, they should be ready to acquire knowledge of the language and the culture in the target country, by learning things for themselves or through recruiting. For instance, in France, time should be reserved for socializing, since the French generally prefer to go through matters orally, and they want to know a person properly before talking about business. For FBs that are prepared to be open-minded, knowledge of the target culture and of the attitude to business in that culture can provide a crucial competitive advantage. Managers of FBs should also understand that the decision to internationalize is a strategic decision that will most probably affect the historical harmony of the firm.

International opportunity recognition. Family entrepreneurs with limited networks should concentrate on *actively looking for new formal ties* which can provide them with novel information on international opportunities. Due to the closeness of family ties, the families themselves generally do not offer this kind of information. International trade exhibitions are an excellent context for family SMEs to engage in networking. These organizations cannot give the firms the deepest knowledge, but they can help, for example, with basic market knowledge, with finding the first important contacts, and with market research. Family SMEs with flexible management teams should also take advantage of their ability to be alert, in other words their ability to quickly react to opportunities that arise in different contexts, often by mere coincidence.

Family entrepreneurs seem to have a tendency to concentrate on a limited number of foreign partners, and to neglect the building of new relationships that could help them in future challenges. They should acknowledge the need to develop new partners, for example in international exhibitions and through customers. Family entrepreneurs should also take care not to select their cooperators very arbitrarily – and not to trust unknown people too soon. However, once cooperation has begun and trust has arisen, firm managers ought to give freedom to their subsidiary managers, gradually allowing them do business with their own entrepreneurial mindset. Excessive control is

harmful for cooperation or for a good level of trust. Furthermore, firms should avoid showing distrust towards their subsidiary staff simply because of earlier, harmful events caused by previous managers.

Social capital and networks. Some French commercial databases can be recommended to foreign firms: thus, “les pages professionnelles” and “Compass” may help in finding suitable customers. Managers should look for help in networking: the person looking for suitable cooperators ought to know both the culture and the business field. Family businesses do not want to invest money on finding good relationships, but in the end they can lose money by not doing so, since they may end up having to deal with opportunistic or exploitative behavior. Family business managers could also be bolder in developing new network ties, even if they have found good existing ones. If cooperation ends for one reason or another, it is often too late to find a good partner to replace the one who was lost. Furthermore, family managers may have a tendency to hire new managers from among existing staff; however, it might well be better for them to look for alternative network ties from outside the subsidiary.

Knowledge and understanding of French culture. As a starting point, one should be aware that the behavior of the French in business life can be explained through their cultural heritage, and that they mostly do not irritate their foreign cooperators on purpose. They merely behave in the way they have learned to behave and according to their normal reactions. Understanding this might help foreign firm managers to advance their French business. Because of the sophisticated market structure, market research is recommended in order to understand the opportunities arising in different parts of France. Knowledge of the French language is important, especially when launching a business in France, and with the end customers. Since France has a collective culture and since older generations have very limited linguistic knowledge, knowledge of French is always an advantage, although younger generations can speak English quite well. Knowledge of French culture is essential if one is to act in the country. It also helps to gain people’s respect, since the foreigner is seen as being interested in the country.

Direct sales operations are significant in the French market, since for the French, face-to-face communication is important. When doing business in the French market, foreign firms should try their best to act in the French way: calmly, with pauses and socialization, since this kind of behavior is typical of French culture. Because of their strong case orientation and sophisticated markets, the French want differentiated and individual products, and good service – a point that foreign firms should pay particular attention to. Because of the strong hierarchy and power distance that is typical in France, the management of foreign firms should be aware of the loyalty of French people toward their bosses: the truth about the behavior of the management can be hard to obtain. Nevertheless, despite the strong hierarchy within French organizations, the most successful subsidiaries among the case firms in this study were run by French managers who were given entrepreneurial freedom

to make decisions, concerning their subsidiary and the whole firm. If the French feel they cannot affect the decisions of the firm they represent, they can easily become frustrated and demotivated. The factors mentioned above imply that it would be prudent for foreign firms to recruit French managers who have an entrepreneurial mindset.

Due to uncertainty avoidance, a “polychronic” time view and a strong case orientation, it is usual for there to be delays with payments and reports from the French side. This is a very typical element in French culture, and one that all foreign firms need to cope with. As a result of these various cultural features, the progress of internationalization and of French business overall is hard to predict: one may gain the impression that the French live more in the present moment; also that their thoughts and behavior can be unpredictable and highly dependent on the development of the human side of the relationship. However, it should be noted that if there is a problem in the relationship, the human side will not be of much help, since the French protect their families and friends as much as they can. From all the above considerations, the use of a lawyer is recommended from the very start of the internationalization process.

FB issues. From a managerial perspective, FB managers ought to be aware of their strengths concerning internationalization and they should take advantage of them. FB-specific advantages in the context of internationalization include a long-term view, a high level of trust, and the possibility to take quick decisions. The long-term commitment of FBs can help to assure potential partners and investors of the continuity of the process, and the high level of trust inside the firm can enhance the formation of outside network ties. In internationalization, the ability of FBs to make quick decisions can be especially important, since internationalization is a very dynamic process in which the ability to react quickly to new international opportunities can be critical. Furthermore, FB managers ought to minimize the effect of features that will tend to impede their internationalization, such as a domestic perspective, unstructured management processes, and limited networks. FB managers could overcome these disadvantages by increasing their knowledge of internationalization strategies and of different cultures. Other measures would include training the next generation, hiring outsiders within the management, and regularly monitoring the international environment.

5.8 Suggestions for further research

Widening these findings to different cultural contexts, with quantitative testing and comparative studies. The firms under study in the current thesis were from Finland, and the specific focus was on their FME to the French market. In the future there will be a need to investigate similar kinds of issues in different cultural contexts. Cross-cultural data collection would be extremely useful, including data from developed and developing economies. The findings of this

study could also be tested quantitatively at a later point, to test their appropriateness on a larger scale. Further studies are also needed in relation to the internationalization behavior of family SMEs and firms that have *different kinds of ownership structures*, for instance venture capital firms, team-based firms, and so on. This could make it possible to identify family-firm specific features in this context.

Entrepreneurial orientation. The concept of entrepreneurial orientation presented by Lumpkin and Dess (1996) would be a rewarding tool for assessing features behind the internationalization behavior of family SMEs. Studies on the five separate dimensions of entrepreneurial orientation presented therein – namely *autonomy, innovativeness, proactiveness, competitive aggressiveness* and *risk taking* – would be useful in understanding the entrepreneurial culture in family SMEs, taking into consideration different internationalization pathways and strategies. However, it must be noted that these dimensions alone do not determine the entrepreneurial orientation of a corporation. There are several external factors which also have a role, including the industry and the general business environment (Lumpkin & Dess, 1996).

International opportunity recognition. In this study, the focus was solely on international opportunities that were actually implemented. Hence, there is also a need for further research on international opportunities that were recognized but *not* implemented, and the mechanisms that might lie behind the implementation of some international opportunities but not others. As the findings of the present study indicate, prior knowledge seems to have no direct impact on how opportunities are recognized. However, we can assume that the role of prior knowledge is important when the firms start to put the international opportunities to practical use. This is an interesting topic for further academic inquiries. It would also be of interest to study the international opportunity recognition of firms by comparing two markets, one with a higher and another with a lower psychic/cultural distance.

Social capital and networks. In future research, scholars could study in more detail the development of trust in an international context. The degree to which network closure and the spanning of structural holes are incompatible in the internationalization of family SMEs is also a topic of importance. Longitudinal studies would give a picture of the success achieved in reconciling the two network mechanisms. Furthermore, case-study research could shed light on those variables which may lead to firms putting more emphasis on bridging structural holes as they expand in particular international markets.

The family perspective. (i) Definition: In the future, it would be of interest to determine the role that may be played by differing degrees of family ownership and/or management, and by continuity – issues highlighted by for instance Tsang (2001) and by Graves and Thomas (2008) as possibly affecting the internationalization of FBs. The division of firms into (for instance) *FBs, non-FBs*, and *semi-FBs* (Tsang, 2002), together with a search for similarities and differences in their internationalization behavior, could offer insights on the effects of differing degrees of family ownership. Such studies would follow up

the research of Tsang (2002), who discovered that FBs had the most unstructured internationalization process, whereas non-FBs were obviously more strategic. Tsang's research further indicated that semi-FBs (with some FB-specific features⁷) had a certain degree of structure in their process, and were situated in between the other two groups. This perspective could be explored in relation to the findings of Sciascia et al. (in press) according to which internationalization is maximized when there is a moderate level of family ownership in the firm. In addition, a comparison of FBs with different numbers of or roles for family members in the management could improve our understanding of the issue.

(ii) Succession: The effect of generational change on the internationalization of FBs ought to be studied in more detail. From earlier studies it appears that the succession can accelerate, slow down, or have no effect on the internationalization of FBs (Fernandez & Nieto, 2005; Graves & Thomas, 2008).

(iii) Usage of FB-specific theories: to get a more profound understanding of the special features of FB management in the context of internationalization, I would recommend studies on FB-specific management aspects. For instance, three characteristics have been identified in the family form of governance, namely *parsimony*, *personalism* and *particularism* (see Carney, 2005). *Parsimony* refers to the propensity of family firms to carefully manage resources, due to the fact that the family owns these resources. This might indicate for instance a cautious attitude and slow progress in internationalization. *Personalism* comes from the intertwining of ownership and control, all held within one family. Compared with non-family firms, this concentration of power frees family firms from the need to account for their actions to other internal and external constituencies, giving them the discretion to make decisions on their own. Hence, family firms can proceed with internationalization in the way they like, in contrast to, for instance, venture capital firms (Johanson & Vahlne, 2009). *Particularism* is the outcome of this discretion.

All this adds up to the ability of family firms to employ idiosyncratic criteria and to set goals that deviate from the typical profit-maximization concerns of non-family firms. For instance, internationalization may be directed to certain target markets of interest to the family, and if there is a determination to guarantee the maximum amount of control for the family, the firm can utilize high-control operation modes. Alternatively, features of strategic decision-making in the internationalization of FBs could be understood and explained through the "socioemotional wealth" perspective proposed by Gomez-Mejia et al. (2010). These researchers claim that the will to guarantee the socioemotional wealth of the FB always comes first in FB strategic decision-making. This could indicate, for instance, either high or limited financial risk-taking and a low or high level of diversification, depending on the extent to which the well-being of the staff can be guaranteed. In turn, these aspects could affect, for instance, the

⁷ As mentioned earlier, no precise criteria for these different categories were found in the article by Tsang (2002).

propensity for and speed of internationalization, the countries entered, and the operation modes selected.

With a view to going more deeply into family firm-specific issues, one can, for instance, point to the research of Sirmon and Hitt (2003), who suggested five unique characteristics that can differentiate family firms from non-family firms, namely *human capital*, *social capital*, *survivability capital*, *patient capital*, and *governance structures*. These five unique resources (which are found in family firms but not in non-family firms) may - if linked to good management capabilities - contribute to wealth creation, with endeavors aimed at international expansion. Further studies are also needed to reveal the effects that internationalization can have on a FB, other than growth and survival, including the effects that internationalization can have on the financial performance of the FB. These are important features that have been neglected in existing studies.

(iv) Presence of the family: Among the factors affecting FB internationalization, there is an obvious need to study the institution of the *family* itself - an aspect hitherto ignored in studies on FB internationalization. It would be important to discover how internationalization affects the family unit and its relationships, since internationalization always has the potential to disturb the historical harmony of the firm.

Use of new theories in research on FB internationalization. To understand the internationalization behavior of family firms, it would be good to include also non FB-specific theories. As was mentioned above, at least the network theory of internationalization and social capital theory would be useful.

Finally, concerning the rapid internationalization of some family firms, we would recommend the use of *International New Venture theory* (Oviatt & McDougall, 1994) in attempting to explain the behavior of FB "born-again global" firms (Bell et al., 2001; Graves & Thomas, 2008) and born global family firms. This could also lead to a better understanding of the speed of internationalization, given that some FBs internationalize very quickly after operating for a long time in the domestic market (see e.g. Bell et al., 2001; Graves & Thomas, 2008).

YHTEENVETO (FINNISH SUMMARY)

Tässä väitöskirjassa tutkitaan pienten ja keskisuurten (pk-) perheyriytysten kansainvälistymispolkuja. Erityisesti keskitytään kansainvälisten mahdollisuuksien havaitsemiseen ja verkostojen / sosiaalisen pääoman kehittymiseen kansainvälistymisen yhteydessä. Väitöskirja koostuu (i) johdantoosesta ja (ii) kahdeksasta tutkimusartikkelista. Perheyriytykset ovat globaalisti merkittävässä asemassa ja niiden liiketoiminta on muuttunut yhä kansainvälisemmäksi. Perheyriytysten erityispiirteitä voidaan kuvata "familiness"-käsitteen avulla, jolla tarkoitetaan omistus-, hallinto- ja perhekokonaisuuksien vuorovaikutusta perheyriytyjärjestelmässä. "Familiness" voi vaikuttaa kansainvälistymiseen sekä positiivisesti että negatiivisesti. Tyypillisiä "familiness"-piirteitä perheyriytyksissä ovat esimerkiksi pitkän aikavälin visiot, riskejä välttävät strategiat, kontrollin menettämisen pelko, haluttomuus palkata ulkopuolisia työntekijöitä ja kyky tehdä nopeita päätöksiä.

Tutkimusaineisto koostuu tapaustutkimustietokannasta, joka perustuu haastatteluihin ja toissijaiseen aineistoon, joita on kerätty kahdeksalta suomalaiselta, Ranskan markkinoilla toimivalta pk-perheyriytykseltä, sekä niiden ranskalaisilta tytäryhtiöiltä ja edustajilta. Lisäksi aineistoon kuuluu artikkelissa yksi analysoitavat 25 perheyriytysten kansainvälistymistä käsittelevää tieteellistä artikkelia. Tutkimuksessa selvisi, että kuusi pk-perheyriytystä kansainvälistyi perinteisesti (vähitellen), yksi noudatti born global- ja yksi born again global-polkua. Tutkimustulokset osoittavat, että hajanainen omistus pohja, vahva halu toimia yrityksen "palvelijana", kansainvälisen mahdollisuuden havaitseminen kansainvälisissä näyttelyissä tai sattumanvaraisen tilauksen seurauksena, vahvat kokemukset psyykkisestä etäisyydestä, keskittyminen yksinomaan pääyhteistyökumppaniin ulkomaisilla markkinoilla, ja kyvyttömyys antaa yrittäjämäistä vapautta niiden ulkomaiselle kumppanille johti perinteiseen, vähittäiseen kansainvälistymispolkuun.

Havaintojen perusteella voidaan muodostaa vaiheittainen kehitysmalli pk-perheyriytysten kansainvälistymisestä tietyille markkinalle. Malli kuvaa havaittujen vaiheiden lisäksi niiden välistä vuorovaikutusta. Tyypilliset vaiheet pk-perheyriytysten kansainvälistymisessä olivat (1) kansainvälisen verkostosuhteen löytäminen, (2) luottamussuhteen muodostaminen, (3) kansainvälisen näkökulman muodostaminen, ja (4) uusien verkostosuhteiden luominen.

Avainsanat: kansainvälistyminen, kansainvälistymisprosessi, pienet ja keskisuuret perheyriytykset, kansainvälisten mahdollisuuksien havaitseminen, verkostojen ja sosiaalisen pääoman dynamiikka, psyykkisen etäisyys, Suomi, Ranska

RÉSUMÉ EN FRANCAIS

Cette thèse étudie les voies de l'internationalisation des petites et moyennes entreprises familiales (PME familiales), et, plus spécifiquement, l'identification des opportunités internationales et l'importance des liens de réseau et du capital social dans leur entrée sur le marché étranger. La thèse est composée de (1) une introduction, et (2) huit articles. Les entreprises familiales dominent le paysage économique mondial et leurs activités commerciales sont devenues de plus en plus internationales. Les PME familiales peuvent être considérées comme différentes des PME en général en raison du familialisme qui les caractérise, facteur qui est lié à la concentration de la propriété, à la gestion, et aux systèmes familiaux au sein des entreprises familiales. Le familialisme peut influencer sur l'internationalisation positivement et négativement, en raison de la tendance des entrepreneurs familiaux d'avoir une vision à long terme, des stratégies d'aversion au risque, de la crainte de perdre le contrôle en embauchant à l'extérieur, de la capacité de prendre des décisions rapides, etc.

Les données de recherche se composent d'une *base de cas* reposant sur des entretiens et des données recueillies auprès de huit PME familiales finlandaises opérant sur le marché français, ainsi que de leurs filiales et agents français. La thèse s'appuie également sur l'étude *25 articles on FB internationalization* (25 articles sur l'internationalisation des entreprises familiales) examinée dans l'un des articles inclus dans l'étude d'ensemble (article I). En ce qui concerne les conclusions de l'étude, six des entreprises ont opté pour une voie *traditionnelle* de l'internationalisation, une a opté pour la voie *born global* (internationalisation dès le stade initial), et une entreprise a choisi la voie *born again global* (entreprise réorientée vers l'internationalisation). Les résultats indiquent que l'*internationalisation progressive* est déboucher sur (1) une fragmentation de l'assise de propriété, (2) une forte *orientation intendance*, (3) la reconnaissance d'opportunités internationales dans des expositions internationales ou par commande non sollicitée, (4) une forte expérience de la distance psychique, (5) la concentration sur un seul partenaire principal sur le marché étranger, et (6) l'incapacité de donner la liberté d'entreprendre au partenaire étranger.

Les résultats sont compatibles avec un *modèle de phase de développement* pour l'entrée sur le marché étranger de PME familiales. Le modèle décrit les phases et éléments identifiés dans les phases, ainsi que la ou les interaction(s) se produisant entre les phases, dans l'entrée sur le marché étranger des PME familiales. Les phases sont les suivantes : (1) découverte de liens de réseaux internationaux, (2) formation d'une fermeture du réseau, (3) formation d'un point de vue international, et (4) formation de liens supplémentaires.

Mots-clés: internationalisation, entrée sur les marchés étrangers, PME familiales, identification d'opportunités ; réseaux, dynamisme des réseaux ; distance psychique ; Finlande ; France

REFERENCES

- Adler, P.S. & Kwon S.-W. 2002. Social Capital: Prospects for a New Concept. *Academy of Management Review* 27 (1), 17-40.
- Agndal, H., Chetty, S. & Wilson, H. 2008. Social capital dynamics and foreign market entry, *International Business Review* 17 (6), 663-675.
- Astrachan, J.H., Klein, S. & Smyrnios, K.X. 2002. F-PEC Scale of Family Influence: Proposition for Solving the Family Business Definition Problem. *Family Business Review* 9 (1), 45-58.
- Ardichvili, A., Cardozo, R. & Ray, S. 2003. A theory of entrepreneurial opportunity identification and development. *Journal of Business Venturing* 18 (1), 105-123.
- Autio, E., Sapienza, H.J. & Almeida, J.G. 2000. Effects of age at entry, knowledge intensity, and imitability on international growth. *Academy of Management Journal* 43 (5), 909-924.
- Bagwell, S. 2008. Transnational family networks and ethnic minority business development: The case of Vietnamese nail-shops in the UK. *International Journal of Entrepreneurial Behaviour and Research* 14 (6), 377-394.
- Baron, R.A. 2006. Opportunity recognition as pattern recognition: How entrepreneurs "connect the dots" to identify new business opportunities. *Academy of Management Perspectives* 20 (1), 104-119.
- Bell, J. 1995. The Internationalization of Small Computer Software Firms: A Further Challenge to "Stage" Theories. *European Journal of Marketing* 29 (8), 60-75.
- Bell, J., McNaughton, R. & Young, S. 2001. 'Born-again global' firms: An extension to the 'born global' phenomenon. *Journal of International Management* 7, 173-189.
- Bell, J., McNaughton, R., Young, S. & Crick, D. 2003. Towards an Integrative Model of Small Firm Internationalisation. *Journal of International Entrepreneurship* 1 (4), 339-362.
- Bhaskar, R. 1998. The possibility of naturalism: A philosophical critique of the contemporary human sciences, 3rd ed. London: Routledge.
- Bird, B., Welsch, H., Astrachan, J.H. & Pistrui, D. 2002. Family business research: the evolution of an academic field. *Family Business Review* 15 (4), 337-350.
- Bonoma, T.V. 1985. Case Research in Marketing: Opportunities, Problems, and a Process. *Journal of Marketing Research* 22 (2), 199-208.
- Brown, S.L. & Eisenhardt, K.M. 1997. The Art of Continuous Change: Linking Complexity Theory and Time-paced Evolution in Relentlessly Shifting Organizations. *Administrative Science Quarterly* 42, 1-34.
- Burt, R.S. 1992. *Structural Holes*. Cambridge: Harvard University Press.
- Burt, R.S. 2000. The Network Structure of Social Capital. *Research in Organizational Behaviour* 22, 345-432.
- Burt, R.S. 2004. Structural Holes and Good Ideas. *American Journal of Sociology* 110 (2), 349-399.

- Burt, R.S. 2010. Neighbor networks: Competitive advantage local and personal. US: Oxford University Press.
- Carney, M. 2005. Corporate governance and competitive advantage in family-controlled firms. *Entrepreneurship Theory and Practice* 29 (3), 249-265.
- Casillas, J.C. & Acedo, F.J. 2005. Internationalisation of Spanish family SMEs: an analysis of family involvement. *International Journal of Globalisation and Small Business* 1 (2), 134-151.
- Chandler, A.D. 1990. Scale and scope: The dynamics of industrial capitalism. Cambridge: Belknap Press.
- Chetty, S. & Agndal, H. 2007. Social Capital and Its Influence on Changes in Internationalization Mode Among Small and Medium-Sized Enterprises. *Journal of International Marketing* 15 (1), 1-29.
- Chetty, S.K. & Wilson, H.M. 2003. Collaborating with competitors to acquire resources. *International Business Review* 12, 61-81.
- Child, J., Ng, S.H. & Wong, C. 2002. Psychic distance and internationalization: Evidence from Hong Kong firms, *International Studies of Management & Organization* 32 (1), 36-56.
- Chrisman, J.J., Chua, J.H. & Steier, L. 2005. Sources and Consequences of Distinctive Familiness: An Introduction. *Entrepreneurship Theory and Practice* 29 (3), 237-247.
- Chrisman, J.J., Steier, L.P. & Chua, J.H. 2006. Personalism, Particularism, and the Competitive Behaviors and Advantages of Family Firms: An Introduction. *Entrepreneurship Theory and Practice* 30 (6), 719-729.
- Chua, J.H., Chrisman, J.J. & Sharma, P. 1999. Defining the Family Business by Behavior. *Entrepreneurship Theory and Practice* 23 (4), 19-39.
- CIA 2010. The World Factbook. Washington DC: Central Intelligence Agency.
- Claver, E., Rienda, L. & Quer, D. 2007. The internationalisation process in family firms: Choice of market entry strategies. *Journal of General Management* 33 (1), 1-14.
- Claver, E., Rienda, L. & Quer, D. 2008. Family firms' risk perception: Empirical evidence on the internationalization process. *Journal of Small Business and Enterprise Development* 15 (3), 457-471.
- Coleman, J.S. 1988. Social Capital in the Creation of Human Capital. *American Journal of Sociology* 94, S95-S120.
- Colli, A. 2002. The history of family business, 1850-2000. Cambridge: Cambridge University Press.
- Coviello, N. 2006. The network dynamics of international new ventures. *Journal of International Business Studies* 37 (5), 713-731.
- Coviello, N.E. & Jones, M.V. 2004. Methodological issues in international entrepreneurship research. *Journal of Business Venturing* 19 (4), 485-508.
- Coviello, N.E. & Martin, K.A-M. 1999. Internationalization of Service SMEs: An Integrated Perspective from the Engineering Consulting Sector. *Journal of International Marketing* 7 (4), 42-66.

- Coviello, N.E. & McAuley, A. 1999. Internationalisation and the Smaller Firm: A Review of Contemporary Empirical Research. *Management International Review* 39 (3), 223-256.
- Coviello, N.E. & Munro, H.J. 1995. Crowing the entrepreneurial firm: Networking for international market development. *European Journal of Marketing* 29 (7), 49-61.
- Coviello, N. & Munro, H. 1997. Network Relationships and the Internationalisation Process of Small Software Firms. *International Business Review* 6 (4), 361-386.
- Crick, D. & Spence, M. 2005. The internationalisation of 'high performing' UK high-tech SMEs: a study of planned and unplanned strategies. *International Business Review* 14 (2), 167-185.
- Davis, J.H., Schoorman, F.D. & Donaldson, L. 1997. Toward a Stewardship Theory of Management. *Academy of Management Review* 22 (1), 20-47.
- Dimitratos, P. & Jones, M.V. 2005. Future directions for international entrepreneurship research. *International Business Review* 14 (2), 119-128.
- Donckels, R. & Fröhlich, E. 1991. Are family businesses really different? European Experiences from STRATOS. *Family Business Review* 12 (2), 146-160.
- Dyer, W.G. & Whetten, D.A. 2006. Family firms and social responsibility: preliminary evidence from the S&P 500. *Entrepreneurship Theory and Practice* 30, 785-802.
- Easton, G. 2010. Critical realism in case study research. *Industrial Marketing Management* 39, 118-128.
- Eisenhardt, K. M. 1989a. Agency Theory: An Assessment and Review. *Academy of Management Review* 14 (1), 57-74.
- Eisenhardt, K.M. 1989b. Building Theories from Case Study Research. *Academy of Management Review* 14 (4), 532-550.
- Eisenhardt, K.M. & Graebner, M.E. 2007. Theory Building from Cases: Opportunities and Challenges. *Academy of Management Journal* 50 (1), 25-32.
- Elfring, T. & Hulsink, W. 2003. Networks in entrepreneurship: The case of high-technology firms. *Small Business Economics* 21 (4), 409-422.
- Ellis, P. 2000. Social Ties and Foreign Market Entry. *Journal of International Business Studies* 31 (3), 443-469.
- Ellis, P. 2008. Social ties and international opportunity recognition. Unpublished manuscript, Hong Kong Polytechnic University.
- Ellis, P. 2011. Social ties and international entrepreneurship: Opportunities and constraints affecting firm internationalization. *Journal of International Business Studies* 42, 1-29.
- Fernandez, Z. & Nieto, M.J. 2005. Internationalization strategy of small and medium-sized family businesses: Some influential factors. *Family Business Review* 18 (1), 77-89.

- Fernandez, Z. & Nieto, M.J. 2006. Impact of ownership on the international involvement of SMEs. *Journal of International Business Studies* 37 (3), 340-351.
- Finpro 2008. Subsidiaries of Finnish companies in France - July 2008.
- Gallo, M.A. & Pont, C.G. 1996. Important factors in family business internationalization. *Family Business Review* 9 (1), 45-59.
- Gallo, M.A. & Sveen, J. 1991. Internationalizing the family business: Facilitating and restraining factors. *Family Business Review* 4 (2), 181-190.
- Gargiulo, M. & Benassi, M. 2000. Trapped in your own net? Network Cohesion, Structural holes, and the adaption of social capital. *Organizational Science* 11 (2), 183-196.
- Gedajlovic, E., Lubatkin, M.H. & Schulze, W.S. 2004. Crossing the threshold from founder management to professional management: a governance perspective. *Journal of Management Studies* 41, 899-912.
- George, G., Wiklund, J. & Zahra, S.A. 2005. Ownership and the Internationalization of Small Firms. *Journal of Management* 31 (2), 210-233.
- Gersick, K.E., Davis, J.A., Hampton, M.M. & Lansberg, I. 1997. *Generation to Generation: Life Cycles of the Family Business*. Cambridge: Harvard Business School Press.
- Gomez-Mejia, L.R., Makri, M. & Kintana, M.L. 2010. Diversification Decisions in Family-Controlled Firms. *Journal of Management Studies* 47 (2), 223-252.
- Granovetter, M.S. 1973. The Strength of Weak Ties. *American Journal of Sociology* 76 (6), 1360-1380.
- Graves, C. & Thomas, J. 2004. Internationalisation of the family business: a longitudinal perspective. *International Journal of Globalisation and Small Business* 1 (1), 7-27.
- Graves, C. & Thomas, J. 2006. Internationalization of Australian family businesses: A managerial capabilities perspective. *Family Business Review* 19(3), 207-224.
- Graves, C. & Thomas, J. 2008. Determinants of the internationalization pathways of family firms: An examination of family influence. *Family Business Review* 21 (2), 151-167.
- Guba, E. & Lincoln, Y. 1994. Competing paradigms in qualitative research. In *Denzin and Lincoln Handbook of Qualitative Research*. Newbury Park: Sage.
- Gulati, R. & Gargiulo, M. 1999. Where do interorganizational networks come from? *American Journal of Sociology* 104 (5), 1439-1493.
- Habbershon, T. G. & Williams, M. L. 1999. A Resource-Based Framework for Assessing the Strategic Advantages of Family Firms. *Family Business Review* 12 (1), 1-26.
- Harris, D., Martinez, J.I. & Ward, J.L. 1994. Is strategy different for the family-owned business? *Family Business Review* 7 (2), 159-174.
- Healy, M. & Perry, C. 2000. Comprehensive criteria to judge validity and reliability of qualitative research within the realism paradigm. *Qualitative Market Research: An International Journal* 3 (3), 118-126.

- Hills, G.E. & Schrader, R.C. 1998. Successful entrepreneur's insights into opportunity recognition. In *Frontiers of entrepreneurship research*. Eds. P.D. Reynolds et al. Wellsley, MA: Babson College, 30-43.
- Hoang, H. & Antoncic, B. 2003. Network based research in entrepreneurship: a critical review. *Journal of Business Venturing* 18 (2), 165-187.
- Huber, G.P. & Power, D.J. 1985. Retrospective Reports of Strategic-level Managers: Guidelines for Increasing their Accuracy. *Strategic Management Journal* 6, 171-180.
- IFERA 2003. Family Businesses Dominate. *Family Business Review* 16 (4), 235-240.
- Irrmann, O. 2006. Intercultural communication and the integration of cross-border acquisitions. Doctoral dissertation. Helsinki School of Economics, Helsinki.
- Jack, S.L. 2010. Approaches to studying networks: Implications and outcomes. *Journal of Business Venturing* 25, 120-137.
- Jack, S.L., Dodd, S.D. & Anderson, A. 2008. Change and the development of entrepreneurial networks over time: a processual perspective. *Entrepreneurship and Regional Development* 20 (2), 125-159.
- Johanson, J. & Mattsson, L-G. 1988. Internationalisation in Industrial Systems – A Network Approach. In N. Hood & J-E. Vahlne (Eds.) *Strategies in Global Competition*, London: Croom Helm, 287-314.
- Johanson, J. & Vahlne, J-E. 1977. The internationalization process of the firm: a model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies* 8 (1), 23-32.
- Johanson, J. & Vahlne, J-E. 1990. The Mechanism of Internationalisation. *International Marketing Review* 7 (4), 11-24.
- Johanson, J. & Vahlne, J-E. 2003. Business Relationship Learning and Commitment in the Internationalization process. *Journal of International Entrepreneurship* 1 (1), 83-101.
- Johanson, J. & Vahlne, J-E. 2009. The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies* 40, 1411-1431.
- Johanson, J. & Wiedersheim-Paul, F. 1975. The internationalization of the firm: four Swedish cases. *Journal of Management Studies* 12 (3), 305-322.
- Järvensivu, T. & Törnroos, J.-Å. 2010. Case study research with moderate constructionism: Conceptualization and practical illustration. *Industrial Marketing Management* 39, 100-108.
- Kirzner, I.M. 1997. Entrepreneurial Discovery and the Competitive Market Process: An Austrian Approach. *Journal of Economic Literature* 35 (1), 60-85.
- Kontinen, T. & Ojala, A. 2010. The Internationalization of Family Businesses: A Review of Extant Research. *Journal of Family Business Strategy* 1 (2), 97-107.
- Krackhardt, D. & Hanson, J. 1993. Informal Networks: The Company Behind the Chart. *Harvard Business Review* 71 (4), 104-111.

- La Porta, R., Lopez-de-Silanes, F. & Schleifer, A. 1999. Corporate Ownership Around the World. *The Journal of Finance* 54 (2), 471-517.
- Larson, A. & Starr, J.A. 1993. A Network Model of Organization Formation, *Entrepreneurship Theory and Practice* 17 (2), 5-15.
- Lumpkin, G.T. & Dess, G.G. 1996. Clarifying the Entrepreneurial Orientation Construct and Linking It to Performance. *Academy of Management Review* 21 (1), 135-172.
- Magee, B. 1985. Popper. London: Fontana.
- McAuley, A. 1999. Entrepreneurial Instant Exporters in the Scottish Arts and Crafts Sector, *Journal of International Marketing* 7 (4), 67-82.
- Meyer, K. & Skak, A. 2002. Networks, Serendipity and SME Entry into Eastern Europe, *European Management Journal* 20 (2), 179-188.
- Meyer, M.W. & Zucker, L.G. 1989. Permanently Failing Organization. Newbury Park: Sage.
- Miles, M.B. & Huberman, A.M. 1994. *Qualitative Data Analysis: An Expanded Sourcebook*. California: Sage.
- Miller, D. & Le Breton-Miller, I. 2006. Family Governance and Firm Performance: Agency, Stewardship, and Capabilities. *Family Business Review* 19 (1), 73-87.
- Miller, D., Le Breton-Miller, I. & Scholnick, B. 2008. Stewardship vs. Stagnation: An Empirical Comparison of Small Family and Non-Family Businesses. *Journal of Management Studies* 45 (1), 51-78.
- Miller, C.C., Cardinal, L.B. & Glick, W.H. 1997. Retrospective reports in organizational research: A reexamination of recent evidence. *Academy of Management Journal* 40 (1), 189-204.
- Nahapiet, J. & Ghoshal, S. 1998. Social Capital, Intellectual Capital, and the Organizational Advantage. *Academy of Management Review* 23 (2), 242-266.
- OECD 1997. *Globalisation and small and medium enterprises (SMEs). Synthesis Report, Vol. 1*. France: Organization for Economic Co-operation and Development.
- OECD 2003. *Officially-supported export credits and small exporters*. France: Organization for Economic Co-operation and Development.
- Ojala, A. 2008. Entry in a Psychically Distant Market: Finnish Small and Medium-sized Software Firms in Japan. *European Management Journal* 26 (2), 135-144.
- Ojala, A. 2009. Internationalization of knowledge-intensive SMEs: The role of network relationships in the entry to a psychically distant market. *International Business Review* 18 (1), 50-59.
- Oviatt, B.M. & McDougall, P.P. 1994. Toward a theory of international new ventures. *Journal of International Business Studies* 25 (1), 45-64.
- Oviatt, B.M. & McDougall, P.P. 1995. Global start-ups: Entrepreneurs on a worldwide stage. *Academy of Management Executive* 9 (2), 30-43.

- Oviatt, B.M. & McDougall, P.P. 2005. Defining international entrepreneurship and modeling the speed of internationalization. *Entrepreneurship Theory and Practice* 29 (5), 537-553.
- Ozgen, E. & Baron, R.A. 2007. Social sources of information in opportunity recognition: Effects of mentors, industry networks, and professional forums, *Journal of Business Venturing* 22 (2), 174-192.
- Pedersen, T., Petersen, B. & Benito, G. 2002. Change of Foreign Operation Method: Impetus and Switching Costs. *International Business Review* 11 (3), 325-345.
- Pett, T.L. & Wolff, J.A. 2003. Firm Characteristics and Managerial Perceptions of NAFTA: An Assessment of Export Implications for U.S. SMEs. *Journal of Small Business Management* 41 (2), 117-132.
- Pettigrew, A.M., 1990. Longitudinal field research on change: Theory and practice. *Organization Science* 1 (3), 267-292.
- Pinho, J.-C. 2007. The impact of ownership: Location-specific advantages and managerial characteristics on SME foreign entry mode choices. *International Marketing Review* 24 (6), 715-734.
- Podolny, J.M. & Baron, J.N. 1997. Resources and relationships: Social networks and mobility in the work-place. *American Sociological Review* 62, 673-693.
- Portes, A. 1998. Social Capital: Its Origins and Application in Modern Sociology. *Annual Review of Sociology* 24 (1), 1-24.
- Prashantham, S. & Dhanaraj, C. 2010. The Dynamic Influence of Social Capital on the International Growth of New Ventures. *Journal of Management Studies* 47 (6), 967-994.
- Reuber, A.R. & Fischer, E. 1997. The influence of the management team's international experience on the internationalization behavior of SMEs. *Journal of International Business Studies* 28 (4), 807-825.
- Rialp, A., Rialp, J. & Knight, G.A. 2005. The phenomenon of early internationalizing firms: What do we know after a decade (1993-2003) of scientific inquiry? *International Business Review* 14(2), 147-166.
- Roessl, D. 2005. Family Businesses and Interfirm Cooperation. *Family Business Review* 18 (3), 202-214.
- Ronen, S. & Shenkar, O. 1985. Clustering Countries on Attitudinal Dimensions: A Review and Synthesis. *Academy of Management Review* 10 (3), 435-454.
- Salvato, C. & Melin, L. 2008. Creating Value Across Generations in Family-Controlled Businesses: The Role of Family Social Capital. *Family Business Review* 21 (3), 259-276.
- Sapienza, H.J., Autio, E., George, G. & Zahra, S.A. 2006. A capabilities perspective on the effects of early internationalization on firm survival and growth. *Academy of Management Review* 31 (4), 914-933.
- Sarasvathy, D., Simon, H. & Lave, L. 1998. Perceiving and managing business risks: differences between entrepreneurs and bankers. *Journal of Economic Behavior and Organization* 33, 207-225.
- Sayer, A. 1992. *Method in social science: A realist approach* (2nd ed.). London: Routledge.

- Sayer, A. 2000. *Realism and social science*. London: Sage.
- Schulze, W.S. & Gedajlovic, E.R. 2010. Whither Family Business. *Journal of Management Studies* 47 (2), 191-204.
- Schulze, W.S., Lubatkin, M.H., Dino, R.N. & Buchholtz, A.K. 2001. Agency relationships in family firms: theory and evidence. *Organization Science* 12, 99-116.
- Sciascia, S., Mazzola, P., Astrachan, J.H. & Pieper, T. in press. The role of family ownership in international entrepreneurship: exploring nonlinear effects. *Small Business Economics*.
- Shane, S. 2000. Prior knowledge and the discovery of entrepreneurial opportunities. *Organization Science* 11 (4), 448-469.
- Shane, S. & Venkataraman, S. 2000. The promise of entrepreneurship as a field of research. *Academy of Management Review* 26 (1), 13-17.
- Sharma, P. 2004. An overview of the field of family business studies: Current status and directions for the future. *Family Business Review* 17 (1), 1-36.
- Sharma, P., Chrisman, J.J. & Chua, J.H. 1996. *A Review and Annotated Bibliography of Family Business Studies*. Boston: Kluwer.
- Shepherd, D.A. & Zacharacis, A. 2000. Structuring family business succession: an analysis of the future leader's decision making. *Entrepreneurship Theory and Practice* 24 (4), 25-39.
- Shrader, R.C., Oviatt, B.M. & McDougall, P.P. 2000. How new ventures exploit trade-offs among international risk factors: Lessons for the accelerated internationalization of the 21st century. *Academy of Management Journal* 43 (6), 1227-1247.
- Singh, R.P., 2000. *Entrepreneurial Opportunity Recognition Through Social Networks*. New York: Garland.
- Sirmon, D.G. & Hitt, M.A. 2003. Managing resources: Linking unique resources, management, and wealth creation in family firms. *Entrepreneurship Theory and Practice* 27 (4), 339-358.
- Smith, A. (1759) 1976. *The theory of moral sentiments*. In *Liberty classics*, edited by D. D. Raphael and A. L. Mactie. Indianapolis: Liberty Press.
- Sobel, J. 2002. Can We Trust Social Capital? *Journal of Economic Literature* 40 (1), 139-154.
- Sundaramurthy, C. 2008. Sustaining trust within family businesses. *Family Business Review* 21 (1), 89-102.
- Stake, R.E. 1995. *The Art of Case Study Research*. Thousand Oaks: Sage.
- Söderqvist, A. & Chetty, S. 2009. Strength of ties and their role in pre-founding, start-up and early internationalization. Paper presented at 12th McGill International Entrepreneurship Conference, Vaasa, Finland.
- Transfield, D., Denyer, D. & Smart, P. 2003. Towards a Methodology for Developing Evidence-Informed Management Knowledge by Means of Systematic Review. *British Journal of Management* 14, 207-222.
- Trompenaars, F. & Hampden-Turner, C. 1997. *Riding the waves of culture: Understanding cultural diversity in business* (2nd ed.). London: Nicholas Brealey.

- Tsang, E.W.K. 2001. Internationalizing the family firm: A case study of a Chinese family business. *Journal of Small Business Management* 39 (1), 88-94.
- Tsang, E.W.K. 2002. Learning from overseas venturing experience: the case of Chinese family businesses. *Journal of Business Venturing* 17 (1), 21.
- Van Maanen, J., Soerensen, J.B. & Mitchell, T.R. 2007. The interplay between theory and method. *Academy of Management Review* 32 (4), 1145-1154.
- Venkataraman, S. 1997. The distinctive domain of entrepreneurship research. In *Advances in Entrepreneurship, Firm Emergence and Growth*. Eds J. Katz and R. Brockaus. Greenwich: JAI Press, 119-138.
- Welch, C., Piekkari, R., Plakoyannaki, E. & Paavilainen-Mäntymäki, E. Theorising from case studies: towards a pluralist future for international business research. *Journal of International Business Studies*, in press.
- Woodside, A.G. & Wilson, E.J. 2003. Case study research methods for theory building. *Journal of Business and Industrial Marketing* 20 (7), 493-508.
- Yamin, M., Sinkovics, R. & Hadjielias, E. 2007. EU Harmonization, Managerial Perceptions and SME Export Behavior. *Journal of Euromarketing* 17 (1), 7-21.
- Yin, R.K. 2009. *Case Study Research*, 4th ed. California: Sage.
- Yin, R.K. 1994. *Case Study Research: Design and Methods*. California: Sage.
- Young, S., Dimitratos, P. & Dana, L-L. 2003. International Entrepreneurship Research: What Scope for International Business Theories? *Journal of International Entrepreneurship* 1 (1), 31-42.
- Zahra, S.A. 2003. International expansion of U.S. manufacturing family businesses: The effect of ownership and involvement. *Journal of Business Venturing* 18 (4), 495-512.
- Zahra, S.A. & Sharma, P. 2004. Family business research: A strategic reflection. *Family Business Review* 17 (4), 331-346.
- Zahra, S.A., Korri, J.S. & Yu, J.F. 2005. Cognition and international entrepreneurship: implications for research on international opportunity recognition and exploitation. *International Business Review* 14 (2), 129-146.

ORIGINAL PAPERS

I

THE INTERNATIONALIZATION OF FAMILY BUSINESSES: A REVIEW OF EXTANT RESEARCH

by

Tanja Kontinen and Arto Ojala 2010

Journal of Family Business Strategy 1 (2), 97-107.

Reprinted with kind permission by Elsevier



The internationalization of family businesses: A review of extant research

Tanja Kontinen*, Arto Ojala¹

University of Jyväskylä, School of Business and Economics, P.O. Box 35, FI-40014 Jyväskylä, Finland

ARTICLE INFO

Article history:

Received 5 August 2009
Received in revised form 17 December 2009
Accepted 6 April 2010
Available online 24 May 2010

Keywords:

Internationalization
Family business
Literature review
Strategic management

ABSTRACT

Among family businesses (FBs) internationalization has become a strategy for growth, and sometimes even for survival. This review article presents an analysis conducted on 25 refereed journal articles on FB internationalization. The articles typically portrayed the internationalization of FBs as a sequential process following the Uppsala model of internationalization; by contrast, some FBs were regarded as "born-again" global firms. In methodological terms, most of the articles focused on what-questions rather than why/how-questions. The articles did not make much use of internationalization or FB-specific theories. Our study takes a step towards clarifying the following issues: (i) the current state of knowledge of the phenomenon, (ii) the kinds of background theories applied, and (iii) the methodological approaches utilized. Based on our findings, we map out areas of research that are likely to advance the field of FB internationalization.

© 2010 Elsevier Ltd. All rights reserved.

Contents

1. Introduction	98
2. Methodology	98
3. Findings	98
3.1. Methodological and definitional issues in the articles reviewed	98
3.1.1. Type of research	99
3.1.2. Country of research and data collection	99
3.1.3. Time frame, sample size and response rate	99
3.1.4. Industry type and firm size	99
3.1.5. Family firm definition	99
3.1.6. Informants	101
3.1.7. Analytical approach	101
3.2. Theoretical frameworks utilized in the articles reviewed	101
3.3. The findings reported in the articles	101
3.3.1. The internationalization process	101
3.3.2. Managerial and strategic issues	103
3.3.3. Factors influencing FB internationalization	103
4. Directions for further research	103
4.1. The internationalization process	104
4.2. Managerial and strategic issues	104
4.3. Factors influencing FB internationalization	105
4.4. Methodology	105
5. Conclusions	106
Acknowledgements	106
References	106

* Corresponding author. Tel.: +358 14 260 3363.

E-mail addresses: tanja.kontinen@jyu.fi (T. Kontinen), Arto.KOjala@jyu.fi (A. Ojala).

¹ Tel.: +358 14 260 4622.

1. Introduction

The internationalization of family businesses (FBs) is developing into a significant research area (e.g. Sciascia, Mazzola, Astrachan, & Pieper, 2010). FBs have traditionally operated in domestic markets, but increasingly find themselves obliged to internationalize, in order to survive in a market that is becoming more and more globally competitive. Since the internationalization of FBs may differ from internationalization of firms with different ownership structures (Bell, Crick, & Young, 2004; Fernandez & Nieto, 2006; George, Wiklund, & Zahra, 2005; Graves & Thomas, 2004, 2006; Johanson & Vahlne, 2009), it is important to investigate FBs as a distinct entity, and attempt to identify their specific features in the context of internationalization. For instance, it has been suggested that FB owner–managers may seek to maximize revenues from a limited number of foreign markets rather than aggressively pursue internationalization on a broader front (Zahra, 2003). There is also a view that FBs may have difficulties in building up a portfolio of strategic resources, and that this will make their international success more difficult (Fernandez & Nieto, 2006).

Since nearly 20 years have passed since the first articles on the internationalization of FBs emerged in journals, it is time to evaluate the past and make suggestions for the future. In this article we shall address the following research questions: (i) What kinds of methodologies and theories have been used to study the phenomenon of FB internationalization? (ii) What is the current state of knowledge concerning the internationalization of FBs? (iii) How could the phenomenon be studied in the future in order to further develop knowledge concerning FB internationalization? We shall answer these questions through a review of existing academic articles, and consider future directions for research. For this purpose we shall apply the findings of our review to the three aspects that are particularly important in FB internationalization, namely the *family business* dimension, the *international business* dimension, and *international entrepreneurship* dimension.

Casillas, Acedo, and Moreno (2007) reviewed 12 articles on FB internationalization in their book *International Entrepreneurship in Family Businesses*. However, no reviews exist in academic journals. The need for reviews to advance research in specific related fields has, in fact, been noted by several researchers (e.g. Coviello & Jones, 2004; Keupp & Gassmann, 2009). Following this path, Wright, Westhead, and Ucbasaran (2007) and Johanson and Vahlne (2009) have pointed out the potential usefulness of research on different kinds of ownership structures – such as family ownership – in the internationalization process. Recent empirical findings by Sciascia et al. (2010) indicate that different levels of family ownership affect the internationalization of these firms.

2. Methodology

In conducting the review, we adopted the basic guidelines for a systematic review set out by Transfield, Denyer, and Smart (2003). Thus, our review process consisted of three stages: (1) planning the review, (2) conducting the review, and (3) reporting and dissemination (for further details, see Transfield et al., 2003). Initially, we identified relevant family business internationalization articles by conducting a keyword search in nine databases: *Inderscience*, *Business Source Elite (EBSCO)*, *Emerald*, *Informaworld*, *JSTOR*, *SAGE Journals Online*, *Science Direct (Elsevier)*, *Springerlink*, and *ISI Web of Knowledge*. The relevant keywords for the searches were drawn from the literature on internationalization and FBs. We formed combinations of the terms *internationalization*; *entry process*; *entry*; *international operations*; *international trade*; *globalization*; *ownership*; *family firm*; *family-owned business enterprise*; *family corporation*; and *family involvement*. To ensure thorough coverage; we also conducted a manual search in the most

important source of family business research; namely *Family Business Review*. In addition; we used Google Scholar (Google); Live Academic Search (Microsoft); Scirus (Elsevier); and Oaister (University of Michigan) to find relevant articles in the field.

To be accepted for the review, the studies had to be published in peer-reviewed academic journals before 2009. Three of the articles found in the databases were excluded from the analysis on the grounds that internationalization was not in fact the phenomenon examined in them (McKibbin & Pistrui, 1997; Sirmon, Arregle, Fitt, & Webb, 2008), or because the article was written without any references to scientific studies (Vago, 1995). However, the use of a particular theory was not a condition for inclusion: all articles specifically discussing FB internationalization, no matter what theory they espoused, were included. In all, 25 articles were accepted for the final review.

In conducting the analysis, we identified the following aspects as critical: *methodological issues*, *theoretical framework(s)*, *topic of research*, and *main findings and conclusions*. Each article found in the databases was analyzed by both of the present authors, working separately. If there were any inconsistent findings, these were discussed to arrive at a common understanding. With 375 units (25 articles \times 15 analytical units²) to analyze, we both ended up with a similar result for 368 of them, yielding a 98.1% agreement. The seven units of analysis we needed to discuss concerned the sample size, the theoretical framework, or the main analytical approach of the study in question; these were often poorly reported in the articles.

The articles accepted for the analysis ($N = 25$) were published in 13 different academic journals (see Table 1). The articles were published between 1991 and 2008. The most relevant articles were found to have been published in the leading (core) journal in family business studies: 9 of the articles appeared in *Family Business Review*. Other journals offering more than one article on FB internationalization were *Journal of Business Venturing* ($N = 2$), *International Journal of Globalization and Small Business* ($N = 3$) and *Journal of Small Business and Enterprise Development* ($N = 2$). The other 9 journals all offered 1 relevant article each. Interestingly, the only journal publishing articles on FB internationalization before the year 2001 was *Family Business Review*. The majority (14 out of 25) of the articles were published between 2005 and 2008. There was a peak of interest in 2005 with six articles, and the years 2006 and 2007 provided three articles each. The year 2008 offered two articles. All this indicates the contemporary nature of FB internationalization research and the substantially growing interest in the phenomenon. The reasons for this may be the increasing importance of internationalization for FBs and, on the other hand, the fact that (as shown in various studies) the internationalization of FBs appears to differ in many ways from that of non-FBs.

3. Findings

3.1. Methodological and definitional issues in the articles reviewed

The headings in Table 2 (type of article, country of research, etc.) show the categories we applied in our typology of articles. This section will examine the categories and sub-categories in detail. The articles were written by 33 different authors. The authors with the largest number of publications were Graves and Thomas (in collaboration), who wrote four research articles. Gallo, Tsang, Zahra, Fernández, Nieto, Claver, Rienda, and Quer all contributed to more than one article (either as single authors or as co-authors).

² The analyzed units were: *type of article*, *country of research*, *data collection*, *time frame (year(s) and cross-sectional/longitudinal)*, *sample size*, *response rate*, *industry type*, *firm size*, *FB definition*, *informants*, *analytical approach*, *theories utilized*, *topic of the article*, and *main findings and conclusions*.

Table 1
Bibliographical sources of the articles reviewed.

Journal	1991	1993	1996	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Total
Family Business Review	1	1	1	1	2					1	1		1	9
International Journal of Globalization and Small Business									1	2				3
Journal of Business Venturing							1	1						2
Journal of Small Business and Enterprise Development											1		1	2
International Studies of Management & Organization							1							1
Management and Organization Review										1				1
Baltic Journal of Management												1		1
Journal of General Management												1		1
International Marketing Review												1		1
Journal of Business and Entrepreneurship										1				1
Journal of International Business Studies											1			1
Journal of Management										1				1
Journal of Small Business Management						1								1
Total	1	1	1	1	2	1	2	1	1	6	3	3	2	25

3.1.1. Type of research

Regarding the type of research, we organized the articles within three groups: *exploratory*, *descriptive*, and *confirmatory*. The confirmatory group (where the aim was to statistically verify theory-driven hypotheses) consisted of 12 articles. A further 10 articles were placed in the group of exploratory studies. The group of descriptive studies (offering a quantitative assessment of the phenomenon by providing data on prevalence, frequency or intensity) comprised only three studies. Hence it would seem that FB internationalization research is dominated by (i) studies with theory-driven hypotheses, and (ii) exploratory studies.

3.1.2. Country of research and data collection

The data for analyzing FB internationalization were collected between 1994 and 2004 from eight different countries, five of these countries being situated in Europe. Data were collected more than once in Spain (six databases), China (three databases), Australia (two databases), and the USA (two databases). Hence, the geographical coverage was fairly wide, but the number of studies in any given continent was low. The most common data collection method was by survey: in fact, there were 13 articles based purely on surveys, but in a further 3 articles a survey was used in addition to a case study approach. Hence, there were in all seven articles which employed a case study approach. In addition, there was one conceptual article.

Given that FB internationalization is a very young field with only limited knowledge available, we would recommend a more exhaustive use of the case study approach. It makes possible an in-depth investigation and explanation of cause-and-effect relationships, and also the application of replication logic, in such a way that researchers can identify the subtle similarities and differences across a collection of cases (Eisenhardt, 1989; Yin, 1994). It also makes it possible to set up propositions for further quantitative testing.

3.1.3. Time frame, sample size and response rate

There were five *longitudinal* databases, but the majority of articles used *cross-sectional* data. The dominance of cross-sectional databases could have meant that overall, researchers were provided with somewhat superficial information. Longitudinal

studies will be needed in the future, since they will show the process of internationalization as it occurs over time. The survey sample sizes ranged between 222 and 2455 firms.³ In the articles based on case study research, the number of cases ranged from 1 to 10 cases. In the six articles utilizing secondary survey data (indicated by an asterisk in Table 2), the response rate exceeded 90%. In the remaining surveys, the usable response rate was rather low, between 7% and 37.4%. We would recommend the use of personally administered surveys: such a method would definitely increase the response rate.

3.1.4. Industry type and firm size

Manufacturing companies were studied in 12 articles and firms from a broader range of industries in 10 articles. This would suggest that studies concentrating on specific (non-manufacturing) industries are needed, on the grounds that there may be differences between manufacturing and service industries (O'Farrell, Wood, & Zheng, 1997), and between high-tech and low-tech firms (Bell et al., 2004). As for the size of the FBs, the majority of the studies (14 articles) were based on small and medium-sized enterprises (SMEs), 4 articles concentrated on large family firms, and 4 articles assessed family firms of all sizes.

3.1.5. Family firm definition

There was no general consensus on the definition of a "family firm". We classified the articles according to the most common criteria applied in the articles, namely *ownership*, *management*, *continuity*, and *subjective perception*. The most common way of defining a family firm (12 articles) was through a combination of ownership and management criteria, in line with Gallo and Sveen (1991). According to the definition applied in this case, a family firm is "a firm where the family owns the majority of stock and exercises full managerial control" (Gallo & Sveen, 1991, p. 182). In some articles, the continuity⁴ criterion or the subjective perception criterion was added to ownership and management. In four articles, surprisingly, no definition of a family firm could be found. In further research, it will be necessary to improve and unify the definition of a family firm, so that FB research can be made more understandable and comparable. In some circumstances, it may

³ Random sampling was executed in 5 of the research articles analyzed. There were five studies with purposive sampling. Explicit criteria for sample selection could be discovered in 18 studies. Firm size was the most common criterion (eight articles), followed by sector (seven articles), ownership (five articles), and international involvement (four articles).

⁴ Casillas and Acedo (2005) created four groups, based on their own FB definition involving *ownership*, *management*, and *continuity*: (1) non-family firms, (2) firms with little family involvement, (3) firms with quite a lot of family involvement, and (4) absolute family firms. In contrast, Tsang (2002) divided the case firms into FBs, semi-FBs (possessing only some of the characteristics of a typical FB), and non-FBs. Nonetheless, no precise criteria for these different categories were found.

Table 2
Methodological and definitional issues in the articles reviewed.

Author(s)	Type of article	Country of research	Data collection	Time frame		Sample size	Response rate	Industry type	Firm size	Ownership			Informants	Analytical approach
				Year	Cross-sectional					Longitudinal	Management	Continuity		
Gallo and Sween (1991)	X	N/A	(x)	N/A	x	N/A	-	N/A	N/A	x	x	N/A	N/A	N/A
Svinth and Vinton (1993)	X	N/A	x	N/A	x	4	-	Manufact.	SM	x	x	Owners	N/A	N/A
Gallo and Pont (1996)	X	Spain	x	N/A	x	450	21.6	Manufact.	SM	x	x	N/A	Regression	Regression
Olorotofo (1999)	X	USA	x	1997	x	500	37.4%	Manufact.	L	x	x	N/A	Descriptive statistics	Regression
Davis and Harveston (2000)	X	N/A	x	N/A	x	1078	N/A	Various	SML	x	x	Owner-managers	Regression	Regression
Yeung (2000)	X	China	x	1994	x	3	-	Various	SML	N/A	x	Executives	Grounded theory	Regression
Tsang (2001)	X	China and Singapore	x	1995/1996	x	1	-	Manufact.	L	x	x	Managers	Qualitative	Qualitative
Tsang (2002)	X	China and Singapore	x	1995/1996	x	10	-	Manufact.	L	x	x	Managers	Qualitative	Qualitative
Child, Ng, and Wong (2002)	X	China (Hong Kong)	x	2000/2001	x	5	-	Various	L	x	x	Senior managers	Qualitative	Qualitative
Zahra (2003)	X	USA	x	1997 and 2000	x	2379	22.5	N/A	N/A	x	x	N/A	Regression	Regression
Graves and Thomas (2004)	X	Australia	x	1995–1998	x	*871	>90	Manufact.	SM	x	x	N/A	Regression	Regression
Casillas and Acedo (2005)	X	Spain	x	N/A	x	*222	100	Various	SML	x	x	Executives	Structural equation	Structural equation
Erdener and Shapiro (2005)	X	-	Conceptual article	-	x	-	-	N/A	N/A	N/A	x	Executives	Conceptual	Conceptual
Fernandez and Nieto (2005)	X	Spain	x	1991–1999	x	*~2000	N/A	Manufact.	SM	x	x	N/A	Probit models	Probit models
George et al. (2005)	X	Sweden	x	1997 and 2000	x	2455	36	Various	SM	N/A	x	Executives	Structural equation	Structural equation
Menéndez-Requero (2005)	X	Spain	x	2001/2002	x	1612	N/A	Manufact.	SM	x	x	N/A	Regression	Regression
Thomas and Graves (2005)	X	Australia	x	1995–1998	x	*871 + 6	>90	Manufact.	SM	x	x	N/A	Regression	Regression
Crick, Bradshaw, and Charidry (2006)	X	UK	x	N/A	x	390 + 10	40	Various	SM	x	x	Managers	U-tests + qualitative	U-tests + qualitative
Fernandez and Nieto (2006)	X	Spain	x	1991–1999	x	*~2000	N/A	Manufact.	SM	x	x	N/A	Probit models	Probit models
Graves and Thomas (2006)	X	Australia	x	1995–1998	x	*871	>90	Manufact.	SM	x	x	N/A	Descriptive statistics	Descriptive statistics
Thomas and Basy (2007)	X	France	x	N/A	x	764	15.4	Various	SM	x	x	N/A	Structural equation	Structural equation
Claver et al. (2007)	X	Spain	x	2004	x	6	-	Various	SM	x	x	N/A	Qualitative	Qualitative
Pribo (2007)	X	Portugal	x	N/A	x	600 + 7	14.5	Various	SM	N/A	x	Executives	Regression	Regression
Claver et al. (2008)	X	Spain	x	N/A	x	2000	7	Various	SML	x	x	Executives	Regression	Regression
Graves and Thomas (2008)	X	Australia	x	2003–2004	x	8	-	Manufact.	SM	x	x	Senior managers	Nvivo	Nvivo

S = small, M = medium-sized, L = large.

Table 3
Internationalization theories and their application in the studies reviewed.

Internationalization theory	Description	Usage in FB internationalization studies
Process model of internationalization (Uppsala Model) (Johanson & Vahlne, 1977)	Describes internationalization as an incrementally evolving process, in which a firm internationalizes its operations by going through various stages.	Graves and Thomas (2004, 2008) Claver et al. (2007) Casillas and Acedo (2005)
Network model of internationalization (Johanson & Matsson, 1988)	The internationalization of firms is explained with reference to the networks the utilize.	Graves and Thomas (2004) (to a limited extent)
Resource-based view (Barney, 1991)	Decisions are made within a coordinated framework of resources, capabilities and environmental contingencies.	Graves and Thomas (2006) (managerial capabilities)
Dunning's eclectic paradigm (Dunning, 1980)	Describes the internationalization of firms in terms of OLI-advantages: <i>ownership, location, and internalization</i>	Erdener and Shapiro (2005) Pinho (2007) George et al. (2005)

also be relevant to divide firms into more than the two groups (FBs vs. non-FBs) generally used in articles up to now. The division of firms according to their position on a continuum, based on differing degrees of ownership, managerial influence and continuity, could enrich our understanding of FB internationalization. Such a division is also recommended by Sharma (2004).

3.1.6. Informants

In 11 articles, the interviewees were identified as executives or managers, while in two articles they were identified as an owner or owner-manager. This indicates that in 12 articles, the key informants were not identified. In further studies, for the sake of validity, more attention will have to be given to the systematic reporting of key informants. In addition, by using two or more informants from each firm, researchers should be able to offset biases based on individual opinions (Huber & Power, 1985). This means that the range of key informants could be extended from owner-managers to other family members, to other executive board members, and to staff personally involved in the internationalization process.

3.1.7. Analytical approach

The dominant analytical approach was some form of regression analysis (eight studies) followed by structural equation modeling (three studies), general descriptive statistics (two studies), probit and tobit data models (two studies) and *U*-tests (one study). Thus, the analytical approaches were fairly sophisticated. By comparison, the analytical approaches of the *qualitative* case studies were rather poorly reported – with the exception of one article (Yeung, 2000) reporting the usage of a grounded theory approach, and two other qualitative articles (Claver, Rienda, & Quer, 2007; Graves & Thomas, 2008) in which the methodology was described fairly well. Overall, due to inaccuracies or a lack of clarity, doubt might be cast on the validity of the articles reviewed. In further studies, attention ought to be paid to reporting the analytical approaches more systematically.

3.2. Theoretical frameworks utilized in the articles reviewed

Only eight of the articles were mainly based on internationalization theories. Table 3 presents the internationalization theories used in the reviewed articles, with a summary for each article. In four of the studies the *process model of internationalization* (also known as the Uppsala model) was applied. *Dunning's eclectic paradigm* was used in three research articles. The *resource-based view of internationalization* was utilized in one study focusing on managerial capabilities. Interestingly, the *network theory of internationalization* was utilized in only one study, and even there, it was handled on a very general level along with other theories. It is true that that most of the articles did give a brief introduction to internationalization, even if they did not utilize internationalization theories as such in their frameworks. Nevertheless, from the material in general it appeared that the integration of various

internationalization theories – something that has been recommended by several researchers (e.g. Coviello & McAuley, 1999) – was limited, since only Graves and Thomas (2004) clearly indicated the use of different internationalization theories. There is a need for studies which would take a more holistic view, given the complexity of the process of internationalization (see e.g. Bell, McNaughton, Young, & Crick, 2003; Johanson & Vahlne, 2003).

In the articles that did *not* apply internationalization theories, the most generally used theories were ownership theory⁵ (five articles) and agency theory (two articles). The other theories used (one article each) were managerial capabilities theory, entrepreneurial orientation theory, theory concerning entrepreneurs' characteristics and attributes, and organizational learning theory. In three articles, no specific background theory was utilized. All in all, it appeared that combinations of several theories (or viewpoints within theoretical frameworks), other than internationalization theories, dominated the studies on FB internationalization. This can be seen as a positive feature, one that can lead to expansionary development of the field. However, it also makes the study of FB internationalization very fragmented, and the comparison of findings more difficult.

Overall, the formation and the justification of the theoretical frameworks utilized tended to be somewhat ambiguous: there was a lack of a clear account of the theories that were seen as most important, and there was often no indication of whether the framework applied was based on "theories" or perspectives. Furthermore, the theory tended to be inadequately applied in the actual analysis of the data.

3.3. The findings reported in the articles

The articles were categorized within three groups⁶ according to their subject matter, namely: *the internationalization process* (5 articles), *managerial/strategic issues* (11 articles), and *factors influencing FB internationalization* (11 articles). Table 4 presents the articles together with the category they belong to, plus a summary of the findings of the article in question.

3.3.1. The internationalization process

In this group of articles (only five articles) FBs were seen as following the propositions laid down in the Uppsala model of internationalization: they internationalize sequentially, and they usually launch their internationalization process in countries that are close from a geographical or cultural point of view. Nonetheless, it was observed that some family SMEs internationalize rapidly to several countries after the reins are taken up by the next generation; these firms can be termed "born-again globals". In their foreign direct investment, FBs were seen as having a less

⁵ Several authors called "the ownership view", indicating that they assessed the effect of ownership on internationalization, a theory in their article, but it is better regarded merely as a viewpoint.

⁶ It should be noted that two of the articles examined issues relating to two of these categories; hence they are listed as belonging to both categories.

Table 4

Articles included in the review. Articles marked with an asterisk (*) are comparative articles, contrasting FBs and non-FBs.

No.	Year	Author(s)/journal	Topic of the article	Main findings
1	1991	Gallo and Sveen/FBR	Factors influencing FB internationalization	The restricting factors in FB internationalization are mainly organizational; they include unwillingness to accept outside expertise, difficulties in hiring new managers with international responsibility, a fear of losing control, and poorly developed information and control systems.
2	1993	Svinth and Vinton/FBR	Managerial/strategic issues	International joint ventures between FBs are more likely to succeed than those between FBs and non-FBs; this is explained by similar values (even across cultures), including trust, loyalty, and continuation of the family.
3	1996	Gallo and Pont/FBR	Factors influencing FB internationalization	Restricting factors in FB internationalization include: product orientation to the domestic customer, a lack of financial resources or family members prepared for internationalization, resistance of the management team towards internationalization, an unwillingness to form alliances, intra-firm power struggles. Facilitating factors include: the possibility for work opportunities for other family members through internationalization, members of the family residing in various countries, a general long-term orientation, speed in decision-making, and the possibility of alliances with other FBs. Non-leading FBs orient themselves more towards international markets. FBs monitor the international environment irregularly, and do not integrate global developments within their domestic decisions. If a family firm does not get involved in international business in the first or second generation, it is unlikely to do so in the third generation. In addition to exporting, FBs form joint ventures.
4	1999	Okoroafo/FBR	Factors influencing FB internationalization	Internet usage and investments in information technology have a positive influence on the internationalization and organizational growth of FBs.
5	2000	Davis and Harveston/FBR	Factors influencing FB internationalization	The influence of paternalism, nepotism, personalism, and fragmentation in Chinese FBs is less relevant if the firm acts regionally or globally.
6	2000	Yeung/FBR	Factors influencing FB internationalization	The founder has a heavy involvement in establishing international operations and wants to have total control of everything. The role of intuition in decision-making is crucial.
7	2001	Tsang/JSBM	Internationalization process	In the foreign direct investment process, FBs have a less formal and structured way of collecting information and conducting analyses than non-FBs; semi-FBs are situated somewhere in between these two.
8*	2002	Tsang/JBV	Internationalization process	FBs move stepwise from psychically close to psychically more distant destinations.
9	2002	Child, Ng and Wong/ISMO	Internationalization process	
10*	2003	Zahra/JBV	Managerial/strategic issues	FB owner-managers maximize revenues from certain foreign markets rather than aggressively pursue internationalization into several markets.
11*	2004	Graves and Thomas/IJCSB	Managerial/strategic issues	FBs are less likely to internationalize than non-FBs; family firms are less likely to engage in networking with other businesses.
12	2005	Casillas and Acedo/IJCSB	Factors influencing FB internationalization	The higher the perception of risks, the lower the firm's internationalization level.
13*	2005	Erdener and Shapero/MOR	Managerial/strategic issues	The older the firm, the larger its size, and the higher its internationalization level.
14*	2005	Fernández and Nieto/FBR	Factors influencing FB internationalization	Concerning OLI (ownership, location, internalization) advantages, the international Chinese family enterprise is analytically distinct from other kinds of firms.
15	2005	George, Wiklund and Zahra/JOM	Factors influencing FB internationalization	The arrival of new generations has a positive influence on the internationalization of family firms; FBs are less likely to internationalize than non-FBs.
16*	2005	Menéndez-Requejo/IJCSB	Factors influencing FB internationalization	Institutional and VC ownership increase the scale of SME internationalization, indicating the important role these investors play in firms of this kind. On the other hand, CEO and top management team management increase managerial risk aversion, and also the scope and scale of internationalization.
17*	2005	Thomas and Graves/JBE	Managerial/strategic issues AND factors influencing FB internationalization	New generations have a positive influence on the internationalization of family firms.
18*	2006	Crick, Bradshaw and Chaudry/JSBED	Managerial/strategic issues	Unless family business managers have the freedom to act autonomously, the ability to benefit internationally from such innovation capability may be limited; FB owners do not borrow from external sources to facilitate internationalization; the decision to internationalize was found to be taken for longer term strategic reasons.
19*	2006	Fernández and Nieto/JBS	Managerial/strategic issues	Family SMEs and non-family SMEs did not develop very different bundles of resources in order to be internationally successful.
20*	2006	Graves and Thomas/FBR	Managerial/strategic issues	FBs have difficulties in building a portfolio of strategic resources, and this makes international success more difficult for them. Ownership by corporate shareholders was a positive indicator for the scale of family SME internationalization.
21*	2007	Basly/BJM	Managerial/strategic issues	The managerial capabilities of family SMEs lag behind those of their non-family counterparts.
22	2007	Claver, Rienda and Quer/JGM	Internationalization process	Networking has a positive effect on the amount of internationalization knowledge among family SMEs.
23*	2007	Pinho/IMR	Managerial/strategic issues	FBs follow the propositions laid down by the Uppsala model of internationalization. Nonetheless, the phases of <i>experimental exports</i> and <i>joint ventures</i> were added to the Uppsala model of internationalization.
24*	2008	Claver, Rienda and Quer/JSBED	Managerial/strategic issues	FBs do not differ from non-FBs in their operational modes: they do not prefer indirect entry modes to direct entry modes.
25	2008	Graves and Thomas/FBR	Internationalization process AND factors influencing FB internationalization	FBs experienced the risks connected to internationalization more strongly than non-FBs.
				Most family SMEs internationalize according to the Uppsala model, but some of them internationalize rapidly, regarded as born-again global firms, for instance in the context of succession. The three key determinants for the internationalization of FBs were the level of commitment towards internationalization, the financial resources available, and the ability to commit and use those financial resources to develop the required capabilities.

formal or structured way of collecting information and conducting analysis than non-FBs. But all in all, what emerged was how little knowledge of the internationalization processes of FBs actually exists, suggesting that a great deal of verification (both qualitative and quantitative) is needed.

3.3.2. Managerial and strategic issues

Strategically, FBs were perceived as monitoring the international environment irregularly, and paying very little attention to global developments in their domestic decisions. The FB owner-managers studied were likely to seek to maximize revenues from particular foreign markets that they were acquainted with, rather than pursue internationalization aggressively across several markets. Furthermore, FB owners did not borrow from external sources to facilitate their outside expansion, and any decision to internationalize was taken for longer term strategic reasons. The managerial capabilities of family entrepreneurs were found to be poorer than those of non-family managers: although FB managers had the freedom to act autonomously, they did not display much of the innovation capability that would enable them to expand internationally. More generally, FBs were claimed to have difficulties in building a portfolio of strategic resources, and this, too, was something that made it more difficult for them to succeed internationally. Most of the articles in this group claimed that the propensity to internationalization is lower among FBs than among non-FBs; however, one study found no difference in the propensity. Ownership by outside (non-family) shareholders was seen as a positive indicator for the scale of family SME internationalization. From the perspective of networking, FBs did not form networks as easily as non-FBs.

Altogether, a number of views emerged relating to managerial and strategic issues in the context of the internationalization of family-owned firms. However, all these findings need further

verification, and also new investigative approaches (which will be discussed more in detail in Section 4 of this article). What one can say is that studies describing the management processes of family firms in the context of internationalization were almost non-existent.

3.3.3. Factors influencing FB internationalization

The articles examining this aspect mainly aimed at laying a foundation for FB internationalization considered as a sub-field for research. Their main findings suggest that the factors *inhibiting* FB internationalization are mainly organizational: they include an unwillingness to accept outside expertise, a fear of losing control, risk avoidance, and a lack of financial resources. The factors *enhancing* the internationalization of family firms include a general long-term orientation, and speed in decision-making. In addition, it was found that the FBs that are likely to be more successful in international expansion are those that have a willingness to use information technology, a capability for innovation, and a commitment to internationalization, plus the ability to distribute power and use the resources that are available. Generally speaking, the entry on the scene of new generations was seen as having a positive influence on internationalization, although generational change sometimes had no influence, or else had a negative influence on internationalization.

4. Directions for further research

Based on the review, it can be stated with certainty that the body of knowledge on FB internationalization is narrow. The actual number of articles is small. Furthermore, many of the studies that have been carried out are descriptive by nature, going no further than laying the foundations for the research sub-field of FB internationalization. Table 5, which is derived from the present

Table 5
Current knowledge and further directions for research.

Topic area	Current knowledge	Future research needs in FB studies
(i) The internationalization process	Incremental Follows mainly the Uppsala model Some FBs are "born-again global firms" FBs have limited networks	Formation and development of network ties/social capital in internationalization Verification of the Uppsala model of internationalization Effect of succession on the internationalization process Foreign market entry directed at a particular target market
(ii) Managerial and strategic issues among FBs	Domestic perspective Risk-avoiding strategies Not aggressively pursuing internationalization across several markets Outside shareholders have a positive effect on the scale of internationalization Limited managerial capabilities Management of internationalization processes unstructured	Foreign market and entry mode selection International opportunity recognition Effects of parsimony, personalism, and particularism Decision-making through "socioemotional-wealth"-perspective
(iii) Factors influencing FB internationalization	Limited financial capital Long-term plans Possibility to take quick decisions Fear of losing control in the context of internationalization	Effects of FB-specific resources: human capital, social capital, survivability capital, patient capital and governance structures Effect of internationalization on the family firm, financial performance, and family unit
(iv) Methodology	Existing research mainly answers what-questions Focus on manufacturing sector Inadequate reporting FB definition most often based on ownership and management	Answers to <i>how</i> and <i>why</i> questions; case studies Studies on service, high and low technology FBs More accurate reporting More extensive use of informants More coherent FB definition or usage of this concept's potential to describe different FBs

study, summarizes the overall situation, i.e. where the field is now, and where it might go. Thus we have four broad topic areas in column 1 of the table, namely: (i) *the internationalization process*, (ii) *managerial and strategic issues*, (iii) *factors influencing FB internationalization*, and (iv) *methodology*. Column 2, which is based on the 25 reviewed articles, summarizes the state of current knowledge. Column 3 presents the research issues that are important in developing the sub-field of FB internationalization. The future issues identified are based on the gaps between the knowledge found in the articles within this review, and the knowledge one might aim at in the research fields of *international business* (see e.g. Acedo & Casillas, 2005; Knight & Kim, 2009), *international entrepreneurship* (see e.g. Coviello & Jones, 2004; Coviello & McAuley, 1999; Dimitratos & Jones, 2005; Keupp & Gassmann, 2009), and *family business* (see e.g. Carney, 2005; Chrisman, Steier, & Chua, 2006; Sharma, 2004; Sirmon & Hitt, 2003; Zahra & Sharma, 2004). Below, we shall consider the topic areas in column 1 individually.

4.1. The internationalization process

The five studies examining FB internationalization from the perspective of the internationalization process indicated that the internationalization of FBs is incremental and mainly follows the Uppsala model of internationalization; by contrast, some FBs were regarded as “born-again” global firms. Concerning networks, the only fact revealed in the studies is that the networks are limited. This means that there is a significant research gap concerning FB networks in the process of internationalization, bearing in mind that in research on other kinds of firms, networks have been extensively studied (see e.g. Coviello & McAuley, 1999). As a first main recommendation, we would suggest that the *network theory of internationalization* (Johanson & Matsson, 1988) could provide valuable insights on the network dynamics of FB internationalization. It could clarify the kinds of networks FBs use when they internationalize (involving e.g. the role of family ties), and how these networks evolve during internationalization. Miller, Le Breton-Miller, and Scholnick (2008) have noted that family firms are different from non-family firms in the sense that in FBs the community of employees is nurtured very carefully, and closer connections with customers are sought in order to sustain the business. In the international arena, the nurturing of these aspects could prove especially demanding, since the cooperating partners are culturally and psychologically different, and often also geographically far away. On the other hand, such nurturing could lead to especially good international relationships once trust has been established. *Family/social capital theory* (e.g. Adler & Kwon, 2002) is another alternative that could help us to understand networks and their nature (including, for instance, the role of trust) in this context. It has been suggested that social capital is particularly abundant among family-owned businesses, because of the unification of ownership and management (Salvato & Melin, 2008). Indeed, the inner bonding aspect of social capital among family firms is a well-researched topic (see e.g. Arregle, Hitt, Sirmon, & Very, 2007; Salvato & Melin, 2008), but the workings of *bridging social capital* in such firms remains an under-researched topic (Graves & Thomas, 2004). Bridging social capital occupies a particularly important place in internationalization; hence it should receive the attention of scholars.

As a second recommendation, bearing in mind the limited number of studies conducted and the focus on the general internationalization pattern, we would suggest that the *Uppsala model of internationalization* (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975) should be more extensively utilized, applying it to differing cultural contexts, since it can be assumed that family firms will follow the Uppsala model of internationalization

because of their risk-averse strategies (Claver, Rienda, & Quer, 2008; George et al., 2005). Thirdly, the effect of generational change on the internationalization of FBs ought to be studied in more detail. From earlier studies it appears that succession can accelerate, slow down, or have no effect on the internationalization of FBs (Fernandez & Nieto, 2005; Graves & Thomas, 2008). To understand this issue, we would recommend use of *International New Venture theory* (Oviatt & McDougall, 1994) in attempting to explain the behavior of FB “born-again global” firms (Bell, McNaughton, & Young, 2001; Graves & Thomas, 2008). This could also lead to a better understanding of the speed of internationalization, given that some FBs internationalize very quickly after operating for a long time in the domestic market (see e.g. Bell et al., 2001; Graves & Thomas, 2008). Fourthly, very limited knowledge is available on the internationalization processes of FBs that are directed at particular target markets. As was mentioned above, previous FB studies have concentrated solely on the general pattern of internationalization. Thus there is little knowledge of the ways in which FBs cope with cultural and psychological differences in their foreign market entries. Studies on this aspect should be conducted, bearing in mind that because of the limited financial capital, risk avoidance, and long-term commitment of FBs, this process can be assumed to be different from that among, for example, knowledge-intensive SMEs (see e.g. Ojala, 2008).

4.2. Managerial and strategic issues

According to the articles, the scale of internationalization among FBs is typically influenced by domestic perspectives, by risk-avoidance strategies, by non-aggressive internationalization into several markets, and (positively) by outside shareholders. Furthermore, FB managers are seen as having limited managerial capabilities and as conducting unstructured procurement in the context of internationalization. Because knowledge of the strategies in question appears at present to be on a general level, we would suggest that, in the future, researchers should take fully into account the kinds of major strategic decisions regarding internationalization that have been extensively studied in international business and international entrepreneurship. Based on the general strategic differences between FBs and firms with other ownership structures, one may hypothesize that there will be differences also in foreign market selection compared to other kinds of firms (see e.g. Davidson, 1983; Ojala & Tyrväinen, 2007). For instance, FB risk-avoidance strategies would lead one to expect that FBs will favor countries that are culturally and geographically close, and will select low-commitment operation modes (see e.g. Johanson & Vahlne, 1977; Kumar & Subramaniam, 1997). Related to market selection, it would be important to discover whether FBs strategically select particular foreign markets, or whether they just follow up opportunities that happen to emerge. Such a possibility arises from e.g. the study by Graves and Thomas (2008), which indicated that FBs may be more reactive than proactive when they recognize opportunities for internationalization.⁷ This is connected to another important potential research area concerning managerial and strategic issues in the internationalization of FBs, namely international opportunity recognition, which is an essential phase of internationalization (Dimitratos & Jones, 2005; Ellis, 2008; Zahra, Korri, & Yu, 2005). The opportunity recognition of FBs may well be different from that of other kinds of firm, since they have limited networks (Graves & Thomas, 2004) and lack financial resources (Gallo & Pont, 1996).

Thirdly, to get a more profound understanding of the special features of FB management in the context of internationalization, we would recommend studies on FB-specific management aspects.

⁷ Compare Ojala (2009), who studied the proactivity of software firms in foreign market entry.

For instance, three characteristics have been identified in the family form of governance, namely *parsimony*, *personalism*, and *particularism* (see Carney, 2005). *Parsimony* refers to the propensity of family firms to carefully manage resources, due to the fact that the family owns these resources. This might indicate for instance a cautious attitude and slow progress in internationalization. *Personalism* comes from the intertwining of ownership and control, all held within one family. Compared with non-family firms, this concentration of power frees family firms from the need to account for their actions to other internal and external constituencies, giving them the discretion to make decisions on their own. Hence, family firms can proceed with internationalization in the way they like, in contrast to, for instance, venture capital firms (Johanson & Vahlne, 2009). *Particularism* is the outcome of this discretion.

All this adds up to the ability of family firms to employ idiosyncratic criteria and to set goals that deviate from the typical profit-maximization concerns of non-family firms. For instance, internationalization may be directed to certain target markets of interest to the family, and if there is the determination to guarantee the maximum amount of control for the family, the firm can utilize high-control operation modes. Alternatively, features of strategic decision-making in the internationalization of FBs could be understood and explained through the “socioemotional-wealth” perspective proposed by Gomez-Mejia, Makri, and Kintana (2010). They claim that the will to guarantee the socioemotional-wealth of the FB always comes first in FB strategic decision-making. This could indicate, for instance, either high or limited financial risk-taking and a low or high level of diversification, depending on the extent to which the well being of the staff can be guaranteed. In turn, these aspects could affect, for instance, the propensity for and speed of internationalization, the countries entered, and the operation modes selected.

4.3. Factors influencing FB internationalization

Based on existing literature, the factors affecting the internationalization of FBs appear to include long-term plans, the possibility to take quick decisions, and the fear of losing control following internationalization. Furthermore, FBs have been seen as having limited financial resources. Studies are needed, first of all, on the resources used by FBs to compensate for their lack of financial resources during internationalization – for instance studies utilizing the resource-based view (Barney, 1991).

With a view to going more deeply into family firm-specific issues, one can, for instance, point to the research of Sirmon and Hitt (2003), who suggested five unique characteristics that can differentiate family firms from non-family firms, namely *human capital*, *social capital*, *survivability capital*, *patient capital*, and *governance structures*. These five unique resources (which are found in family firms but not in non-family firms) may – if linked to good management capabilities – contribute to wealth creation, with endeavors aimed at international expansion. The positive attributes of *human capital* include extraordinary commitment, warm, friendly, and intimate relationships, and the potential for deep firm-specific tacit knowledge. On the other hand, the limited utilization of outside managers by family firms has the potential to hinder their wealth creation (Sirmon & Hitt, 2003). Family firms are also based on strong *social capital*: they have shared language and narratives, norms, obligations, and a high level of trust. On this foundation, the firm can build more effective relationships with suppliers, customers, and support organizations. The *patient financial capital* of family firms is based on their long-term orientation: money is invested for long periods. The disadvantage of patient financial capital is the limited amount of external financial capital, due to unwillingness to share equity with non-family members. *Survivability capital* is related to the pooled personal resources that family members are willing to

lend, contribute, or share for the benefit of the firm. Concerning *governance structures*, family firms generally enjoy lower governance costs, and this can be a competitive advantage. Nonetheless, the agency costs of family firms may tend to increase dramatically due to the owner/manager's altruism (Sirmon & Hitt, 2003). A focus on these FB-specific features would help to clarify the special traits and resources of FBs in the context of internationalization. They could affect internationalization, for example, via the ways in which FBs look for especially trustful relationships with in-depth industry-specific knowledge, internationalize incrementally with a high degree of patience, and utilize unstructured decision-making. In addition, the FBs may be willing to utilize the financial resources of the family for internationalization, for instance during poor economic times. In further research, both the positive and the negative influences of the factors above ought to be considered. Further studies are also needed to reveal the effects that internationalization can have on a FB, other than growth and survival, including the effects that internationalization can have on the financial performance of the FB. These are important features that have been neglected in existing studies.

In conclusion, among the factors affecting FB internationalization, there is an obvious need to the study the institution of the *family* itself – an aspect hitherto ignored in studies on FB internationalization. It would be important to discover how internationalization affects the family unit and its relationships, since internationalization always has the potential to disturb the historical harmony of the firm. Furthermore, it would be of interest to determine the role that may be played by differing degrees of family ownership and/or management, and by continuity – issues highlighted by for instance Tsang (2001) and by Graves and Thomas (2008) as possibly affecting the internationalization of FBs. The division of firms into (for instance) *FBs*, *non-FBs*, and *semi-FBs* (Tsang, 2002), together with a search for similarities and differences in their internationalization behavior, could offer insights on the effects of differing degrees of family ownership. Such studies would follow up the research of Tsang (2002), who discovered that FBs had the most unstructured internationalization process, whereas non-FBs were obviously more strategic. Tsang's research further indicated that semi-FBs (with some FB-specific features⁸) had a certain degree of structure in their process, and were situated in between the other two groups. Furthermore, this perspective could put forward the findings of Sciascia et al. (2010) stating that internationalization is maximized when there is a moderate level of family ownership in the firm. In addition, a comparison of FBs with different numbers of or roles for family members in the management could improve our understanding of the issue.

4.4. Methodology

Concerning methodology, the studies we included tended to answer *what*-questions rather than *how*-questions and/or *why* questions. In the future, more case studies answering *how* and *why* questions will be needed. They will make possible a deeper investigation of the phenomenon, and the identification of similarities and differences within several cases (Eisenhardt, 1989; Yin, 1994). Secondly, in research up to now, the focus has been on the manufacturing sector. In the future, service firms and both high and low technology FBs ought to be studied, bearing in mind the verified differences between the different categories (Bell et al., 2004; O'Farrell et al., 1997). The reporting of methodological issues in the articles was often limited. Hence, in further studies there should be more attention to adequately reporting the

⁸ As stated earlier, no precise criteria for these different categories were found in the article by Tsang (2002).

methodology, for the sake of the validity of the studies. In addition, to avoid biases due to individual opinions (Huber & Power, 1985), the range of informants could be extended from executives to other persons involved in internationalization.

In the existing studies, the definition of a family business was most often based on ownership and management perspectives – although many variations were found. In the future, it would be good if the definition could be made more consistent. Another interesting alternative would be to look at whether internationalization is different when the definition of a family firm is based on all four criteria (ownership, management, continuity, subjective perception) or on one, or two, or three of them. Differences in types of family businesses – or business families – might well be related to differences in the internationalization process and its outcome. Clearly, investigations are needed to clarify this issue.

5. Conclusions

Altogether, several important contributions emerge from this study. To the best of our knowledge, this is the first academic article to introduce contemporary research on FB internationalization. Secondly, our study serves as a step towards identifying the kinds of background theories and methodologies that have been used to study FB internationalization, and determining what is currently known about the phenomenon. Most importantly, the study identifies various fruitful areas of research. The point we would emphasize is that current research on FB internationalization offers very limited knowledge on the processes and strategies that make FBs unique in their internationalization. We have therefore suggested the use of FB-specific perspectives that would provide the sub-field of FB internationalization with a more holistic understanding of the features that distinguish FBs from other firms.

From a managerial perspective, FB managers ought to be aware of their strengths concerning the internationalization and take advantage of them. FB-specific advantages in the context of internationalization include a long-term view, a high level of trust, and the possibility to take quick decisions. The long-term commitment of FBs can help to assure potential partners and investors of the continuity of the process, and the high level of trust inside the firm can enhance the formation of outside network ties. In internationalization, the ability of FBs to make quick decisions can be especially important, since internationalization is a very dynamic process in which the ability to react quickly to new international opportunities can be critical. Furthermore, FB managers ought to minimize the effect of features that will tend to impede their internationalization, such as a domestic perspective, unstructured management processes, and limited networks. FB managers could overcome these disadvantages by increasing their knowledge of internationalization strategies and of different cultures. Other measures would include training the next generation, hiring outsiders within the management, regularly monitoring the international environment, and actively attending international occasions (such as trade exhibitions) where there is the chance to network with potential foreign partners.

Acknowledgements

The authors thank Mattias Nordqvist and the anonymous reviewers for their invaluable comments and suggestions on the earlier drafts of the manuscript.

References

Acedo, F. J., & Casillas, J. C. (2005). Current paradigms in the international management field: An author co-citation analysis. *International Business Review*, 14, 616–639.

- Adler, P. S., & Kwon, S.-W. (2002). Social capital: Prospects for a new concept. *Academy of Management Review*, 27(1), 17–40.
- Arregle, J.-L., Hitt, M. A., Sirmon, D. G., & Very, P. (2007). The development of organizational social capital: Attributes of family firms. *Journal of Management Studies*, 44(1), 73–95.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.
- Basly, S. (2007). The internationalization of family SME: An organizational learning and knowledge development perspective. *Baltic Journal of Management*, 2(2), 154–180.
- Bell, J., Crick, D., & Young, S. (2004). Small firm internationalization and business strategy. *International Small Business Journal*, 22(1), 23–56.
- Bell, J., McNaughton, R., & Young, S. (2001). 'Born-again global' firms: An extension to the 'born global' phenomenon. *Journal of International Management*, 7, 173–189.
- Bell, J., McNaughton, R., Young, S., & Crick, D. (2003). Towards an integrative model of small firm internationalisation. *Journal of International Entrepreneurship*, 1(4), 339–362.
- Carney, M. (2005). Corporate governance and competitive advantage in family-controlled firms. *Entrepreneurship Theory and Practice*, 29(3), 249–265.
- Casillas, J. C., & Acedo, F. J. (2005). Internationalisation of Spanish family SMEs: An analysis of family involvement. *International Journal of Globalisation and Small Business*, 1(2), 134–151.
- Casillas, J. C., Acedo, F. J., & Moreno, A. M. (2007). *International entrepreneurship in family businesses*. Cheltenham, UK: Edward Elgar Publishing.
- Child, J., Ng, S. H., & Wong, C. (2002). Psychic distance and internationalization: Evidence from Hong Kong firms. *International Studies of Management & Organization*, 32(1), 36–56.
- Chrisman, J. J., Steier, L. P., & Chua, J. H. (2006). Personalism, particularism, and the competitive behaviors and advantages of family firms: An introduction. *Entrepreneurship Theory and Practice*, 30(6), 719–729.
- Claver, E., Rienda, L., & Quer, D. (2007). The internationalisation process in family firms: Choice of market entry strategies. *Journal of General Management*, 33(1), 1–14.
- Claver, E., Rienda, L., & Quer, D. (2008). Family firms' risk perception: Empirical evidence on the internationalization process. *Journal of Small Business and Enterprise Development*, 15(3), 457–471.
- Coviello, N. E., & Jones, M. V. (2004). Methodological issues in international entrepreneurship research. *Journal of Business Venturing*, 19(4), 485–508.
- Coviello, N. E., & McAuley, A. (1999). Internationalisation and the smaller firm: A review of contemporary empirical research. *Management International Review*, 39(3), 223–256.
- Crick, D., Bradshaw, R., & Chaudry, S. (2006). Successful internationalising UK family and non-family-owned firms: A comparative study. *Journal of Small Business and Enterprise Development*, 13(4), 498–512.
- Davidson, W. H. (1983). Market similarity and market selection: Implications for international marketing strategy. *Journal of Business Research*, 11, 439–456.
- Davis, P. S., & Harveston, P. D. (2000). Internationalization and organizational growth: The impact of internet usage and technology involvement among entrepreneur led family businesses. *Family Business Review*, 13(2), 107–120.
- Dimitratos, P., & Jones, M. V. (2005). Future directions for international entrepreneurship research. *International Business Review*, 14(2), 119–128.
- Dunning, J. H. (1980). Toward an eclectic theory of international production: Some empirical tests. *Journal of International Business Studies*, 11(1), 9–31.
- Eisenhardt, K. M. (1989). Building theories from case study research. *Academy of Management Review*, 14(4), 532–550.
- Ellis, P. (2008). *Social ties and international opportunity recognition*. Unpublished manuscript. Hong Kong Polytechnic University.
- Erdener, C., & Shapiro, D. M. (2005). The internationalization of Chinese family enterprises and Dunning's eclectic MNE paradigm. *Management and Organization Review*, 1(3), 411–436.
- Fernandez, Z., & Nieto, M. J. (2005). Internationalization strategy of small and medium-sized family businesses: Some influential factors. *Family Business Review*, 18(1), 77–89.
- Fernandez, Z., & Nieto, M. J. (2006). Impact of ownership on the international involvement of SMEs. *Journal of International Business Studies*, 37(3), 340–351.
- Gallo, M. A., & Pont, C. G. (1996). Important factors in family business internationalization. *Family Business Review*, 9(1), 45–59.
- Gallo, M. A., & Sveen, J. (1991). Internationalizing the family business: Facilitating and restraining factors. *Family Business Review*, 4(2), 181–190.
- George, G., Wiklund, J., & Zahra, S. A. (2005). Ownership and the internationalization of small firms. *Journal of Management*, 31(2), 210–233.
- Gomez-Mejia, L. R., Makri, M., & Kintana, M. L. (2010). Diversification decisions in family-controlled firms. *Journal of Management Studies*, 47(2), 223–252.
- Graves, C., & Thomas, J. (2004). Internationalisation of the family business: A longitudinal perspective. *International Journal of Globalisation and Small Business*, 1(1), 7–27.
- Graves, C., & Thomas, J. (2006). Internationalization of Australian family businesses: A managerial capabilities perspective. *Family Business Review*, 19(3), 207–224.
- Graves, C., & Thomas, J. (2008). Determinants of the internationalization pathways of family firms: An examination of family influence. *Family Business Review*, 21(2), 151–167.
- Huber, G. P., & Power, D. J. (1985). Retrospective reports of strategic-level managers: Guidelines for increasing their accuracy. *Strategic Management Journal*, 6, 171–180.
- Johanson, J., & Mattsson, L.-G. (1988). Internationalisation in industrial systems – A network approach. In N. Hood J.-E. Vahlne (Eds.), *Strategies in global competition* (pp. 287–314). London: Croom Helm.
- Johanson, J., & Vahlne, J. (2003). Business relationship learning and commitment in the internationalization process. *Journal of International Entrepreneurship*, 1(1), 83–101.

- Johanson, J., & Vahlne, J.-E. (1977). The internationalization process of the firm: A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23–32.
- Johanson, J., & Vahlne, J.-E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40, 1411–1431.
- Johanson, J., & Wiedersheim-Paul, F. (1975). The internationalization of the firm: Four Swedish cases. *Journal of Management Studies*, 12(3), 305–322.
- Keupp, M. M., & Gassmann, O. (2009). The past and the future of international entrepreneurship: A review and suggestions for developing the field. *Journal of Management*, 35(3), 600–633.
- Knight, G., & Kim, D. (2009). International business competence and the contemporary firm. *Journal of International Business Studies*, 40, 255–273.
- Kumar, V., & Subramaniam, V. (1997). A contingency framework for the mode of entry decision. *Journal of World Business*, 32(1), 53–72.
- McKibbin, P., & Pistrui, D. (1997). East meets west: Innovative forms of foreign trade finance between Italian family enterprises and emerging SMEs in Romania. *Family Business Review*, 10(3), 263–280.
- Menéndez-Requero, S. (2005). Growth and internationalization of family businesses. *International Journal of Globalisation and Small Business*, 1(2), 122–133.
- Miller, D., Le Breton-Miller, I., & Scholnick, B. (2008). Stewardship vs. stagnation: An empirical comparison of small family and non-family businesses. *Journal of Management Studies*, 45(1), 51–78.
- O'Farrell, P. N., Wood, P. A., & Zheng, J. (1997). Internationalisation by business service SMEs: An inter-industry analysis. *International Small Business Journal*, 16(2), 13–33.
- Ojala, A. (2008). Entry in a psychically distant market: Finnish small and medium-sized software firms in Japan. *European Management Journal*, 26(2), 135–144.
- Ojala, A. (2009). Internationalization of knowledge-intensive SMEs: The role of network relationships in the entry to a psychically distant market. *International Business Review*, 18(1), 50–59.
- Ojala, A., & Tyrväinen, P. (2007). Market entry and priority of small and medium-sized enterprises in the software industry: An empirical analysis of cultural distance, geographical distance, and market size. *Journal of International Marketing*, 15(3), 123–149.
- Okoroafo, S. C. (1999). Internationalization of family businesses: Evidence from north-west Ohio, U.S.A. *Family Business Review*, 12(2), 147–158.
- Oviatt, B. M., & McDougall, P. P. (1994). Toward a theory of international new ventures. *Journal of International Business Studies*, 25(1), 45–64.
- Pinho, J.-C. (2007). The impact of ownership: Location-specific advantages and managerial characteristics on SME foreign entry mode choices. *International Marketing Review*, 24(6), 715–734.
- Salvato, C., & Melin, L. (2008). Creating value across generations in family-controlled businesses: The role of family social capital. *Family Business Review*, 21(3), 259–276.
- Sciascia, S., Mazzola, P., Astrachan, J. H., & Pieper, T. (2010). The role of family ownership in international entrepreneurship: Exploring nonlinear effects. *Small Business Economics*. doi:10.1007/s11187-010-9264-9, Published online 07 March 2010.
- Sharma, P. (2004). An overview of the field of family business studies: Current status and directions for the future. *Family Business Review*, 17(1), 1–36.
- Sirmon, D. G., Arregle, J.-L., Hitt, M. A., & Webb, J. W. (2008). The role of family influence in firms' strategic responses to threat of imitation. *Entrepreneurship Theory and Practice*, 32(6), 979–998.
- Sirmon, D. G., & Hitt, M. A. (2003). Managing resources: Linking unique resources, management, and wealth creation in family firms. *Entrepreneurship Theory and Practice*, 27(4), 339–358.
- Svinth, R. L., & Vinton, K. L. (1993). Do family-owned businesses have a strategic advantage in international joint ventures? *Family Business Review*, 6(1), 19–30.
- Thomas, J., & Graves, C. (2005). Internationalising the family firm as a demonstration of an entrepreneurial culture. *Journal of Small Business and Entrepreneurship*, 17(2), 91–113.
- Transfield, D., Denyer, D., & Smart, P. (2003). Towards a methodology for developing evidence-informed management knowledge by means of systematic review. *British Journal of Management*, 14, 207–222.
- Tsang, E. W. K. (2001). Internationalizing the family firm: A case study of a Chinese family business. *Journal of Small Business Management*, 39(1), 88–94.
- Tsang, E. W. K. (2002). Learning from overseas venturing experience: The case of Chinese family businesses. *Journal of Business Venturing*, 17(1), 21.
- Vago, M. (1995). Why fish must learn to see the water they swim in. *Family Business Review*, 8(4), 313–325.
- Wright, M., Westhead, P., & Ucbasaran, D. (2007). Internationalization of small and medium-sized enterprises (SMEs) and international entrepreneurship: A critique and policy implications. *Regional Studies*, 41(7), 1013–1029.
- Yeung, H. W. (2000). Limits to the growth of family-owned business? The case of Chinese transnational corporations from Hong Kong. *Family Business Review*, 13(1), 55–70.
- Yin, R. K. (1994). *Case study research: Design and methods* (2nd ed.). Newbury Park, CA: SAGE Publications.
- Zahra, S. A. (2003). International expansion of U.S. manufacturing family businesses: The effect of ownership and involvement. *Journal of Business Venturing*, 18(4), 495–512.
- Zahra, S. A., Korri, J. S., & Yu, J. F. (2005). Cognition and international entrepreneurship: Implications for research on international opportunity recognition and exploitation. *International Business Review*, 14(2), 129–146.
- Zahra, S. A., & Sharma, P. (2004). Family business research: A strategic reflection. *Family Business Review*, 17(4), 331–346.

II

INTERNATIONALIZATION PATHWAYS OF FAMILY SMEs: PSYCHIC DISTANCE AS A FOCAL POINT

by

Tarja Kontinen and Arto Ojala 2010

Journal of Small Business and Enterprise Development 17 (3), 437-454.

Reprinted with kind permission by Emerald



Internationalization pathways of family SMEs: psychic distance as a focal point

Pathways
of family
SMEs

437

Tanja Kontinen and Arto Ojala

School of Business and Economics, University of Jyväskylä, Jyväskylä, Finland

Abstract

Purpose – The purpose of this paper is to investigate how psychic distance affects the internationalization process, foreign market entry (FME), and entry mode choice of Finnish small and medium-sized family enterprises (family SMEs) operating in France.

Design/methodology/approach – The paper reports findings from an in-depth case study covering four Finnish manufacturing family SMEs operating in the French market. The data were analyzed using the Uppsala model and distance creating and distance-bridging factors encountered in the FME to France.

Findings – The findings reveal that the family SMEs mainly followed a sequential process and favored indirect entry modes before entering the French market. The French market was psychically distant, but the case firms were able to overcome the distance by using different distance-bridging factors. Based on the findings, it can be argued that psychic distance has an especially important role in the internationalization and the FME of family SMEs, mainly because of their general cautiousness caused by family presence.

Research limitations/implications – Although the case study method made it possible to acquire detailed knowledge about the firms' internationalization, the findings can be generalized only to some extent.

Practical implications – Managers of family SMEs and family members should be provided with the capacity to overcome distance-creating factors, they might encounter in their FME. The decision to internationalize is a strategic change that will most probably change the historical harmony of the firm.

Originality/value – Prior research has mainly focused only on general internationalization pathways of family SMEs. In addition and contrast to the previous studies, this paper investigates the role of perceived psychic distance in family SMEs' FME and entry mode choice in a certain target market.

Keywords Family firms, Small-to medium-sized enterprises, International business, Market entry, Finland, France

Paper type Research paper

1. Introduction

Family-owned and managed firms, most of which are small or medium of their size, continue to dominate the global economy and many of them outperform their non-family counterparts (Miller and Breton-Miller, 2006). As family business (FB) research is rather recent, there are many areas to be covered in order to understand how family ownership and presence in FBs affect their business activities. Although FBs have traditionally been domestic firms, many of them are increasingly searching for growth opportunities in foreign markets (Claver *et al.*, 2007; Fernandez and Nieto, 2005; Zahra, 2003). Consequently, internationalization of FBs has recently emerged as an important research stream to understand the interplay between the nature of FB and their internationalization behavior (Claver *et al.*, 2007; Graves and Thomas, 2008).



As earlier studies have indicated that the internationalization process of family SMEs is rather slow and risk averse, they more likely internationalize their operations to nearby countries sharing similar business environments (Claver *et al.*, 2007; Harris *et al.*, 1994). This kind of internationalization is related to the Uppsala internationalization model (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977) that describes firms' internationalization as a stepwise process. In the model, firms favor nearby countries within a low psychological distance in the beginning of their internationalization process, because business environments in these countries are easier to understand. Although some authors (Claver *et al.*, 2007; Graves and Thomas, 2008) have investigated psychic distance in the internationalization process of FBs, these studies have covered the general patterns of internationalization. However, the impact of psychic distance on the foreign market entry (FME) of family SMEs remains a neglected research area, despite its importance to firms' FME indicated in several studies (Child *et al.*, 2002; Dow and Karunaratna, 2006; Ellis, 2008).

The aim of this paper is to contribute to the understanding of the internationalization of family SMEs in the case where these firms enter a market that is geographically relatively close but psychologically distant. Thus, four Finnish family-owned SMEs operating in the French market were selected as the target group. The French market can be conceptualized as being psychologically distant from Finland due to cultural and linguistic differences (Irrmann, 2006; Trompenaars and Hampden-Turner, 1997), but the European Union (EU), on the contrary, eliminates all the formal restrictions for business. This research setting helps us explore the internationalization pathways the family SMEs used prior to and during their FME into the French market and how psychic distance, in the form of distance creating and distance-bridging factors, affected these processes. For the above-discussed reasons, the following research questions are of particular interest for this study:

- RQ1. To what extent does psychic distance influence the overall internationalization process, and, more specifically, the FME and the entry mode choice of family SMEs when entering the French market?
- RQ2. What kinds of distance-creating factors do family SMEs experience in the FME and their business operations in France?
- RQ3. How are family SMEs able to overcome these distance-creating factors?

2. Literature review

This section begins by reviewing the literature on internationalization process theory and by presenting how psychic distance is conceptualized. Thereafter, internationalization of SMEs is discussed in the context of psychic distance. Finally, literature related to the internationalization of family SMEs is presented.

Internationalization and psychic distance

Several traditional internationalization theories indicate that the internationalization of firms can be described as a stepwise process (Bilkey and Tesar, 1977; Johanson and Wiedersheim-Paul, 1975; Luostarinen, 1979) where firms internationalize their operations from nearby markets to more distant ones. According to the Uppsala model, firms tend to favor nearby countries within a low psychological distance when they start their foreign operations and only thereafter expand their operations to psychologically

distant markets. This argument is related to the assumption that business environments in psychically nearby countries are easier to understand and make the business operations easier to implement. In their study, Johanson and Wiedersheim-Paul (1975, p. 308) define psychic distance as “[...] factors preventing or disturbing the flow of information between firm and market”. These factors were mentioned to be related to differences in language, culture, political system, level of education and industrial development, etc. In addition to the actual internationalization process, the model describes the evolution of entry modes through four stages:

- (1) no regular export;
- (2) export through agents;
- (3) founding an overseas sales subsidiary; and
- (4) own production.

Thus, the operations in a foreign country are supposed to start through indirect entry modes (stages (1) and (2)), which do not require an own unit in the target country. Consequently, a firm’s knowledge about the target country increases, with time, and the firm starts learn how to deal with the customers in that country. Once the country has become more familiar for the firm due to increased knowledge, direct operations (stages (3) and (4)) can be established. However, the model does not include joint-venture operations which are common in the foreign operations and require intermediate levels of knowledge and commitment.

Owing to the fact that the Uppsala model conceptualizes psychic distance as a sum of factors inhibiting firms’ internationalization, several scholars have solely investigated factors creating distances between countries (Brewer, 2007; Dow and Karunaratna, 2006; Evans and Mavondo, 2002). However, some scholars have indicated that psychic distance is not a stable phenomenon and it can be experienced in different ways (Child *et al.*, 2002; Sousa and Bradley, 2006). For instance, Sousa and Bradley (2006, p. 61) indicate that “psychic distance captures the manager’s individual perception of the differences between the home and the host country and is a highly subjective interpretation of reality”. Thus, some of the employees can be more conformable to differences between the home and the target country than others based on their earlier experiences. This distinguishes psychic distance from cultural distance, which has commonly been examined by measuring Hofstede’s (2001) cultural values between countries. This means also that psychic distance can be overcome by actions made by a firm or an entrepreneur, also known as distance-bridging factors. For instance, the study of Child *et al.* (2002) reveals that actions taken by firms and managers’ personal networks with trusted friends in foreign countries facilitate FME into a distant market. In addition, Nordström and Vahlne (1994) indicate that distance can be overcome by knowledge dissemination or trial and error processes.

Internationalization of SMEs

Internationalization of SMEs has emerged as an important research topic during the last decades, as earlier internationalization studies focused mainly on multinational corporations. Interest toward SMEs and their international activities has increased because these firms are very beneficial to local economies. SMEs create the majority of new jobs, open new market sectors, develop new products and services,

and consequently generate potential multinational corporations (OECD, 2000; Ruzzier *et al.*, 2006). Internationalization of SMEs is commonly seen to be accelerated by the development of communication and transportation channels, homogenization of markets and increasing international and cultural awareness (Autio, 2005; Oviatt and McDougall, 2005). For these reasons, a number of researchers have concluded that the internationalization process of SMEs does not follow the traditional internationalization theories, such as the Uppsala model (Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975).

Empirical findings of the studies investigating the internationalization of SMEs have been twofold. Some studies have found evidence that psychic distance has an impact on the market sequence of these firms, whereas others have not. In their study, Madsen and Servais (1997) indicate that the market selection of rapidly internationalizing SMEs is based on managers' past experiences and the existence of partners rather than on geographic or psychic distance between countries. The study by Crick and Jones (2000) also questioned the impact of psychic distance on the market selection of high-technology SMEs. They argue that market selections are more related to growth opportunities of firms' niche products than psychic distance. On the other hand, some studies related to the internationalization of SMEs have found support for a sequent entry process, but authors have suggested alternative factors explaining internationalization as opposed to psychic distance between countries. In his study, Bell (1995) argues that customer followership, niche markets and industry-specific trends explained the internationalization of small software firms more clearly than psychic distance between countries. The study of Coviello and Martin (1999) also indicate that psychic distance has an impact on the internationalization of SMEs in consulting sectors. However, they argue that market entries were more related to entrepreneurs' formal in informal network relationships than impact of psychic distance.

In contrast, some studies related to the internationalization of SMEs have found support to stepwise internationalization process. In their study, Chetty and Campbell-Hunt (2004) argue that both traditional and rapidly internationalizing SMEs follow the logic of psychic distance by first entering psychically close countries and then subsequently psychically distant ones. Hashai and Almor (2004) investigated the internationalization process of rapidly internationalizing SMEs from Israel. Their findings reveal that these firms enter the psychically closest markets first in their internationalization process. However, the market entry process was reported as being faster than suggested in the Uppsala model. As most of the studies have investigated psychic distance in the general pattern of SME internationalization, studies by Ojala (2008, 2009) and Ojala and Tyrväinen (2009) investigated to the impact of psychic distance when SMEs are entering a certain target country. The findings in these studies indicate that although psychic distance created several challenges to Finnish software SMEs entering Japan, they were able to overcome these obstacles by utilizing different types of network relationships (Ojala, 2009) and by recruiting the employees with relevant cultural and linguistic knowledge (Ojala, 2008; Ojala and Tyrväinen, 2009). The importance of managers' foreign language skills in SMEs internationalization is also indicated in the study of Knowles *et al.* (2006). Thus, it seems that network relationships, cultural knowledge, and language skills are important distance-bridging factors for SMEs.

Internationalization of family SMEs

Internationalization of FBs has been studied since the beginning of 1990s, but only recently, the theme has attracted more attention. Nevertheless, the studies about FB internationalization generally focus on FBs of all sizes. Hence, the research papers dealing with family SMEs are not numerous. In this section, we will discuss FB internationalization in general before moving on to the internationalization of family SMEs.

According to current studies, FBs are less likely to internationalize than their non-FBs counterparts (Fernandez and Nieto, 2005; Graves and Thomas, 2006). This might be due to limited growth aspirations (Donckels and Fröhlich, 1991) and restricted financial capital (Gallo and Pont, 1996) of family firms. Limiting factors in FB internationalization are considered to be mainly organizational, such as not recruiting outside expertise for the process, internationalization with small management teams, and the difficulty with hiring new managers with international responsibility (Gallo and Sveen, 1991; Graves and Thomas, 2006). On the contrary, Crick *et al.* (2006) in their investigation into successful family SMEs found that family SMEs hired outside expertise in the context of internationalization because of their strong commitment to the business and family.

All in all, family involvement in management has been indicated to cause cautiousness in the internationalization process of FBs (Claver *et al.*, 2008). Thus, it is more likely that FBs take a traditional pathway to internationalization (Claver *et al.*, 2007) and proceed sequentially (Graves and Thomas, 2008). Harris *et al.* (1994) and Claver *et al.* (2007) found that FBs tend to choose psychologically close countries when expanding globally. As to operation modes, Pinho (2007) found that FBs did not prefer indirect to direct entry modes and, hence, did not differ from non-FBs. In the foreign direct investment process, FBs have been suggested to have a less formal and structured way of collecting information and conducting analysis than non-FBs (Tsang, 2002). Fernandez and Nieto (2006) suggest that, all in all, it might be harder for FBs to build a portfolio of strategic resources than for firms with corporate governance, causing difficulties in the success of international business.

Although, as indicated in the previous paragraph, most family SMEs take a traditional pathway to internationalization, indicating a sequential process (Graves and Thomas, 2008); some family SMEs were seen to take born-again global pathways, in other words, a rapid internationalization strategy that could take place in the context of succession of the firm to the next generation (Graves and Thomas, 2008). A central determinant in the internationalization pathways of family SMEs was the ability to develop the firm's international network of relationships and, especially, their production, managerial and marketing capabilities: the firm needed to change from a production mindset to a more customer-oriented mindset (Graves and Thomas, 2008).

The decision-making process of family SMEs in the context of internationalization is regarded as being informal, unstructured and founder centered (Tsang, 2001). Decision making is based on the intuition of the founder, and other managers, especially non-family members, learned very little from the process (Tsang, 2001). Family SME owners did not borrow from external sources to facilitate their outside expansion, and the decision to internationalize was found to be related to longer term strategic reasons (Thomas and Graves, 2005). Nonetheless, unless family SME managers had the freedom to act autonomously, the ability to benefit internationally

from such an innovation capability might be limited (Thomas and Graves, 2005). Tsang (2001) also found that a long time was required to build trust in a non-family member involved in business operations. Interestingly, the enterprise culture, architecture, decorations, etc. of the headquarters were duplicated in the target country (Tsang, 2001, 2002). Concerning networking, family SMEs were considered less likely to engage in networking with other businesses than did non-family SMEs (Thomas and Graves, 2005).

Summary of the literature review

Empirical findings related to the internationalization of FBs have found evidence that FBs internationalize their operations gradually because of the specific nature of their business. This equates to the internationalization process of firms described in the Uppsala model. However, the impact of psychic distance on FME of family SMEs remains unresolved as earlier studies have focused solely on the general pattern of internationalization where a firm internationalizes its operations from home country to several foreign markets. In addition, there is no evidence of the specific factors creating distances in FME and how the firms are able to overcome these distance-creating factors. By focusing on these issues, the present paper contributes to the understanding of the internationalization process, FME and entry mode choice of family SMEs.

3. Methodology

Multiple case-study method was selected for this study due to the explanatory nature of the research questions. It enables in-depth investigation and explanation of cause-and-effect relationships (Yin, 1994). As advised in the study of Eisenhardt (1989), the case firms were selected for theoretical reasons instead of random sampling. The selected case firms were family-owned small or medium-sized Finnish enterprises having operations in the French market. All the case firms were from manufacturing sector and had a maximum of 250 employees. Thus, they fulfilled the Finnish Government's and EU's criteria for SMEs having 250 or less employees (OECD, 2003). Consistent with the earlier literature, for instance, Graves and Thomas (2008), this study defines a family firm as one that is majority family-owned and has at least one family member in the management team.

Finland was chosen as the country of origin due to its small and open economy and limited domestic market where internationalization is a common growth strategy. The main reason for choosing France as a target country of this study was the interest in the possible impact of psychic distance on the market entry. Despite its geographical closeness to Finland, France is culturally different. In Trompenaars' and Hampden-Turner's (1997) seven-scope cultural model, Finland and France belong to different ends in several cultural classifications. Irrmann (2006) also stated in his study concerning communication in Finnish-French mergers and acquisitions that Finnish and French had many conflicts due to their cultural differences, especially differing ways of communication. Thus, as both countries belong to the EU that eliminates all formal entry barriers, the difficulties in business might be more related to perceived differences by entrepreneurs.

Altogether, six semi-structured open-ended interviews were conducted with managers in each firm. In the first round, realized in 2004, all the case firms were studied by conducting face-to-face interviews with one informant per firm. Within the

second round, executed in 2008, two new informants from the medium-sized firms A and C were interviewed by using a telephone and a face-to-face interview. In addition, many types of secondary information (web sites and annual reports, etc.) were collected and analyzed. All the interviews lasted from 60 to 90 minutes. The respondents were people that were actively involved in the internationalization process, except in Firm B where the informant was the current international business manager. However, Firm B had a good documentation about its whole history, including internationalization to France. Table I summarizes the key information on the case firms. Firms were established between 1876 and 1967. The number of personnel varies from 18 to 249 employees, the average being 122 employees.

All the interviews were digitally recorded, carefully listened to and transcribed verbatim with the help of a word processor. During the second listening, the correspondence between recorded and transcribed data were accurate. Complete case reports were sent back to interviewees, and all the inaccuracies they noticed were corrected based on their comments. In addition, e-mail communication was used to collect further information from the interviewees if needed. In the analysis phase, all four individual cases were written up as stand-alone case histories. Second, the unique patterns of each case were identified and similar patterns were categorized under themes based on the three research questions in this study. Also, checklists and event listings were used to identify critical entry events related to internationalization process, FME, and entry mode choice of each firm.

4. Findings

Entry into the French market

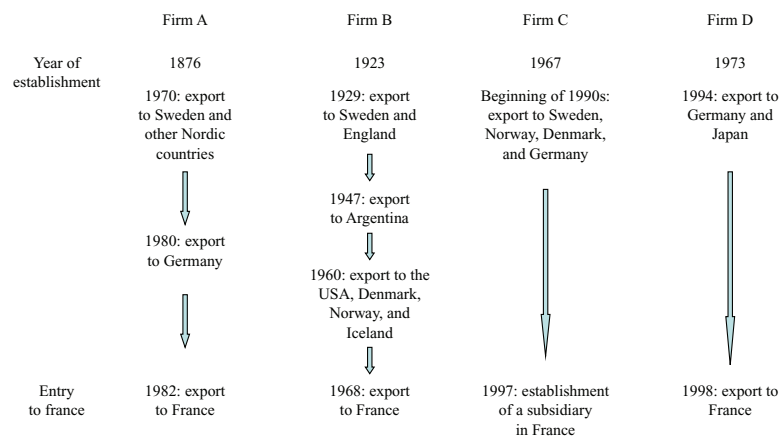
As shown in Figure 1, all the case firms started to operate internationally between six and 94 years after the date of establishment. Firm B started to internationalize in 1929, Firm A in 1970, and Firms C and D in the beginning of 1990s. Firms A-C exported first to Sweden and Firm D to Germany. Countries typically following Sweden and Germany were other Nordic countries and England. Firms B and D exported as far as to Japan, Argentina and the USA before entering France. France was between the third and the eighth country to enter for the case FBs.

Firm A entered the French market in 1982, having found an agent who was interested in selling their product in France. This was preceded by market research and participation of Firm A in an trade exhibition. The product suited and completed the product range of the agency. Advantageously, the distribution channel and customer contacts were already in place. The first products were sold in 1983, as soon as the agent started marketing the product of Firm A. After two years of direct export, in 1985, Firm A set up a subsidiary in France by buying the agency. Firm B has a long history of trading internationally. The firm has been selling to France since 1968,

	Number of employees	Year of establishment	Beginning of internationalization	Entry to France
Firm A	249	1876	1970s	1982
Firm B	18	1923	1929	1968
Firm C	200	1967	1980s	1997
Firm D	20	1973	1990s	1998

Table I.
Key information on the
case firms

Figure 1.
Internationalization
pathways before the entry
to France



and they have used the same agent for 40 years. Their product is designed and produced in Finland and sold around the world by using direct exporting.

For Firm C, the first entry mode into the French market was the establishment of a subsidiary. As the product of Firm C was large sized and expensive, its usefulness could only be proved by showing how the machine works in practice, and Firm C saw no other strategy to accomplish it. With their second, smaller product, Firm C entered France by using direct exporting, and it is also the present mode of operation. Also, Firm D entered France in 1998 by using direct exporting. For the first four years, it tried to search for local agents, but, finally, due to the lack of suitable work force, they ended up selling the product themselves and established a representative office in France in 2002. An element of cautiousness was a feature of all the entry processes, most probably stemming from family presence. One of the informants in Firm A put it this way:

The presence of family [in the business] is perceivable in the form of cautiousness about everything. All the decisions are made with a lot of consideration. There were no big investments because of the cautiousness [during the entry process].

Thus, all the case firms have operated in France with indirect entry modes, and Firms B and C have only indirect entry modes at present, as Firm C sold out its subsidiary in 2007 with management-buy-out because of rationalization. Firm B, on the contrary, has never proceeded from the phase of indirect modes to direct operations. Firms A and D operate in France with direct entry modes: Firm A has a subsidiary and Firm D a representative office. Figure 2 shows the operations taken by the case firms in France dividing the entry modes into direct and indirect modes according to stages (1)-(2) and (3)-(4) in the Uppsala model (Johanson and Wiedersheim-Paul, 1975).

Distance-creating factors in the entry to France

France was experienced as a difficult country to enter by all the case firms. The main distance-creating factors encountered during the process of internationalization to France were related to differences in language and business culture. Language was

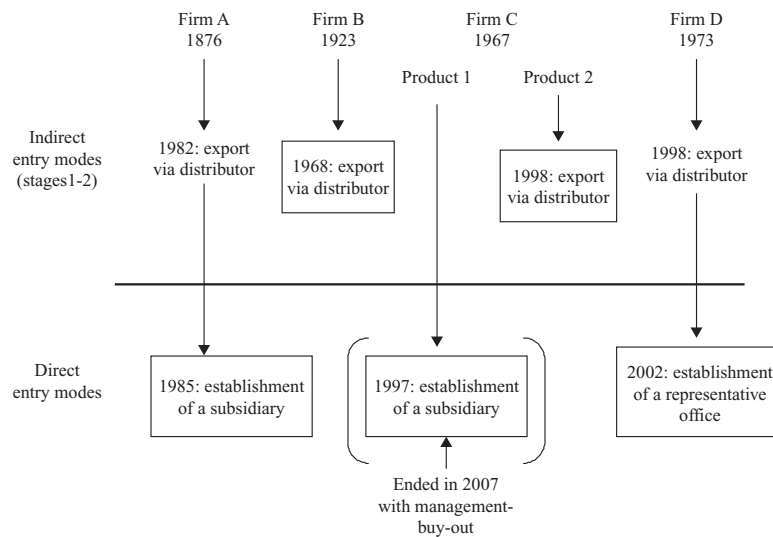


Figure 2.
The operations of the case
firms in the French market

regarded as a distance-creating factor in entering the French market by all four cases. The high level of English proficiency of the staff in case firms was irrelevant, due to the low English proficiency level as well as the negative attitudes of French customers and partners towards the use of English. French language skills were regarded to be a prerequisite with French customers as well as an obvious advantage with French partners.

The distance-creating factors related to the business culture elicited in the research included the relationship orientation of the French, the difficulty of building trusting relationships, their disinterest in rules, orders and schedules, hierarchical management, and their different temperament. The relationship orientation of the French customers and partners was emphasized by all the informants: they recognized that one should always have time to socialize with the French, because they preferred processing facts orally as opposed to communicating for instance via e-mail. Working in the Finnish way (efficiently for the whole day with small pauses) was not compatible with French business life. In the Firms A, C, and D, it was experienced that socializing and breaks, as well as long dinners, were the core of French business life.

It was pointed out that also for French clients, the seller of the product was usually not only a salesman of a firm, but also a friend that one respected and socialized with. Controversially, the building of trustful relationships was stated to be difficult by all the case firms. French people wanted to know the person thoroughly before they were ready to talk about business, and gaining their trust demanded even more time. In addition to the time needed to build trustful relationships, Firms A, C, and D had to meet some kind of immoral behavior by the French partners and customers before establishing good relations with them. In Firm C, gaining the trust of the French was expressed accordingly:

It really takes time to have the trust of the French, and there can be many kinds of problems and misbehavior in the meanwhile. [...] But once they trust you, they are extremely friendly and they become family friends that you meet also in your free time.

The disinterest of the French in schedules, rules and orders was regarded as a distance-creating factor in all the firms. Regarding the FME, the agents of Firm D gave incorrect information about the company, the product and its use. As to business operations, there were delays in reporting on the part of partners and/or payments in the part of customers and partners in all the case firms. In addition, the French partners of Firms A and D often did not take the rules and orders set by the headquarters into consideration, although the need to obey them was discussed constantly. In Firms C and D, also the French customers were perceived to have a nonchalant behavior: they did not take care of the products as recommended, and it caused problems with the success of the product.

The hierarchical management style was experienced to be a distance-creating factor, as well. It affected significantly the behavior of the partners and customers who needed to be very formal and respect their manager in all possible circumstances. For instance, in Firm A, they did not tell the headquarters if they had problems with their subsidiary manager. Also, the French temperament, the tendency to express their views strongly, was experienced equivocal in all the case firms.

Ways of overcoming psychic distance

Although France was experienced as a psychically distant country to Finland, the case firms learned to cope with the psychic distance. Actions that helped with overcoming the psychic distance included the recruitment of capable employees, the building of networks, learning the French language and familiarizing with French culture, choice of proper entry mode, earlier experiences, honest, trustworthy and friendly attitude and familiarizing the French with the Finnish culture.

The recruitment of capable employees, with both cultural, language and business/industry knowledge helped the case firms with overcoming psychic distance. Firms A and C proceeded at a more rapid pace in the French market as their employees possessed French language skills, were familiar with aspects of French culture, in particular French business culture and possessed deep industry knowledge. In Firm C, the Finnish subsidiary manager with 20 years of experience of doing business in France was an excellent facilitator in overcoming psychic distance: she operated as an absorptive person between the two different cultures, transforming the messages of the French customers in the form understandable for Finns and vice versa. Also Firm B found a good agent, which resulted in gradual increases in sales. Firm D, on the contrary, the French-speaking person of which had only language and cultural skills but no technological know-how in the beginning the process had difficulties in France in the beginning. One informant in Firm A illustrates the need for local staff this way:

If we had sent there Finnish personnel that does not even know their language, we could have forgotten about this all [the French entry]. In France there definitely has to be a local personnel. [...] And for us it was a big advantage that our manager of that time had fluent French skills and a good cultural knowledge when we started our entry process. He had spent several years in France and knew what it all was about.

Networks proved to be extremely important in entry to France in all the case firms. The most important networks were the French agents/entrepreneurs with whom the firms

started business in France, and who already had a customer base and other important networks necessary to operate in France. In addition, networking and cooperation with organizations, such as the French-Finnish Chamber of Commerce in Paris and Finpro (Finnish export promotion organization) were good facilitators in overcoming psychic distance. Firm C also used the French-Finnish Chamber of Commerce to find a suitable entrepreneur in France before its entry to France. Firms A, B and D did not use such organizations in their entry phase, but all of them cooperated with Finpro in the beginning of the twenty-first century to enhance their networks in France.

The choice of proper entry mode also helped with decreasing psychic distance. Firm C knew that selling forest machines required presence in France, and, establishing a subsidiary was the right way to operate. Also, Firm A had already originally the aim of establishing a subsidiary in France to guarantee local services. For Firm B, export is the only mode of operation globally, and France is no exception. Exporting is a strategic decision suitable for their niche, long-lasting product. Also, Firm D has proceeded from export to representative office, to serve the customers better and to get better knowledge about the market.

Learning to know the French language and culture proved to be an excellent way of overcoming psychic distance. All the informants learned about French language and culture aside doing business in the French market. They stated that when one spoke fluent French and knew the history of the country, doing business in France was much easier. In addition, there was a general conception in all the case firms that both the French and the Finnish cooperators came closer to each other's cultures during the internationalization process, trying to understand each other better.

Earlier experiences from abroad were also helpful for overcoming psychic distance. As stated above, all the case firms had experience from other countries before entering France, and it had given them the opportunity to acquire some general knowledge about operating abroad. For instance, Firm A established subsidiaries in Sweden and in Germany before setting up one in France: as its Swedish subsidiary established by their Finnish employee proved to be an unsuccessful strategy, although Sweden might be a culturally close country to Finland, their view of having a local entrepreneur in the French market strengthened.

Owing to the length of time required to build trusting relationships, there was an agreement in the case firms that one's honest, friendly and trustworthy behavior decreased psychic distance with time. The informant in the subsidiary of Firm C saw that the sometimes immoral behavior and sentimentalism of the French just needed to be accepted. Two informants (in Firms B and C) experienced that familiarizing the French with the Finnish culture, especially its composers, singers and conductors, in a modest way, helped with the development of business relationships.

5. Discussion

As the case findings revealed, all the firms operated first in the domestic market for a period between six and 94 years, and only thereafter started their international operations. Firms A, B and C entered first Nordic countries, whereas Firm D made an exception entering directly Germany and Japan. Thus, France was seen as a target country in a rather late phase of the internationalization process. This supports Claver *et al.* (2007) and Harris *et al.* (1994) who concluded that FBs are more likely to choose psychically close countries when expanding globally. This also endorses

the findings of Graves and Thomas (2008), who indicated that family SMEs follow a sequential internationalization process. However, findings are, as it might be assumed, inconsistent with the literature investigating the internationalization process of rapidly internationalizing SMEs (Crick and Jones, 2000; Madsen and Servais, 1997). In their entry mode choices, Firms A, B and D entered France by using indirect entry modes first. Firm C entered France by exporting via independent representatives with its second product, but their first entry was direct as they established a subsidiary in France. This is in contrast to Pinho (2007) who claimed that FBs do not prefer indirect entry modes to direct entry modes. Altogether, findings related to the internationalization process before entering France and entry mode choices in France are in line with the Uppsala model (Johanson and Vahlne, 1977). This might be due to the tendency of FBs to secure the long-term growth by avoiding gambling family money and proceeding slowly by making only minor investments (Donckels and Fröhlich, 1991).

There were several indicators proving that France was experienced as a psychically distant country and the case firms encountered several distance-creating factors. Although English is a commonly spoken language in international business, the French partners preferred speaking in French. This represents a challenge for family SMEs who do not tend to have versatile language skills. This is also in line with the earlier studies indicating the importance of foreign language skills in the internationalization process (Knowles *et al.*, 2006) and in the entry to a psychically distant country (Ojala, 2008; Ojala and Tyrväinen, 2009). Second, in France, a long time was needed to find partners and building trustful relationships. This is in line with Tsang (2001) suggesting that in family SMEs, a long time was required to trust a non-family member involved in business operations. In the case firms, this was, nevertheless, seen as a quality of their partners not being able to trust them quickly. For family SMEs, in which the inner trust is generally of high level (Sundaramurthy, 2008), all the actions are controlled, and relationships are very close, understanding and accepting the lack of trust is especially difficult. All in all, it seems that the establishment of network relationships with foreign partners is more challenging for family SMEs than other types of SMEs (Coviello and Martin, 1999). This supports Graves and Thomas' (2008) findings suggesting that an essential determinant in the internationalization of family SMEs is the ability to develop a network of relationships. These case firms succeeded in developing such a network, although it proved challenging.

Third, the hierarchical management style made the French employees very formal and respectful towards their French managers. However, the French managers did not feel that kind of respect for the managers in the Finnish headquarters and they made decisions themselves, in contrast to orders. This may prove to be especially demanding for family SMEs in which the decision-making process is often based on the intuition of the owner (Tsang, 2001). Thus, the strong management style that is typical for FBs (Gallo and Pont, 1996) did not seem to suit the French partners who liked to make decisions themselves. This also supports Thomas and Graves (2005) who suggest that the ability of family SMEs to act autonomously and innovatively might be limited in the international context. Spreading decision-making power might, nonetheless, be especially demanding for family SMEs that are used to centralized decision making and have a strong, inner enterprise culture (Gallo and Sveen, 1991). Fourth, other distance-creating factors encountered were different work styles, hours of working,

the French relationship orientation and temperament. These issues were demanding for Finnish family SMEs that are used to a different style of working. It might be especially demanding for family SMEs who are accustomed to duplicating their domestic enterprise culture in the target market (Tsang, 2001, 2002). Altogether, the psychic distance view (Child *et al.*, 2002; Ojala and Tyrväinen, 2009; Sousa and Bradley, 2006) related to managers' perceptions of psychic distance seemed to describe well the different aspects in the FME and operations of the case firms.

Although the family SMEs met many distance-creating factors, they were able to operate in France as they found ways, so-called distance-bridging factors, to overcome them. The family SMEs were able to facilitate and accelerate their entry into the French market by recruiting local knowledgeable employees, by simultaneously learning the language and the culture themselves. This corresponds to the findings by Coviello and Martin (1999) and Ojala (2008). However, FBs seem to be more motivated to increase their own knowledge about foreign languages and cultures than reported in the earlier studies (Coviello and Martin, 1999; Ojala, 2008) which focused on SMEs on service and knowledge-intensive sectors that acquire knowledge mainly through recruiting. This might be connected to the founder-centeredness of running a family SME (Tsang, 2001) and the will to control everything (Gallo and Sveen, 1991). Second, network relationships played a remarkable role in overcoming distance-creating factors. With the help of network relationships, the case firms were able to start the entry process and solve market-specific problems. This is in line with the other studies indicating the important role of network relationships in overcoming psychic distance (Child *et al.*, 2002; Coviello and Martin, 1999). This also gives support to Graves and Thomas (2008) suggesting that the ability to develop a firm's international network relationships, is a central determinant in the success of the internationalization pathways of family SMEs. In addition to personal and business networks, relationships with organizations, such as Finpro, were regarded as a good way of decreasing psychic distance. The importance of network relationships with non-profit organizations is also indicated in the study of Ojala (2009). Third, the selection of proper entry mode suitable for the product also seemed to decrease perceived psychic distance. The firms first favored indirect entry modes (except Firm C) which enabled them to enter the market with lower risks and the acquisition of market knowledge from France before direct entry modes. Fourth, earlier experiences from other markets helped the case firms, e.g. assessing suitable strategies for the country with a different culture. Finally, the case firms continuously operated in France in an honest, friendly and trustworthy manner as well as familiarizing the French with the Finnish culture. These actions seemed to decrease psychic distance with time.

6. Summary and conclusions

This paper contributes to research in the area of the internationalization of family SMEs in a number of ways. First, it validates and extends earlier findings concerning the internationalization pathways taken by family SMEs. In line with these studies (Claver *et al.*, 2007; Graves and Thomas, 2008), FBs are more likely to choose psychically close countries and proceed stepwise favoring first indirect entry modes. Second, this study investigated psychic distance in the context of FME and operations into a certain market, and as distinct from other studies concerning family SMEs (Graves and Thomas, 2006, 2008), not the general pattern of internationalization.

It revealed what kinds of distance-creating factors family SMEs encountered in their FME and operations in France. In spite of geographical closeness and the free trade area offered by the EU, France was considered a distant country by all the case firms, mainly for linguistic and cultural reasons. However, it seems that the experienced psychic distance made the firms perform well in France: they needed to think carefully how to succeed there, because the French did not accept the Finnish way of doing things. Third, this paper analyzed how the case firms were able to overcome psychic distance between Finland and France. They used so-called distance-bridging factors, such as recruited local, skilled employees, while learning to know the language and the culture themselves. It appears that family SMEs are more motivated to learn foreign languages and cultures themselves than other types of SMEs (Coviello and Martin, 1999; Ojala, 2008). This might be due to their limited financial resources (Smyrnios and Walker, 2003), but also their unwillingness to hire employees from outside the firm (Graves and Thomas, 2006). However, hiring managers from outside the own firm might increase the level of success of the internationalization in the family SMEs (Crick *et al.*, 2006).

Altogether, this paper highlights the important role of psychic distance in the internationalization process and the FME of family SMEs. Although the importance of psychic distance to the internationalization process has been indicated in several studies (Child *et al.*, 2002; Dow and Karunaratna, 2006; Ellis, 2008), its detailed impact on the internationalization process of FBs, especially in their FME and entry mode choice, has been an uncovered topic. It can be argued that psychic distance has a stronger role in the internationalization process of family SMEs than, for instance, in that of rapidly internationalizing SMEs, operating mostly in knowledge-intensive industries (Crick and Jones, 2000; Madsen and Servais, 1997). Reasons for this might be that FBs generally have an emotional attitude to running the business. Current and future generations are dependent on their business and how the firm proceeds in new markets. In contrast, knowledge-intensive SMEs are, in many cases, forced to enter the leading markets to acquire sufficient market share for their niche products (Ojala, 2008). Although FBs are slow and cautious when they decide to operate abroad (Donckels and Fröhlich, 1991), by proceeding stepwise, they avoid big risks that might harm the whole family.

Managerial implications

From a managerial perspective, when entering psychically distant markets, managers of FBs should be provided with the capacity to overcome all the distance-creating factors that they might encounter. They should be prepared to use several facilitators in overcoming psychic distance, for instance, recruiting local skilled employees with cultural, language, business and industry-specific knowledge, building good networks, selecting a proper entry mode, etc. However, as a specific challenge for FBs, the entry mode should also suit the objectives of the family. Managers of FBs themselves should also be prepared to operate in the target market according to its norms, values and habits. Thus, they should be ready to acquire knowledge about the language and the culture in the target country by learning themselves or through recruiting. For instance, in France, there should be time reserved for socializing, because the French generally prefer processing things orally and they want to know the person properly before talking about business. For the generally open-minded FBs, the knowledge

of the target culture and their human attitude to business can be a crucial competitive advantage. Managers of FBs should understand that the decision to internationalize is a strategic decision that will most probably change the historical harmony of the firm.

Limitations and further research

When evaluating the results of this study, some limitations have to be considered. This research applies the case study method. As it is commonly known, generalization of case results is low. On the other hand, analytical generalizations proposed by Yin (1994) are possible in case studies. Nevertheless, the case study method made it possible to acquire detailed knowledge about the firms' entry process, distance-creating factors and ways to overcome psychic distance, also called distance-bridging factors, in the entry to the French market. Thus, we were able to get a more holistic understanding of the theme. Second, this study used case firms from one home country, and analyzed entries to a certain host country. Despite these limitations, we hope that these findings could be a starting point to better understanding of internationalization pathways and the FME of family SMEs, the psychic distance encountered and ways to overcome it. In the future, it would be useful to tackle the present research from the point of views of cross-cultural competence and cultural sensitivity. In addition, networks relationships that family SMEs use in their market entry seem to have an important role in overcoming psychic distance. Thus, a further study concerning the impact of network relationships on the internationalization and FME of family SMEs could offer new insights.

References

- Autio, E. (2005), "Creative tension: the significance of Ben Oviatt's and Patricia McDougall's article 'Toward a theory of international new ventures'", *Journal of International Business Studies*, Vol. 36 No. 1, pp. 9-19.
- Bell, J. (1995), "The internationalization of small computer software firms: a further challenge to 'stage' theories", *European Journal of Marketing*, Vol. 29 No. 8, pp. 60-75.
- Bilkey, W. and Tesar, G. (1977), "The export behaviour of smaller-sized Wisconsin manufacturing firms", *Journal of International Business Studies*, Vol. 8 No. 1, pp. 93-8.
- Brewer, P.A. (2007), "Operationalizing psychic distance: a revised approach", *Journal of International Marketing*, Vol. 15 No. 1, pp. 44-66.
- Chetty, S.K. and Campbell-Hunt, C. (2004), "A strategic approach to internationalization: a traditional versus a 'born-global' approach", *Journal of International Marketing*, Vol. 12 No. 1, pp. 57-81.
- Child, J., Ng, S.H. and Wong, C. (2002), "Psychic distance and internationalization: evidence from Hong Kong firms", *International Studies of Management & Organization*, Vol. 32 No. 1, pp. 36-56.
- Claver, E., Rienda, L. and Quer, D. (2007), "The internationalization process in family firms: choice of market entry strategies", *Journal of General Management*, Vol. 33 No. 1, pp. 1-14.
- Claver, E., Rienda, L. and Quer, D. (2008), "Family firms' risk perception: empirical evidence on the internationalization process", *Journal of Small Business and Enterprise Development*, Vol. 15 No. 3, pp. 457-71.
- Coviello, N.E. and Martin, K.A.-M. (1999), "Internationalization of service SMEs: an integrated perspective from the engineering consulting sector", *Journal of International Marketing*, Vol. 7 No. 4, pp. 42-66.

-
- Crick, D. and Jones, M.V. (2000), "Small high-technology firms and international high-technology markets", *Journal of International Marketing*, Vol. 8 No. 2, pp. 63-85.
- Crick, D., Bradshaw, R. and Chaudhry, S. (2006), "'Successful' internationalizing UK family and non-family-owned firms: a comparative study", *Journal of Small Business and Enterprise Development*, Vol. 13 No. 4, pp. 498-512.
- Donckels, R. and Fröhlich, E. (1991), "Are family businesses really different? European experiences from STRATOS", *Family Business Review*, Vol. 4 No. 2, pp. 149-60.
- Dow, D. and Karunaratna, A. (2006), "Developing a multidimensional instrument to measure psychic distance stimuli", *Journal of International Business Studies*, Vol. 37 No. 5, pp. 578-602.
- Eisenhardt, K.M. (1989), "Building theories from case study research", *Academy of Management Review*, Vol. 14 No. 4, pp. 532-50.
- Ellis, P.D. (2008), "Does psychic distance moderate the market size-entry sequence relationship?", *Journal of International Business Studies*, Vol. 39 No. 3, pp. 351-69.
- Evans, J. and Mavondo, F.T. (2002), "Psychic distance and organizational performance: an empirical examination of international retailing operations", *Journal of International Business Studies*, Vol. 33 No. 3, pp. 515-32.
- Fernandez, Z. and Nieto, M.J. (2005), "Internationalization strategy of small and medium-sized family businesses: some influential factors", *Family Business Review*, Vol. 18 No. 1, pp. 77-89.
- Fernandez, Z. and Nieto, M.J. (2006), "Impact of ownership on the international involvement of SMEs", *Journal of International Business Studies*, Vol. 37 No. 3, pp. 340-51.
- Gallo, M.A. and Pont, C.G. (1996), "Important factors in family business internationalization", *Family Business Review*, Vol. 9 No. 1, pp. 45-59.
- Gallo, M.A. and Sveen, J. (1991), "Internationalizing the family business: facilitating and restraining factors", *Family Business Review*, Vol. 4 No. 2, pp. 181-90.
- Graves, C. and Thomas, J. (2006), "Internationalization of Australian family businesses: a managerial capabilities perspective", *Family Business Review*, Vol. 19 No. 3, pp. 207-24.
- Graves, C. and Thomas, J. (2008), "Determinants of the internationalization pathways of family firms: an examination of family influence", *Family Business Review*, Vol. 21 No. 2, pp. 151-67.
- Harris, D., Martinez, J.I. and Ward, J.L. (1994), "Is strategy different for the family-owned business?", *Family Business Review*, Vol. 7 No. 2, pp. 159-74.
- Hashai, N. and Almor, T. (2004), "Gradually internationalizing 'born global' firms: an oxymoron?", *International Business Review*, Vol. 13 No. 4, pp. 465-83.
- Hofstede, G. (2001), *Culture's Consequences*, 2nd ed., Sage, Thousand Oaks, CA.
- Irrmann, O. (2006), "Intercultural communication and the integration of cross-border acquisitions", doctoral dissertation, Helsinki School of Economics, Helsinki.
- Johanson, J. and Vahlne, J.-E. (1977), "The internationalization process of the firm: a model of knowledge development and increasing foreign market commitments", *Journal of International Business Studies*, Vol. 8 No. 1, pp. 23-32.
- Johanson, J. and Wiedersheim-Paul, F. (1975), "The internationalization of the firm: four Swedish cases", *Journal of Management Studies*, Vol. 12 No. 3, pp. 305-22.
- Knowles, D., Mughan, T. and Lloyd-Reason, L. (2006), "Foreign language use among decision-makers of successfully internationalized SMEs: questioning the

-
- language-training paradigm”, *Journal of Small Business and Enterprise Development*, Vol. 13 No. 4, pp. 620-41.
- Luostarinen, R. (1979), “Internationalization of the firm”, doctoral dissertation, Helsinki School of Economics, Helsinki.
- Madsen, T.K. and Servais, P. (1997), “The internationalization of born globals: an evolutionary process?”, *International Business Review*, Vol. 6 No. 6, pp. 561-83.
- Miller, D. and Breton-Miller, I.L. (2006), “Family governance and firm performance: agency, stewardship, and capabilities”, *Family Business Review*, Vol. 19 No. 1, pp. 73-87.
- Nordström, K.A. and Vahlne, J.-E. (1994), “Is the globe shrinking? Psychic distance and the establishment of Swedish sales subsidiaries during the last 100 years”, in Landeck, M. (Ed.), *International Trade: Regional and Global Issues*, St Martin’s Press, New York, NY, pp. 41-56.
- OECD (2000), *Small and Medium-sized Enterprises: Local Strength, Global Reach*, Organisation for Economic Co-operation and Development, Paris, OECD Observer.
- OECD (2003), *Officially-supported Export Credits and Small Exporters*, Organization for Economic Co-operation and Development, Paris.
- Ojala, A. (2008), “Entry in a psychically distant market: Finnish small- and medium-sized software firms in Japan”, *European Management Journal*, Vol. 26 No. 2, pp. 135-44.
- Ojala, A. (2009), “Internationalization of knowledge-intensive SMEs: the role of network relationships in the entry to a psychically distant market”, *International Business Review*, Vol. 18 No. 1, pp. 50-9.
- Ojala, A. and Tyrväinen, P. (2009), “Impact of psychic distance to the internationalization behavior of knowledge-intensive SMEs”, *European Business Review*, Vol. 21 No. 3, pp. 263-77.
- Oviatt, B.M. and McDougall, P.P. (2005), “Defining international entrepreneurship and modeling the speed of internationalization”, *Entrepreneurship Theory & Practice*, Vol. 29 No. 5, pp. 537-53.
- Pinho, J.-C. (2007), “The impact of ownership: location-specific advantages and managerial characteristics on SME foreign entry mode choices”, *International Marketing Review*, Vol. 24 No. 6, pp. 715-34.
- Ruzzier, M., Hisrich, R.D. and Antoncic, B. (2006), “SME internationalization research: past, present, and future”, *Journal of Small Business and Enterprise Development*, Vol. 13 No. 4, pp. 476-97.
- Smyrnios, K.X. and Walker, R.H. (2003), *Australian Family and Private Business Survey*, RMIT University, Melbourne.
- Sousa, C.M.P. and Bradley, F. (2006), “Cultural distance and psychic distance: two peas in a pod?”, *Journal of International Marketing*, Vol. 14 No. 1, pp. 49-70.
- Sundaramurthy, C. (2008), “Sustaining trust within family businesses”, *Family Business Review*, Vol. 21 No. 1, pp. 89-102.
- Thomas, J. and Graves, C. (2005), “Internationalising the family firm as a demonstration of an entrepreneurial culture”, *Journal of Business & Entrepreneurship*, Vol. 17 No. 2, pp. 91-113.
- Trompenaars, F. and Hampden-Turner, C. (1997), *Riding the Waves of Culture: Understanding Cultural Diversity in Business*, 2nd ed., Nicholas Brealey, London.
- Tsang, E.W.K. (2001), “Internationalizing the family firm: a case study of a Chinese family business”, *Journal of Small Business Management*, Vol. 39 No. 1, pp. 88-94.

JSBED
17,3

Tsang, E.W.K. (2002), "Learning from overseas venturing experience the case of Chinese family businesses", *Journal of Business Venturing*, Vol. 17 No. 1, pp. 21-40.

Yin, R.K. (1994), *Case Study Research: Design and Methods*, 2nd ed., Sage Publications, Newbury Park, CA.

Zahra, S.A. (2003), "International expansion of US manufacturing family businesses: the effect of ownership and involvement", *Journal of Business Venturing*, Vol. 18 No. 4, pp. 495-512.

454

Corresponding author

Tanja Kontinen can be contacted at: tanja.kontinen@jyu.fi

To purchase reprints of this article please e-mail: reprints@emeraldinsight.com
Or visit our web site for further details: www.emeraldinsight.com/reprints

III

INTERNATIONAL OPPORTUNITY RECOGNITION AMONG SMALL AND MEDIUM-SIZED FAMILY FIRMS

by

Tanja Kontinen and Arto Ojala

Journal of Small Business Management, in press.

Reprinted with kind permission by Wiley-Blackwell

International Opportunity Recognition among Small and Medium-Sized Family Firms*

by *Tanja Kontinen and Arto Ojala*

Current research in the field of entrepreneurship emphasizes the importance of opportunity recognition as a key element in the entrepreneurial process. It has been recognized that network ties, activeness and alertness, and prior knowledge are related to how entrepreneurs recognize new opportunities. However, it is unclear how important these factors are when a firm explores opportunities for entry into a foreign market. In this exploratory case study, covering the international opportunity recognition of eight family-owned small and medium-sized enterprises (SMEs), we found that the firms in question mainly recognized international opportunities by establishing new formal ties rather than using existing informal or family ties. The findings also indicated that due to the small size and the flexibility of the management team in family SMEs, these firms were able to react quickly to new international opportunities. However, there was no direct relationship between the prior knowledge of the firms and their international opportunity recognition. In addition, we found that trade exhibitions formed the primary context for the international opportunity recognition of the SMEs in this study. These findings motivate a set of five propositions that may lead to further studies on this topic.

*The authors would like to thank three anonymous reviewers for their valuable comments and suggestions. In addition, they would like to thank Juha Kansikas and Pasi Tyrväinen for their research assistance. The research has been generously funded by *Marcus Wallenberg Foundation*.

Tanja Kontinen is working as senior assistant of entrepreneurship in Jyväskylä University School of Business and Economics. Her research interests include entrepreneurial internationalization, family business, networks and social capital. Tanja Kontinen has published in *International Business Review*, *Journal of Small Business and Enterprise Development*, and *Family Business Strategy* among others.

Arto Ojala (Ph.D., Econ.) is working as senior researcher in the Department of computer science and information systems at the University of Jyväskylä. His research interests include international entrepreneurship, software business, and network relationships in a firm internationalization. His articles have been published in *Journal of International Marketing*, *International Business Review*, and *European Management Journal* among others.

Address correspondence to: Tanja Kontinen, ••, Jyväskylä University School of Business and Economics, PO Box 35, •• 40014, Finland. Tel: +358142603363; Fax: +358142603331; E-mail: tanja.kontinen@jyu.fi.

1 **Introduction**

2 The recognition of business opportu- 51
3 nities is a key aspect of the entrepreneur- 52
4 ial process (Shane and Venkataraman 53
5 2000). Accordingly, recent years have 54
6 witnessed growing interest in opportu- 55
7 nity recognition among researchers on 56
8 entrepreneurship. Since opportunities 57
9 exist both in domestic and international 58
10 markets (Zahra, Korri, and Yu 2005), 59
11 scholars in the field of international 60
12 entrepreneurship have called for more 61
13 research on opportunity recognition in 62
14 international settings (Dimitratos and 63
15 Jones 2005; Ellis 2008; Zahra, Korri, and 64
16 Yu 2005), suggesting that such research 65
17 is fundamental for the development of 66
18 the field (Oviatt and McDougall 2005). 67
19 However, there has not so far been much 68
20 empirical research on opportunity recog- 69
21 nition within international entrepreneur- 70
22 ship (Zahra, Korri, and Yu 2005). 71

23 Studies on international entrepreneur- 72
24 ship have commonly focused on rapidly 73
25 internationalizing firms such as born 74
26 [2] globals or international new ventures 75
27 (Dimitratos and Jones 2005) in 76
28 knowledge-intensive fields (Coviello and 77
29 Jones 2004). However, international 78
30 entrepreneurship can be defined on a 79
31 broader basis as “. . . discovery, enact- 80
32 ment, evaluation, and exploitation of 81
33 opportunities—across national borders— 82
34 to create future goods and services” 83
35 (Oviatt and McDougall 2005, p. 540). This 84
36 definition makes no reference to the 85
37 actual speed of internationalization or to 86
38 the industry. Scholars have therefore 87
39 called for research that would go beyond 88
40 early internationalizing firms (Young, 89
41 Dimitratos, and Dana 2003) and include a 90
42 wider variety of enterprises (Coviello and 91
43 Jones 2004; Dimitratos and Jones 2005). 92

44 The aim of this paper is to respond to 93
45 the calls referred to above, generating 94
46 two contributions to the field of interna- 95
47 tional entrepreneurship. First, we shall 96
48 examine the international opportunity 97
49 recognition of *small and medium-sized* 98

50 *enterprises* (SMEs); in other words, we 51
52 shall look at how such firms recognize 53
54 the opportunities available to enter a 54
55 foreign market. Second, we shall take 55
56 *family-owned SMEs* as the target group 56
57 of our empirical study. Family-owned 57
58 SMEs, with few exceptions, internation- 58
59 alize their activities in a later phase of 59
60 their life cycle, and their internationaliza- 60
61 tion process is slower than that of firms 61
62 with other types of ownership structure 62
63 (Graves and Thomas 2008). These two 63
64 research gaps—referred to by a number 64
65 of scholars (Dimitratos and Jones 2005; 65
66 Ellis 2008; Young, Dimitratos, and Dana 66
67 2003; Zahra, Korri, and Yu 2005)—must 67
68 be addressed if we are to gain a fuller 68
69 understanding of the field of interna- 69
70 tional entrepreneurship. 70

71 In previous studies, opportunity recog- 71
72 nition has mainly been considered 72
73 from the perspectives of (1) prior 73
74 knowledge (Kirzner 1979; Shane 2000; 74
75 Venkataraman 1997), (2) social ties 75
76 (Ellis 2008; Ozgen and Baron 2007), 76
77 and (3) entrepreneurial activeness and 77
78 alertness (Kirzner 1979; Shane 2000). 78
79 The present paper combines these three 79
80 aspects, assessing their role in *the* 80
81 *foreign market entry of family SMEs*. 81
82 This will enable us to gain a more 82
83 holistic understanding of the issue in 83
84 the context of family SMEs—firms that 84
85 are often cautious and that tend to have 85
86 limited financial resources (Gallo and 86
87 Pont 1996). It will also help us in dis- 87
88 cussing the actual primary context of 88
89 their opportunity recognition. 89

90 In order to address this issue, the fol- 90
91 lowing research questions were set in 91
92 relation to the firms we studied: (1) what 92
93 kinds of network ties were involved in 93
94 opportunity recognition? (2) What was 94
95 the level of active search and alertness 95
96 among the entrepreneurs, in terms of 96
97 recognizing the foreign market entry 97
98 opportunity? (3) What was the nature/ 98
99 extent of the prior knowledge of the 99
100 entrepreneur, when the international 100
101 opportunity was recognized? 101

1 This paper is organized as follows: we
2 shall begin with the theoretical back-
3 ground, briefly discussing the interna-
4 tionalization of family firms, and then
5 introduce some central concepts in
6 opportunity recognition. Thereafter, we
7 shall review the literature on interna-
8 tional opportunity before proceeding to
9 methodological considerations. The find-
10 ings of the study will then be presented,
11 followed by discussion. To conclude, the
12 contributions and limitations of the study
13 will be discussed.

14 **Internationalization of** 15 **Family SMEs**

16 Internationalization of family SMEs has
17 been argued to be different from interna-
18 tionalization of SMEs with different kinds
19 of ownership structures (Fernandez and
20 Nieto 2005; Graves and Thomas 2006;
21 Kontinen and Ojala 2010). This may be
22 because of their limited growth objectives
23 (Donckels and Fröhlich 1991), a desire to
24 avoid risks (Claver, Rienda, and Quer
25 2008), an unwillingness to borrow from
26 external sources to facilitate international
27 expansion (Graves and Thomas 2006), or
28 to limited financial capital (Gallo and Pont
29 1996). An important facilitating factor in
30 the internationalization of family SMEs
31 has been found to be the ability to make
32 quick decisions (Gallo and Pont 1996;
33 Tsang 2001). However, family SMEs do
34 not monitor the international marketplace
35 regularly nor do they integrate global
36 developments into their domestic deci-
37 sions (Okoroafo 1999).

38 Family SMEs are less likely to form
39 networks with other businesses than
40 nonfamily SMEs (Graves and Thomas
41 2004). It has been argued that this is due
42
43

44 to the strong internal ties of family firms,
45 based on trustful relationships between
46 family members (Gomez-Mejia, Makri,
47 and Kintana 2010; Salvato and Melin
48 2008). Such ties can also be called
49 “family capital” (Arregle et al. 2007; ³
50 Salvato and Melin 2008). Family capital
51 naturally affects all decisions on the strat-
52 egy, operations, and administrative struc-
53 ture of the family firm (Chrisman, Chua,
54 and Steier 2005). Yet external ties, too,
55 are important for family firms (Arregle
56 et al. 2007), especially in the context of
57 their internationalization, since they help
58 in obtaining information from outside
59 the firm.
60
61
62
63
64
65

66 **Opportunity Recognition**

67 As acknowledged in several studies
68 (Baron 2006; Shane 2000; Shane and
69 Venkataraman 2000), opportunities have
70 a critical role in the entrepreneurial
71 process. However, although opportuni-
72 ties may exist, they can be exploited only
73 if an entrepreneur recognizes the oppor-
74 tunity and understands its value for
75 further business (Shane and Venkatara-
76 man 2000). Hence, the main point of
77 interest in research on opportunity rec-
78 ognition has been why certain individu-
79 als discover opportunities that others do
80 not (Kirzner 1979; Shane 2000; Shane
81 and Venkataraman 2000; Venkataraman
82 1997). Of particular relevance, here are
83 Austrian theories¹ according to which the
84 possession of idiosyncratic information
85 allows people to see particular opportu-
86 nities that others do not perceive. Nev-
87 ertheless, it must be acknowledged that
88 opportunity recognition is only the initial
89 phase in a continuing process; it is dis-
90 tinct from the actual evaluation of the
91 *feasibility* of the opportunities identified,

44 ¹In the view presented by neoclassical economists (for instance Khilström and Laffont 1979),
45 there is an assumption of public knowledge indicating that all opportunities must be equally
46 “obvious” to everyone. In psychological theories, by contrast, human attributes (such as the
47 need for achievement, willingness to bear a risk, and self-efficacy) lead some people but not
48 others to become entrepreneurs. The question is explored more fully in for instance Shane
49 (2000) and Shane and Venkataraman (2000).

1 or active efforts to develop them through 51
2 new ventures (Ardichvili, Cardozo, and 52
3 Ray 2003). 53
4 Information plays a central role in 54
5 opportunity recognition (Ozgen and 55
6 Baron 2007; Shane 2000; Shane and Ven- 56
7 kataraman 2000). Information involving 57
8 patterns of changing conditions—for 58
9 instance, changes in technological, eco- 59
10 nomic, political, social, or demographic 60
11 circumstances—can be regarded as a 61
12 source of opportunity recognition (Baron 62
13 2006). Thus, opportunities come into 63
14 existence at a certain point because of a 64
15 certain confluence. Nevertheless, on an 65
16 *individual* level, cognitive structures 66
17 defining the identification of opportuni- 67
18 ties are developed through the previous 68
19 life experiences of the person in ques- 69
20 tion. Different individuals have different 70
21 abilities to “connect the dots” they have 71
22 perceived (Baron 2006). Hence, opportu- 72
23 nity recognition can be defined as “the 73
24 cognitive process (or processes) through 74
25 which individuals conclude that they 75
26 have identified an opportunity” (Baron 76
27 2006, p. 107). 77
28 Opportunity recognition can be 78
29 assessed from several perspectives. In 79
30 this paper, which takes its starting point 80
31 from earlier studies (Baron 2006; Ellis 81
32 2008; Ozgen and Baron 2007; Shane 82
33 2000; Singh 2000), the phenomenon is 83
34 studied from the perspective of (1) 84
35 network ties, (2) activeness and the alert- 85
36 ness in searching for opportunities, and 86
37 (3) prior knowledge. Each of these per- 87
38 spectives will be presented below more 88
39 in detail. Finally, the phenomenon will 89
40 be placed in an *international* context by 90
41 means of a short overview of the studies 91
42 concerning international opportunity 92
43 recognition. 93
44
45 **Network Ties** 94
46 It has been suggested that an entre- 95
47 preneur’s contacts with other persons 96
48 (Crick and Spence 2005; Ellis 2008; 97
49 Ozgen and Baron 2007; Singh 2000) are 98
50 important in opportunity recognition: the 99
51 extent of an entrepreneur’s social 100
52 network is positively related to opportu-
53 nity recognition. Social ties serve as con-
54 ducts for the spread of information
55 concerning new opportunities (Burt
56 2004; Granovetter 1973), and the ability
57 to recognize novel opportunities may be
58 determined by the reach and abundance
59 of one’s ties with others. An interesting
60 point in this regard is that information on
61 opportunities tends to arrive via links
62 from separate social clusters (Burt 2004).
63 Ozgen and Baron (2007) discovered
64 that the greater the extent of social ties
65 with mentors and informal industry net-
66 works, the more positive were the effects
67 on opportunity recognition. However,
68 social relationships with family members
69 and close friends did not increase the
70 ability to recognize new opportunities. It
71 was surmised that this was due to the
72 lower industry-specific knowledge and
73 experience of family members and close
74 friends. In addition to social ties, which
75 commonly refer to nonformal relation-
76 ships, entrepreneurs may have formal
77 ties with other business partners or insti-
78 tutions (Coviello 2006; Johanson and
79 Mattsson 1992; Ojala 2009); these, too,
80 serve as an important source of knowl-
81 edge related to new opportunities.
82 In addition to what have been
83 described, professional forums (Ozgen
84 and Baron 2007) and trade exhibitions
85 (Ellis 2008; McAuley 1999; Meyer and
86 Skak 2002; Reid 1984) have been found to
87 be sources for information and social ties,
88 creating the potential for entrepreneurial
89 opportunity recognition. However, the
90 role of exhibitions as a source of social
91 ties is complex. According to Ellis (2000),
92 in the context of exhibitions, the commu-
93 nication of opportunities cannot be
94 uniquely attributed to a buyer, a seller, or
95 a third party (such as a government
96 agency). Hence, Ellis (2000) suggests that
97 it is appropriate to treat exhibitions as a
98 special kind of initiation scenario. The
99 particular nature of exhibitions is high-
100 lighted in the studies of Reid (1984) and

1 McAuley (1999), who found that partici- 51
2 pation in international exhibitions 52
3 generated more information about inter- 53
4 national opportunities than any other 54
5 information source. Trade exhibitions 55
6 and similar forums where people share 56
7 common interests are a context with a 57
8 dense network: the proportion of poten- 58
9 tial network ties is high (Coviello 2006). 59
10 Such a context facilitates access to impor- 60
11 tant information, since persons in the 61
12 network can easily share essential knowl- 62
13 edge (compare Burt 2000). 63

14
15 **Activeness and Alertness in the**
16 **Search for Opportunities**
17 The *active role of entrepreneurs* in the 64
18 search for new information is important 65
19 in opportunity recognition (Baron 2006; 66
20 Hills and Schrader 1998). Hills and 67
21 Schrader (1998) found that for entrepre- 68
22 neurs, an active search for opportunities 69
23 through personal contacts was regarded 70
24 as more beneficial than the identification 71
25 of opportunities from public information 72
26 sources such as magazines and newspa- 73
27 pers. However, some studies suggest that 74
28 entrepreneurs, in many cases, recognize 75
29 valuable information by accident without 76
30 actively searching for opportunities 77
31 (Ardichvili, Cardozo, and Ray 2003; 78
32 Kirzner 1997). Thus, Shane (2000) found 79
33 that none of the case firms in his study 80
34 actively sought out opportunities prior to 81
35 their discovery. Instead, the opportunity 82
36 was recognized accidentally when the 83
37 entrepreneur heard about some product 84
38 from a person involved in its develop- 85
39 ment process. These considerations lead 86
40 to the activity level in the search for 87
41 opportunities being categorized as either 88
42 *active* or *passive* (Ardichvili, Cardozo, 89
43 and Ray 2003; Baron 2006). 90
44 In the passive search, where opportu- 91
45 nities are recognized accidentally, 92
46 researchers stress the role of alertness in 93
47 opportunity recognition. In such a case, 94
48 individuals are receptive to opportunities 95
49 but do not engage in a systematic search 96
50 for them (Ardichvili, Cardozo, and Ray 97
2003; Kirzner 1997). According to 98
51 Kirzner (1997), a systematic search is 99
52 likely to be for a piece of missing infor- 100
53 mation, whereas a discovery includes the 1
54 surprise that accompanies the recogni-
55 tion of opportunities that were readily
56 available. Factors contributing to a high
57 level of alertness are related to the cog-
58 nitive capacities of individuals such as
59 high intelligence and creativity (Shane
60 2000), or optimism (Krueger and Brazeal
61 1994). However, sometimes alertness
62 does indeed occur in a case in which a
63 firm conducts an active search leading to
64 recognition of a totally unexpected solu-
65 tion; hence, alertness has a central role in
66 opportunity recognition, whether or not
67 an active search is involved (Hohenthal,
68 Johanson, and Johanson 2003).
69
70 **Prior Knowledge**
71 Prior knowledge in association with
72 high-level cognitive capabilities is impor-
73 tant in identifying and pursuing an
74 opportunity (Baron 2006; Shane 2000;
75 Shane and Venkataraman 2000). The
76 individual cognitive structures defining
77 the identification of opportunities are
78 developed through the previous life
79 experiences of individuals. Venkatara-
80 man (1997) referred to this as a “knowl-
81 edge corridor,” which allows the
82 individual to recognize certain opportu-
83 nities but not others. Sarasvathy, Simon,
84 and Lave (1998) also noted that different
85 individuals discovered different opportu-
86 nities, according to their particular way
87 of gathering and processing information.
88 Three major dimensions of prior
89 knowledge, namely *knowledge of*
90 *markets*, *knowledge of ways to serve the*
91 *markets*, and *knowledge of customer*
92 *problems*, have been regarded as impor-
93 tant for entrepreneurial discovery (Shane
94 2000). In addition, *current jobs*, *work* 5
95 *experience* (Aldrich 1999), and *techno-*
96 *logical knowledge* (Park 2005) are consid-
97 ered to be the general sources in
98 facilitating opportunity recognition. In an
99 international setting, “the knowledge of
100

1 opportunities or problems is assumed to
2 initiate decisions” for foreign market
3 entry (Johanson and Vahlne 1977, p. 27).
4 Such internationalization knowledge can
5 be divided into *general knowledge* and
6 *market-specific* knowledge. General
7 internationalization knowledge is objec-
8 tive and easily acquired, for example,
9 through the media, whereas market-
10 specific knowledge consists of earlier
11 experiences in a particular market (Johan-
12 son and Vahlne 1977). It has been found
13 that experiences gained in foreign
14 markets have a positive effect on oppor-
15 tunity recognition and on the speed of
16 internationalization (Oviatt and McDou-
17 gall 1995, 2005; Reuber and Fischer
18 1997).

19 **International Opportunity** 20 **Recognition**

21 Opportunity recognition plays a
22 central role in the internationalization of
23 firms. In the international context, oppor-
24 tunities are recognized in foreign markets
25 and exploited by using resources from
26 diverse national locations (Dimitratos and
27 Jones 2005; Ellis 2008; Oviatt and McDou-
28 gall 2005; Zahra, Korri, and Yu 2005). Ellis
29 (2008, pp. 3–4) defines international
30 opportunity as “the chance to conduct
31 exchange with new foreign partners.”
32 Exchanges can be conducted with cus-
33 tomers, distributors, licensees, franchi-
34 sees, contract manufacturers, joint
35 venture partners, and so on (Ellis 2008).
36 Zahra, Korri, and Yu (2005) describe
37 international opportunity recognition as
38 an iterative process whereby the entre-
39 preneur revises his or her concept several
40 times, on the basis of intuition, formal and
41 informal feedback, and the results of
42 errors. They also emphasize that entre-
43 preneurs make their foreign market entry
44 decisions by utilizing both rational and
45 nonrational elements.

46 There is no doubt that opportunity
47 recognition is related to success in inter-
48 national markets and to the speed
49 of internationalization (Dimitratos and

50 Jones 2005; Hohenthal, Johanson, and
51 Johanson 2003; Oviatt and McDougall
52 2005). Opportunities in foreign markets
53 can be recognized by using competencies
54 such as networks and previous experi-
55 ences that are unique to entrepreneurs
56 (McDougall, Shane, and Oviatt 1994).
57 Ellis (2008) recognized four different
58 means for recognizing opportunities in a
59 foreign market, namely: (1) formal
60 searches, (2) participation in international
61 trade fairs or exhibitions, (3) social ties,
62 and (4) responses to advertisements.
63 Hence, not all opportunities arose from
64 existing networks, although networks
65 and social ties played an important role in
66 international opportunity recognition.
67 For instance, the foreign market selection
68 might be grounded on the opportunity-
69 seeking behavior of entrepreneurs. As
70 Ojala (2008) found, business opportuni-
71 ties (such as demand and a market poten-
72 tial for niche products) constituted the
73 main reason for managers of Finnish soft-
74 ware firms to decide to enter the Japanese
75 market. Thus, awareness of opportunities
76 in foreign markets can be an initiator for
77 foreign market entry (Dimitratos and
78 Jones 2005). On the other hand, limited
79 domestic markets can also be a reason for
80 entrepreneurs to search for opportunities
81 in international markets. Crick and
82 Spence (2005) found that most of the case
83 firms in their study internationalized
84 rapidly because of market opportunities
85 overseas being greater than those in
86 domestic markets. Hence, firms can
87 expand their international operations
88 through a combination of searches and
89 accidental opportunity recognitions
90 (Hohenthal, Johanson, and Johanson
91 2003).

92 **Methodology**

93 The study reported here utilized a
94 qualitative approach. Such an approach
95 is suitable when the aim is to describe
96 research objects holistically and when
97 the research concerns real-life situations.
98 According to Creswell (1997, p. 15),
99

1 qualitative research is “an inquiry
2 process of understanding based on dis-
3 tinct methodological traditions of inquiry
4 that explore a social or human problem.
5 The researcher builds a complex, holistic
6 picture, analyzes words, reports detailed
7 views of informants, and conducts the
8 study in a natural setting.” Thus, we used
9 a multiple case study methodology
10 similar to the approaches introduced by
11 Eisenhardt (1989) and Yin (1994). This
12 enables an in-depth investigation and the
13 explanation of cause-and-effect relation-
14 ships. It also makes it possible to use
15 replication logic, so that the researchers
16 are able to identify the subtle similarities
17 and differences within a collection of
18 ⁶ cases (Brown and Eisenhard 1997; Eisen-
19 hardt 1989; Yin 1994). The case study
20 method is relevant in a situation where
21 the study covers a real-life environment
22 in which an action such as opportunity
23 recognition occurs (Yin 1994). In this
24 connection, Shane (2000, p. 453) argues
25 that the case study method allows the
26 investigation of how opportunity recog-
27 nition operates in a situation where “all
28 of the relevant behaviors cannot be
29 manipulated through experimental
30 design.” In addition, the approach is con-
31 sistent with numerous recent studies
32 concerning international entrepreneur-
33 ship and opportunity recognition
34 research (Coviello 2006; Coviello and
35 Munro 1997; Crick and Spence 2005;
36 Ojala 2008, 2009; Shane 2000).

37 The phenomenon of international
38 opportunity recognition was studied in
39 the context of SMEs for the principal
40 reason that opportunity recognition is
41 more transparent in such enterprises.
42 Hence, we followed Yin (1994) in select-
43 ing cases in which the phenomenon
44 studied was transparently observable.
45 The dimension of family ownership also
46 allows us to recognize how firms with
47 limited resources recognize international
48 opportunities. It should further be noted
49 that the selection of the firms for inves-
50 tigation was based on an overall theoretic-
51 al perspective, as recommended in the
52 study of Eisenhardt (1989), rather on a
53 random sampling methodology.

54 These various considerations led us to
55 collect data from *eight selected Finnish*
56 *family SMEs in the manufacturing sector*.
57 As can be seen in Table 1, the range of
58 products in the case firms is fairly wide,
59 but all of the firms manufacture material
60 goods. We chose market entry to the
61 French market as the context for interna-
62 tional opportunity recognition. This
63 allowed us to investigate opportunity rec-
64 ognition in a context that would be
65 uniform for all the firms involved in the
66 study (compare Shane 2000), bearing in
67 mind that laws, regulations, and customs
68 might vary in different markets (Shrader,
69 Oviatt, and McDougall 2000). In addition,
70 it seems that France is a somewhat diffi-
71 cult market for Finnish family SMEs to
72 enter despite its market potential (Finpro
73 2008), and this would underline the
74 importance of opportunity recognition in
75 this context.

76 All the case firms had fewer than 250
77 employees at the time of entry to the
78 French market. Thus, they fulfilled the
79 criteria of the Finnish government and
80 the EU for classification as SMEs (⁷ Orga-
81 nization for Economic Co-operation and
82 Development 2003). As far as the defini-
83 tion of a *family firm* is concerned, it can
84 be defined as one in which the family
85 controls the largest block of shares or
86 votes, has one or more of its members in
87 key management positions, and has
88 members of more than one generation
89 actively involved within the business.
90 This definition is based on the two crite-
91 ria of ownership and management pre-
92 sented, for instance, by Graves and
93 Thomas (2008), and on the factor of con-
94 tinuity (see for instance Zahra 2003).
95 Table 1 summarizes the key information
96 on the case firms. The firms were estab-
97 lished between 1876 and 1988. The
98 number of personnel varies from 18 to
99 249 employees, the average being 106
100 employees.

Table 1
Information on the Case Firms

	Number of Employees	Year of Establishment	Start of Internationalization	Industry Segment	Operations in France
Firm A	249	1876	1970s	Industrial furniture	1982 export 1984 subsidiary
Firm B	18	1923	1929	Wooden toys	1968 export
Firm C	200	1967	1979	Machines for forestry and agriculture	1997 subsidiary
Firm D	20	1973	1990s	Log houses	1998 export
Firm E	140	1972	1980s	Packaging material	2002 representative 1989 export 2006 production subsidiary
Firm F	40	1988	1991	Pipettes and analyzing systems	1991 production/sales subsidiary
Firm G	30	1978	1980	Fire safety equipment	1990 import
Firm H	150	1955	1990s	Sauna stoves and equipment	1991 export 1993 export

1 Multiple sources of information were 51
2 used to gather data from each case firm. 52
3 The main form of data collection was a 53
4 semi-structured interview, guided by a list 54
5 of topics. The interviews were conducted 55
6 by one of the authors, a researcher who 56
7 was fluent in English and French, and 57
8 who had experience of living in French- 58
9 speaking countries (and hence cultural 59
10 knowledge and understanding). The 60
11 interviewer followed the guidelines set 61
12 out by Huber and Power (1985) to mini- 62
13 mize the risk of providing inaccurate or 63
14 biased data. Altogether, 16 semi- 64
15 structured, open-ended interviews lasting 65
16 60–90 minutes were conducted with two 66
17 respondents from each firm, in the firm's 67
18 headquarters in Finland and/or its 68
19 subsidiary/agency in France. The inter- 69
20 viewees selected consisted of executives, 70
21 managing directors, subsidiary managers, 71
22 managers of international affairs, and 72
23 those sales administrators who had the 73
24 greatest in-depth knowledge of interna- 74
25 tionalization and operations in France. 75
26 These professions correspond to the 76
27 informants commonly utilized in the field 77
28 of international entrepreneurship (see 78
29 Coviello and Jones 2004). By selecting the 79
30 most knowledgeable persons and by 80
31 using two informants from each firm, we 81
32 aimed to get the most relevant knowledge 82
33 and to counteract the biases of individual 83
34 opinions (Huber and Power 1985). 84
35 Having two interviews from each case 85
36 firm also made it possible to ask more 86
37 detailed questions of the second inter- 87
38 viewee, following on from the first inter- 88
39 view. Working in this way improved the 89
40 validity of the data collected. 90
41 In the interview process, semi- 91
42 structured, open-ended interviews were 92
43 conducted. The approach made it pos- 93
44 sible to ask "main" questions and then to 94
45 pose further, more detailed questions 95
46 (Yin 1994). The interviewees were first 96
47 asked to describe their business in 97
48 general, thereafter their operations 98
49 related to internationalization as a whole, 99
50 and from that the business connected to 100
internationalization in France in particu-
lar. Based on general information on the
entry to the French market, more
detailed questions were then asked
about the following issues: (1) the firm's
activity in pursuit of entry to France, (2)
important events, persons, firms, or orga-
nizations that influenced the entry to
France, and (3) the firm's knowledge and
experiences concerning the French
market. All these questions were devel-
oped according to the guidelines issued
by Yin (1994), with the aim of making
the questions as nonleading as possible.
This encouraged the interviewees to give
authentic answers to the interview ques-
tions. Because the interviews focused on
the entrepreneurs' past experiences, we
followed the guidelines for retrospective
studies issued by Miller, Cardinal, and
Glick (1997) and by Huber and Power
(1985).
All the interviews were digitally
recorded and transcribed verbatim. A
second listening was conducted to
ensure correspondence between the
recorded and the transcribed data. The
complete case reports were sent back to
the interviewees, and any inaccuracies
they noticed were corrected. In addition,
e-mail communication was used to
collect further information and to clarify
any inconsistent issues. To improve the
validity of the study, we collected and
analyzed many types of secondary infor-
mation (such as websites and annual
reports). By comparing the interview
data with other documents from the case
firms, we carried out triangulation on the
information (Bonoma 1985; Miles and
Huberman 1994). This also provided a
more complete picture of the case firms
under study (Bonoma 1985).
The unit of analysis for this study was
the recognition of the opportunity to
enter the French market. Based on the
interviews and written documents, we
arrived at a detailed case history of each
firm, in line with Pettigrew (1990), who
suggests that organizing incoherent

1 aspects in chronological order is an 51
2 important step in understanding the 52
3 causal links between events. Thereafter, 53
4 on the basis of the interviews, we identi- 54
5 fied the unique patterns of each case 55
6 and categorized the patterns observed 56
7 under the subtopics derived from the 57
8 three research questions we had set for 58
9 the study. In addition, we used checklists 59
10 and event listings to identify critical 60
11 factors related to opportunity recognition 61
12 (Miles and Huberman 1994). To ensure 62
13 the accuracy of the coding of the categor- 63
14 ies, we used two senior researchers to 64
15 validate the findings. We provided them 65
16 with access to the case transcripts, and 66
17 they independently classified the cases 67
18 into categories manifesting the “active- 68
19 ness” and “alertness” of the case firms. 69
20 The procedure was blind, since they did 70
21 were unaware of the objectives of the 71
22 study; we merely described to the 72
23 researchers how we defined the terms 73
24 “activeness” and “alertness.” Their cat- 74
25 egorization was 100 percent consistent 75
26 with our interpretations. 76
27
28 **Profiles of the Case Firms** 77
29 *Firm A*, which provides office equip- 78
30 ment and manufactured products made 79
31 of sheet metal, was established in 1876. 80
32 For almost the first 100 years, it was a 81
33 domestic company. During its history, it 82
34 has manufactured several products, 83
35 many of which have been replaced by 84
36 cheaper products produced in low-cost 85
37 countries. Over the last 50 years, Firm A 86
38 has bought several smaller companies, 87
39 some successfully and others less so. It is 88
40 now in its fifth generation, with its main 89
41 growth and internationalization having 90
42 taken place during the fourth generation. 91
43 In 1970, Firm A started exporting to the 92
44 Nordic countries. In 1980, exporting was 93
45 expanded to Germany; and in 1982, 94
46 export to France was launched. This led 95
47 to the establishment of the subsidiary in 96
48 France in 1984. 97
49 *Firm B*, which produces wooden toys, 98
50 was established in 1923. Currently, the 99
third generation is in charge of the busi- 100
ness. The internationalization of Firm B
began as early as 6 years from its estab-
lishment (for instance in 1929, when it
exported to Sweden and England). In
1947, export to Argentina was launched,
followed by new markets in 1960 (the
United States, Denmark, Norway, and
Iceland). The entry to France occurred in
1968, and the same distributor is still
selling the firm’s products in France. The
product range of Firm B has been very
similar throughout its history: traditional,
educational wooden toys, which have
hardly changed at all. Firm B still has
exporting as its only mode of foreign
operation, and it has only a small share
of the market in all the countries
exported to.
Firm C, founded in 1967, and cur-
rently run as a business by the second
generation of the family, manufactures
machines for forestry and agriculture.
The internationalization of the firm
began at the end of the 1970s with
exports to Sweden, Norway, and
Denmark. Germany was entered in 1988
and Austria in 1995, both with distribu-
tors taking care of the exporting. France
was entered in 1997 in the form of a
subsidiary. Nonetheless, another product
of Firm C was taken to France 1 year
later via a distributor.
In the case of *Firm D*, which manu-
factures log houses, internationalization
started 21 years after its establishment
(1973), and continued in 1994 with the
export of log houses to Germany and
Japan. The French trade started in 1998
in the form of exporting. It was intended
that a network of distributors would be
formed, but the attempts to find reliable
people failed. Hence, a representative
office was established in France in 2002
with a view to facilitating administration.
The story of *Firm E*, currently run by
the second generation, began in 1972.
This firm manufactures different kinds of
packaging materials. Poland was its first
export market (1985). The firm exported

1 to 10 European countries and had a sub- 51
2 subsidiary in Poland before it entered France 52
3 in 1989. The operational mode in the 53
4 French market changed to a joint venture 54
5 involving a production plant in 2006. 55
6 During the time of the second generation 56
7 of the business (which is 100 percent 57
8 owned by the son of the founder), the 58
9 internationalization of the firm has been 59
10 very intense. It now has subsidiaries in 60
11 14 countries and sales in over 60 coun- 61
12 tries worldwide. 62
13 *Firm F* was launched in 1988 by an 63
14 experienced entrepreneur. This firm pro- 64
15 duces various products including 65
16 pipettes and analyzing systems. It has 66
17 always been very intense in its innova- 67
18 tions and patenting policy. It is one of 68
19 the leading companies in its field in the 69
20 world. The first foreign market, entered 70
21 in 1991 in the form of a production sub- 71
22 subsidiary, was France. For this entrepre- 72
23 neur, internationalization was fairly easy, 73
24 being based on strong international 74
25 industrial relationships. 75
26 *Firm G*, which was founded in 1978, 76
27 produces fire safety equipment. This 77
28 industry is highly traditional and also 78
29 extremely diversified, since different 79
30 countries have different kinds of fire 80
31 safety equipment. In the 1980s, Firm G 81
32 started exporting to Norway, Sweden, 82
33 Germany, and Estonia. Exports to France 83
34 were launched in 1991. This was pre- 84
35 ceded by imports from France, starting in 85
36 1990. 86
37 *Firm H* is a producer of sauna stoves 87
38 and sauna equipment in general. The 88
39 firm is now in its third generation as a 89
40 family business, having been founded in 90
41 1955. At the beginning of the 1990s, Firm 91
42 H started exporting to several 92
43 markets—10 European countries alto- 93
44 gether, including the Nordic countries 94
45 and Germany—before it launched 95
46 exports in the French market. 96
47
48 **Findings** 97
49 This section will present how the 98
50 opportunity to enter France was recog- 99
nized in the case firms. On the basis of 100
previous literature and the interview
data, this section will divide the findings
into three categories of factors affecting
the firms' international opportunity rec-
ognition, as detailed below.
First of all, international opportunity
recognition will be considered from the
perspective of network ties, with a divi-
sion into *formal ties* (with other firms),
informal ties (with friends) (Coviello and
Munro 1997; Ojala 2009), and *family ties*
(with family members) (Ozgen and
Baron 2007). Second, the level of *active-*
ness and *alertness* of the firms in their
international opportunity recognition
will be assessed as *high*, *medium*, or *low*.
The level of activeness is *high* if a firm
proactively planned to enter the French
market. If a firm actively sought out new
contacts for internationalization but had
not actively considered opportunities in
France, the firm can be considered as
having *medium*-level activeness. A *low*
level of activeness means that a firm did
not do anything to enter new markets. In
the case of *alertness*, a firm's alertness
was *high* if it immediately reacted to an
opportunity to enter the French market.
Medium-level alertness means that a firm
did not immediately react to new percep-
tions, but after consideration or a deci-
sion process, it seized the opportunity to
enter the French market. If a firm did not
react to an opportunity to enter France,
its alertness can be regarded as *low*.
Third, the *prior knowledge* of the case
firms will be discussed in relation to the
industry concerned, the firm's interna-
tionalization, and its market-specific
knowledge of the French market (Johan-
son and Vahlne 1977; Ozgen and Baron
2007; Shane 2000). At the end of the
section, the primary context in which the
opportunity to enter a foreign market
was recognized will be discussed.
Due to space limitations, the findings
will be presented by grouping together
the firms that had similar elements in
their opportunity recognition rather than

1 by describing each individual case firm
2 separately. The findings are summarized
3 in Table 2. It should be noted that the
4 classification is bound to be subjective to
5 a certain extent, given the qualitative
6 method applied.

8 **Network Ties Used by the** 9 **Case Firms**

10 As Table 2 illustrates, the network ties
11 involved in international opportunity
12 recognition were *formal ties with other*
13 *firms* and *informal ties with friends*. It is
14 interesting that family ties with family
15 members were not relevant to opportu-
16 nity recognition in these case firms.
17 Formal ties were the most important ties
18 in the opportunity recognition of all the
19 case firms, with the exception of Firm F.
20 In the case of Firm F, the entrepreneur
21 had previous experience of the French
22 market based on his previous firm. This
23 entrepreneur was able to utilize net-
24 works formed during the firm he had
25 been with before. Thus, he was able to
26 recognize the opportunity to enter
27 France through a good friend who had
28 been a previous business partner there.
29 The entrepreneur and the French friend
30 had simultaneously suggested that a
31 French production subsidiary should be
32 established to carry on their previous
33 business. Hence, in Firm F, the most
34 important tie in the opportunity recogni-
35 tion was an informal one.

36 In all the other case firms, formal ties
37 played a central role in the opportunity
38 recognition. It is worth noting that in
39 four of the seven cases these formal ties
40 were formed at international trade exhibi-
41 tions. These firms (A, B, E, and H) had
42 participated in trade exhibitions to look
43 for suitable business partners, but none
44 of them were concentrating on a search
45 for French partners solely. Eventually,
46 the opportunity to enter the French
47 market became an obvious route for
48 these firms, when they formed some
49 potential French ties with people who
50 showed interest in their products at the

trade exhibitions. The representative of
Firm B described it in the following way:

51 Trade exhibitions are extremely
52 important for us, that is where all
53 our contacts are made. And that is
54 where we also met our future
55 French agent. We already had
56 business in some countries in
57 Central Europe, and had in mind
58 that France might have potential
59 as well. And we have found
60 dozens of new French candidates
61 ever since in those trade exhibi-
62 tions. Last year it was our 41st
63 time there . . .

64 In Firms D and G, the way they encoun-
65 tered the formal tie was somewhat
66 unstructured. The representative of Firm
67 D met the future business partner by
68 coincidence, when a French entrepre-
69 neur living in Finland met the represen-
70 tative in one of its log houses (this being
71 the product that Firm D exported to
72 France). The entrepreneur was keen on
73 starting to export the log houses to
74 France because he saw France as having
75 a great deal of potential for this kind of
76 product. In Firm G, the opportunity to
77 enter France was perceived thanks to a
78 French supplier from whom Firm G
79 imported. At one point, the business
80 partner in France asked if the firm would
81 consider exporting some pieces to
82 France, and this was in fact the main
83 context for the opportunity recognition:
84 an existing, formal tie in the French
85 market. Firm C, by contrast, had a more
86 structured way of perceiving the oppor-
87 tunity to operate in France. It made use
88 of a formal tie, hiring a consultant who
89 had lived in France for a long period to
90 conduct market research. It was only in
91 Firms G and F that the recognition of the
92 opportunity for market entry was facili-
93 tated by network ties that already
94 existed. In the other case firms, new ties
95 were established and these facilitated
96 their opportunity recognition.

Table 2
Opportunity Recognition in the Case Firms (H = high, M = medium, L = low)

Firm	Network Ties			Activeness			Alertness			Prior Knowledge			Primary Context			
	Formal	Informal	Family	High	Medium	Low	High	Medium	Low	Industry	Internationalization	French market	Participation at exhibitions	Unsolicited agreement	Formal searches	Informal ties
Firm A	X						X			H	M	H	X			
Firm B	X				X			X		H	M	L	X			
Firm C	X			X			X			H	M	L			X	
Firm D	X					X				H	L	L		X		
Firm E	X				X		X			H	H	H	X			
Firm F	X		X		X		X			H	H	H				X
Firm G	X					X		X		M	M	L		X		
Firm H	X				X		X			H	M	L	X			

1 **Activeness and Alertness of the**
2 **Case Firms in the Search for**
3 **Opportunities**

4 The activeness and alertness shown
5 in the international opportunity recog-
6 nition has been classified as high,
7 medium, or low based on the interview
8 data (see Table 3 for more detailed
9 information on each firm's activeness
10 and alertness). Only Firm C is classified
11 as "high" in its activeness. Firm C con-
12 ducted market research, since it proac-
13 tively planned to enter the French
14 market. However, it wanted initially to
15 explore whether the French market
16 truly had potential for its product. In
17 Firms A, B, E, F, and H, the level of
18 activeness is considered "medium."
19 Firms A, B, E, and H actively partici-
20 pated in trade exhibitions involving
21 their industry. However, they did not
22 actively search for French opportunities
23 by any other means, and when they
24 attended the exhibitions, they sought
25 out new contacts irrespective of the
26 country the contacts might have origi-
27 nated from. In Firm F, the level of
28 activeness is also regarded as medium,
29 since the entrepreneur did not need to
30 be active in persuading his French
31 friend and previous business partner to
32 launch a subsidiary in France. The
33 entrepreneur in Firm F described the
34 decision to enter the French market as
35 follows:

36
37 Well, it happened by itself,
38 because we were such good
39 friends. I don't even know who
40 asked first, me or him. Maybe he
41 was the one. It was so natural that
42 he would set up the subsidiary
43 when I set up my enterprise in
44 Finland.

45
46 In Firms D and G, the level of active-
47 ness is regarded as low, since the staff in
48 these firms did not do anything them-
49 selves with a view to entering new
50 markets. They entered the French market

51 because their products were ordered,
52 without any action on their side.
53 However, regarding the level of *alert-*
54 *ness*, it was high in these inactive Firms
55 D and G, since they immediately grabbed
56 the opportunity to enter the French
57 market despite having no existing plans
58 to enter that market. In Firms A and C,
59 too, the level of alertness can be
60 regarded as high, since they immediately
61 reacted to possibilities offered by exter-
62 nal parties. For instance, in Firm C, the
63 entrepreneur quickly reacted to the offer
64 made by Finpro (Finnish export promo-
65 tion organization) that a Finnish woman
66 who had been their employee, but who
67 was unemployed at that point, could
68 immediately begin the process of estab-
69 lishing a subsidiary in France.

70 In the remaining firms, B, E, F, and H,
71 the level of alertness is considered
72 medium. These firms did not immedi-
73 ately react to new perceptions but finally
74 seized the opportunity to enter France
75 without any lengthy debates or decision
76 processes. The entrepreneur of Firm H
77 had made some interesting contacts at
78 international trade exhibitions, but it was
79 only when these French persons con-
80 tacted Firm H and insisted on selling
81 their products in France that they
82 grabbed the opportunity. Hence, they
83 were inactive in developing the ties they
84 made at trade exhibitions.

85 Most of the entrepreneurs (in Firms B,
86 D, E, G, and H) recognized that the flexi-
87 bility and small management teams of
88 family firms enabled them to be alert and
89 reactive to international opportunities.
90 The owner-manager of Firm D put it this
91 way:

92
93 We had no plan to go to France. My
94 colleague just met this French guy
95 by coincidence. He said that he
96 wanted to sell our loghouses in
97 France. [. . .] Well, then I went to
98 see him and said okay, just go
99 ahead and start selling our log-
100 houses. [. . .] Making quick deci-

Table 3
Activeness and Alertness in the Case Firms:
Personalized Examples

	Activeness	Alertness
High	Firm C: <i>"We were interested in the French market and did some market research in France through a local consultant. We realized that there was huge market potential and started to plan the best way to enter the market."</i>	Firm A: <i>"The cooperation with the French distributor started immediately. They had such good distribution channels and the partner seemed so good that the cooperation was launched immediately after their first contact."</i> Firm C: <i>"This Finnish woman living permanently in France offered to establish a subsidiary for us and we grabbed the opportunity right away."</i> Firm D: <i>"He [the person met coincidentally] said that he wanted to sell our loghouses in France. [. . .] Well, then I went to see him and said okay, just go ahead and start selling our loghouses."</i> Firm G: <i>"We had no plans to export to France, but since they asked, we said yes right away."</i>
Medium	Firm A: <i>"We had launched a new product family and showed it at international trade exhibitions around Europe. Then we were contacted by a French firm we met at the exhibitions."</i> Firm B: <i>"We wanted to sell more products [internationally] and looked for potential partners at international exhibitions."</i> Firm E: <i>"We participated in international exhibitions and met people. I was sent to live in Germany to establish new business contacts in Europe."</i> Firm F: <i>"He had an international vision from the beginning, but the entrepreneur did not need to be highly active since he was able to use his previous contact with his French friend and business partner, who was active himself."</i> Firm H: <i>"All we do regarding international networking is participate in international exhibitions"</i>	Firm B: <i>"After some consideration here and there, this entrepreneur started to market our toys along with his existing product range."</i> Firm E: <i>"I drove around France on several occasions to chat with the potential distributors and see if they were good or not."</i> Firm F: <i>"I discussed with him a few times about our new firm, and about potential cooperation in the meantime. I think it was reciprocal, neither of us persuaded the other about this. It was almost taken for granted that he would launch the French subsidiary."</i> Firm H: <i>"It always goes so that our potential distributors contact us and then we meet and see if they have the potential or not."</i>
Low	Firm D: <i>"We had no plans to go to France [to internationalize]. My colleague just met this French guy by chance."</i> Firm G: <i>"We had no plans to export to France, but since they asked, we said yes right away."</i>	

1 sions is possible in a small family-
2 owned company. It's our big
3 advantage.

4
5 This flexibility is also evident among
6 the firms ranked as medium level in their
7 alertness, although their reaction to
8 international opportunities was not so
9 quick at the time of market entry to
10 France. For instance, the owner-manager
11 of Firm E commented on this as follows:
12

13 We have no obstacles to executing
14 and doing things, because, well,
15 our organization works flexibly
16 and innovatively. It is one of the
17 biggest advantages of family-
18 owned companies.
19

20 **Prior Knowledge of the Case Firms**

21 The prior knowledge of the entrepre-
22 neurs in the case firms can be divided
23 into *industry-specific knowledge*, *inter-*
24 *nationalization knowledge*, and *market-*
25 *specific knowledge*. The industry-specific
26 knowledge in all the case firms—except
27 for Firm G—was high. Their knowledge
28 was mainly based on experience, in
29 other words, on a long product develop-
30 ment process. These firms that had high
31 industry knowledge had an excellent, in
32 some ways, original product, which had
33 basically good competitiveness in inter-
34 national markets. They also knew fairly
35 well what their rivals were doing. Thus,
36 Firm A launched a new product family
37 just before entering France, and those
38 successful innovative products were later
39 imitated by their rivals. The industry-
40 specific knowledge of Firm G is regarded
41 as medium, since they were not very
42 familiar with the products offered by
43 other European firms; hence, they did
44 not entirely know what their firm could
45 offer abroad, and had not planned to
46 internationalize.

47 The internationalization knowledge
48 was of medium level in most of the case
49 firms (A, B, C, G, and H). The level of
50 internationalization knowledge can be

51 regarded as medium if the entrepreneur
52 has experiential knowledge, in other
53 words, experience gained from foreign
54 operations. For instance, the entrepre-
55 neur of Firm H had operated in several
56 foreign markets before entry to the
57 French market. However, the interna-
58 tionalization process of the firm was
59 reactive to requests from abroad, which
60 meant that its staff did not need to be
61 very deeply involved in knowing about
62 internationalization as such. In Firm D,
63 the internationalization knowledge is
64 regarded as low, since the entrepreneur
65 of Firm D had only a very small degree of
66 international experience, based on occa-
67 sional visits to Germany and Japan. By
68 contrast, the internationalization knowl-
69 edge of firms E and F can be regarded as
70 high at the time of recognition of the
71 opportunity to enter the French market.
72 Firm E already had production subsidiar-
73 ies around the world and had been
74 selling to numerous countries for several
75 years. Despite this, their attitude to inter-
76 nationalization was extremely innovative
77 and proactive. The entrepreneur in Firm
78 F had a foundation of internationaliza-
79 tion experience since his previous firms
80 had been selling and producing goods all
81 around the world for more than 10 years
82 before this specific opportunity was rec-
83 ognized.

84 Five out of eight case firms (B, C, D,
85 G, and H) had surprisingly limited
86 knowledge of the French market before
87 they recognized the opportunity to enter
88 the market. None of these firms had
89 experiential knowledge of France nor
90 did they set out to gather any explicit
91 knowledge, even before they entered the
92 French market. For instance, in Firm D,
93 the entrepreneur described the knowl-
94 edge of France in this way:
95

96 Well, it [the entry to France] has
97 been quite unorganized. We have
98 made many mistakes and learned
99 from them. I had no cultural
100 knowledge of France and I

1 learned about the culture only
2 through time. [...] All in all, we
3 lacked all the essential resources
4 needed for internationalization in
5 France. We just had our courage,
6 we wanted to try.

7
8 9 In Firms A, E, and F, by contrast, the
9 level of French market knowledge is per-
10 ceived as high, the reason for this being
11 is the experiential knowledge gained by
12 the entrepreneurs or their family
13 members. In Firm A, the entrepreneur
14 had lived in France for several years; he
15 had experiential knowledge of French
16 culture and also knew the French lan-
17 guage. In Firm E, too, there was a family
18 member who knew French language and
19 culture, since he was living on the
20 French border at the time of the oppor-
21 tunity recognition. In Firm F, French
22 market knowledge was at a very high
23 level. This was due to the fact that the
24 entrepreneur had cooperated for several
25 years with the French because of the
26 business operations of his preceding
27 firms, which were operating in the same
28 field.

29 **The Primary Context of the** 30 **International Opportunity** 31 **Recognition** 32

33 In this section, we shall summarize
34 the main findings uncovered via an
35 analysis of the network ties, activeness
36 and alertness, and prior knowledge of
37 the case firms. In so doing, we shall
38 discuss the phenomenon of international
39 opportunity recognition from the point
40 of view of its primary context. The
41 primary contexts, as found in the data,
42 were trade exhibitions, unsolicited
43 agreements, formal searches, and infor-
44 mal ties. As Table 2 illustrates, the
45 10 primary context of international oppor-
46 tunity recognition was in half of the
47 cases (A, B, E, and H) their participation
48 in trade exhibitions. In fact, this venue
49 appears to form the most important
50 context for opportunity recognition.

51 The second most common context for
52 recognizing the opportunity to enter the
53 French market was an unsolicited
54 agreement—a phenomenon that
55 occurred for Firms D and G. Firm D
56 needed to find new markets but had no
57 strategy on how to internationalize.
58 Hence, Firm D did not actively look for
59 anyone to sell their products abroad, did
60 not ask any person to sell its products,
61 and did not invest any money on this
62 attempt. In fact, it was an entrepreneur
63 who was himself of French origin who
64 invested his own money in bringing Firm
65 D to the French market. Firm G, by con-
66 trast, took the opportunity to export to 11
67 France when its French supplier asked if
68 Firm G could provide the supplier with a
69 certain component that it not produce
70 itself. In fact, there was a year of import-
71 ing on the background before this French
72 supplier asked Firm G to start selling
73 products to France, via the supplier.

74 For Firm C, the primary context of
75 opportunity recognition consisted
76 entirely of a formal search. As it showed
77 that France had great potential, Firm C
78 immediately started to plan its foreign
79 market entry in a strategic fashion. The
80 discovery of suitable entrepreneurs to
81 carry out its French plan was also
82 essential in the execution of the French
83 opportunity. Nevertheless, the two entre-
84 preneurs concerned were not involved in
85 the primary opportunity recognition
86 phase, since the decision on entry had
87 been made on the basis of the market
88 search.

89 Firm F differed notably from the other
90 firms in its opportunity recognition, since
91 the entrepreneur-founder of Firm F had
92 a good, trustworthy friend in France,
93 with whom he had been doing business
94 for 10 years (while with his previous
95 firms). Hence, when this entrepreneur
96 set up Firm F, it seemed obvious to him
97 that he could start a subsidiary in France,
98 given that he knew a trustworthy, excel-
99 lent person there who was acquainted
100 with this particular industry. Nothing

1 else was needed in discovering the
2 opportunity to operate in France. Thus,
3 the presence of the informal tie had a
4 great effect on the manner of opportu-
5 nity recognition. However, with all the
6 other firms, it was mainly formal ties that
7 were involved in the opportunity recog-
8 nition. And taking the firms altogether,
9 the manner of recognizing the opportu-
10 nity was, to a large extent, based on the
11 finding of suitable persons (by coinci-
12 dence or at a trade exhibition) to repre-
13 sent the firm's products in France.

15 **Discussion**

16 The findings indicate that formal ties
17 can be regarded as essential in the inter-
18 national opportunity recognition of
19 family SMEs. Only one firm recognized
20 the opportunity via informal ties.
21 However, none of the firms was able to
22 utilize family ties in the international
23 opportunity recognition process. This
24 finding supports the study of Ozgen and
25 Baron (2007), which suggests that family
26 ties do not facilitate the opportunity
27 recognition process. In other words, the
28 close relationships that commonly exist
29 between family members or the informal
30 relationships existing between friends
31 reduce opportunities for getting new and
32 valuable information that could promote
33 international opportunity recognition.
34 However, in formal relationships, the
35 potential for recognizing international
36 opportunities is much higher (compare
37 Burt 2004; Granovetter 1973).

38 One interesting finding is that only
39 two of the case firms recognized the
40 opportunity for the foreign market entry
41 through an *existing* network tie (through
42 a formal tie with the supplier and
43 through an informal tie with a friend in
44 France). In the other six cases, the inter-
45 national opportunity recognition actually
46 led to the formation of *new* formal ties in
47 trade exhibitions, or else it came as a
48 response to unsolicited inquiries. This
49 finding suggests that in family SMEs—
50 where there are not many international

connections (Graves and Thomas
2004)—existing network ties do not gen-
erally lead to international opportunity
recognition. Our study takes the findings
of Graves and Thomas (2004) further,
since it suggests that in the context of
international opportunity recognition,
family SMEs generally compensate for
their limited network ties by forming
new, formal network ties. However, it
should be noted that this finding is
inconsistent with the studies of Ellis
(2008) and Singh (2000) (on nonfamily
firms), which indicated the importance
of existing network ties in opportunity
recognition; in our study, family SMEs
used new network ties rather than exist-
ing ones. On the basis of our findings,
we can arrive at the following two
propositions:

51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
*Proposition 1: Family SMEs recog-
nize international opportunities
by using formal ties rather than
informal ties or family ties.*

71
72
73
74
75
76
77
78
79
80
*Proposition 2: Among family
SMEs, the formation of new
network ties is more likely to lead
to international opportunity rec-
ognition than the presence of exist-
ing ties.*

81 We observed that a high level of
82 *activeness* led to opportunity recognition
83 through a formal search, whereas a low
84 level of activeness led to opportunity rec-
85 ognition via an unsolicited inquiry. The
86 case firms with a medium level of active-
87 ness realized the international opportu-
88 nity via trade exhibitions or informal ties.
89 The concept of *alertness* describes the
90 actions taken by family SMEs very well:
91 all of them reacted fairly proactively to
92 opportunities, irrespective of the level of
93 activeness. This might be, generally
94 speaking, connected to the unsystematic
95 way of internationalizing in family firms
96 (Tsang 2001); only one case firm had a
97 plan to internationalize in France at the
98 time of opportunity recognition.

1 It also seems that small management 48
2 teams provide a distinct advantage in 49
3 relation to the alertness of family SMEs: 50
4 they allow decision processes to be 51
5 quick and flexible (compare Gallo and 52
6 Pont 1996; Tsang 2001). Hence, they can 53
7 proactively seize emerging opportuni- 54
8 ties, whether they are actively looking 55
9 for new international opportunities or 56
10 not. On that basis, we would posit the 57
11 following: 58

12 *Proposition 3: Among family 59
13 SMEs, international opportunities 60
14 are likely to be recognized on the 61
15 basis of alertness rather than 62
16 activeness. 63*

17 *Proposition 4: The flexibility of the 64
18 governance structure in family 65
19 SMEs is positively related to a high 66
20 level of alertness in international 67
21 opportunity recognition. 68*

22 It is interesting that prior knowledge 69
23 (including industry-specific knowledge, 70
24 internationalization knowledge, and 71
25 market-specific knowledge) had no sig- 72
26 nificant effect on international opportu- 73
27 nity recognition. This was despite the 74
28 fact that several studies have underlined 75
29 the importance of prior knowledge for 76
30 both opportunity recognition in general 77
31 (Baron 2006; Shane 2000) and interna- 78
32 tional opportunity recognition in particu- 79
33 lar (Johanson and Vahlne 1977; Oviatt 80
34 and McDougall 1995; Reuber and Fischer 81
35 1997). Thus, although the prior industry 82
36 knowledge of the family SME entrepre- 83
37 neurs seemed to be strong, it did not 84
38 seem to facilitate their international 85
39 opportunity recognition to any great 86
40 extent since most of the firms had no 87
41 international industry relations. In addi- 88
42 tion, their market-specific knowledge 89
43 was limited in most cases, and within 90
44 those firms that did possess high knowl- 91
45 edge of French culture and language, this 92
46 knowledge did not significantly contrib- 93
47 ute to the opportunity recognition 94
48 process since they had not developed 95
49 relations in the French market that 96
50 would serve business purposes. Alto- 97
51 together, in the international opportunity 98
52 recognition phase, prior knowledge 99
53 plays a fairly minor role (although its 100
54 importance may increase when a firm 101
55 starts to execute the perceived opportu- 102
56 nity). This might be connected to family 103
57 entrepreneurs' desire to avoid risks and 104
58 to protect the socio-emotional wealth of 105
59 their staff (Gomez-Mejia, Makri, and 106
60 Kintana 2010), with the implication that 107
61 their opportunity recognition is based on 108
62 finding trustworthy partners. In other 109
63 words, whether or not they have experi- 110
64 ence of internationalization or knowl- 111
65 edge of the target market from a 112
66 nonbusiness context, they recognize 113
67 their opportunity only when they meet a 114
68 potential cooperator, often in interna- 115
69 tional trade exhibitions or by coinci- 116
70 dence. By meeting cooperators 117
71 personally, also the risk connected to 118
72 foreign market entry is reduced. 119
73 The findings of this study indicate that 120
74 the primary context in which the family 121
75 SMEs recognize the opportunity for 122
76 foreign market entry is that of trade exhi- 123
77 bitions.² This is consistent with earlier 124
78 literature indicating the important role of 125
79 trade exhibitions for opportunity recog- 126
80 nition (Ellis 2000; McAuley 1999; Meyer 127
81 and Skak 2002). Trade exhibitions form a 128
82 context with a dense network that facili- 129
83 tates access to important information 130
84 since persons in the network can easily 131
85 share essential knowledge (compare 132
86 Burt 2000). Consequently, trade exhibi- 133
87

43 _____
44 ²In two cases, unsolicited inquiries were the primary context of the opportunity recognition.
45 This again underlines the importance of alertness to opportunities (Ardichvili, Cardozo, and
46 Ray 2003; Kirzner 1997) and the role of serendipity in foreign market entry (Crick and Spence
47 2005; McAuley 1999; Meyer and Skak 2002).

1 tions and similar forums where people
2 share common interests are a context in
3 which potential business partners may
4 well be found, without the investment of
5 huge amounts of money or time. They
6 form a natural context for family SMEs,
7 which often have limited financial
8 resources and which tend to have a cau-
9 tious attitude regarding investments and
10 changes in operations (for example Gallo
11 and Pont 1996; Graves and Thomas
12 2008). This finding is also in line with the
13 observation of Ellis (2008) that firms
14 compensate for their limited networks by
15 participating in trade exhibitions. In
16 addition, international exhibitions may
17 be important for the reason that family
18 business owners do not want to use
19 external sources to facilitate their inter-
20 nationalization (Graves and Thomas
21 2004). All in all, in relation to Proposition
22 2, it can be stated that although family
23 SMEs utilized *new* network ties in their
24 international opportunity recognition,
25 these were generally found in forums
26 with a high network density. In these
27 forums, the amount of potential network
28 ties is high (Coviello 2006) and the inter-
29 action between different parties is facili-
30 tated (Oviatt and McDougall 2005). From
31 all these considerations, we derive the
32 final proposition, as follows:

33
34 *Proposition 5: Forums with a high*
35 *network density are the primary*
36 *context in which family SMEs rec-*
37 *ognize opportunities for foreign*
38 *market entry.*
39

40 **Conclusions**

41 This study makes several contribu-
42 tions in the fields of international busi-
43 ness and international entrepreneurship.
44 First, it answers the calls for more
45 research on international opportunity
46 mentioned in the Introduction (Dimitra-
47 tos and Jones 2005; Ellis 2008; Young,
48 Dimitratos, and Dana 2003; Zahra, Korri,
49 and Yu 2005). Second, it indicates how
50 network ties, activeness and alertness,

and prior knowledge affect international
51 opportunity recognition. Third, the study
52 identifies the primary context in which
53 family SMEs recognize international
54 opportunities for new market entry. Our
55 findings suggest that SMEs mainly recog-
56 nize international opportunities by estab-
57 lishing new formal ties, with existing
58 informal ties and family ties having a less
59 significant role. We also found that inter-
60 national opportunity recognition of
61 family SMEs is more related to alertness
62 to new international opportunities than
63 to an active search for opportunities.
64 This seems to be due to the small size
65 and flexibility of the management teams
66 concerned. Furthermore, the findings
67 indicated that prior knowledge did not
68 directly affect the international opportu-
69 nity recognition of family SMEs. Finally,
70 forums with a high network density were
71 the primary context for international
72 opportunity recognition.
73

International opportunity recognition
74 is an emerging research topic in interna-
75 tional entrepreneurship. Although our
76 study provides an empirical contribution
77 to this topic, there is a plenty of scope
78 for further research. The study offers five
79 propositions for further quantitative
80 testing—necessary, since the findings of
81 this study are not widely generalized due
82 to the methodological circumstances.
83 Our research setting also limits the case
84 firms to family-owned SMEs. Although
85 this approach has the advantage of a
86 specific focus, one would clearly wish to
87 take the research into broader contexts.
88 Thus, further studies are needed in rela-
89 tion to the international opportunity
90 identification of *early internationalizing*
91 *firms* and firms that have *different kinds*
92 *of ownership structures*. In this study, the
93 focus was solely on opportunities that
94 were actually implemented. Hence, there
95 is also a need for further research on
96 international opportunities that were rec-
97 ognized but *not* implemented, and the
98 mechanisms that might lie behind the
99 implementation of some international
100

1 opportunities but not others. As the find- 51
2 ings of the present study indicate, prior 52
3 knowledge had not a direct impact on 53
4 how the opportunities are recognized. 54
5 However, we can assume that the role of 55
6 prior knowledge is important when the 56
7 firms start to execute international 57
8 opportunities. This is an interesting topic 58
9 for further academic inquiries. 59

10 In considering the findings of this 60
11 study, it should be noted that there have 61
12 been changes in international markets 62
13 during the internationalization of the case 63
14 firms. For instance, free-trade agreements 64
15 ¹² and areas (for instance GATT, EU, North 65
16 American Free Trade Agreement 66
17 [NAFTA]) have been established or 67
18 expanded (see for instance Pett and Wolff 68
19 2003; Yamin, Sinkovics, and Hadjielias 69
20 2007). Furthermore, improvements in 70
21 transportation connections, the develop- 71
22 ment of communication technologies, 72
23 and increases in international competi- 73
24 tion have facilitated the internationaliza- 74
25 tion of many firms (Oviatt and McDougall 75
26 2005). The influence of these changes 76
27 could also be an interesting topic for 77
28 further studies. In relation to the possible 78
29 limitations of the study, there are some 79
30 aspects that might differ depending on 80
31 the home and target country. For 81
32 instance, firms in some Asian countries 82
33 are able to utilize emigrant relationships 83
34 that help them with networking and, 84
35 simultaneously, their international oppor- 85
36 tunity recognition (Bagwell 2008; Child, 86
37 Ng, and Wong 2002; Prashantham and 87
38 ¹³ Dhanaraj in press). In these cases, tran- 88
39 snational family ties (Bagwell 2008; Tsang 89
40 2001) may have a greater impact on inter- 90
41 national opportunity recognition than 91
42 was the case in the present study. In 92
43 addition, the cultural and psychic dis- 93
44 tances between countries may affect how 94
45 firms recognize international opportuni- 95
46 ties. Hence, as the psychic distance 96
47 between countries increases, network for- 97
48 mation, and consequently, opportunity 98
49 recognition becomes more difficult 99
50 (Johanson and Vahlne 2009; Ojala 2009).

From a managerial point of view, 51
family entrepreneurs with limited net- 52
works should concentrate on *actively* 53
looking for new formal ties, which can 54
provide them with novel information on 55
international opportunities. Due to the 56
closeness of family ties, the families 57
themselves generally do not offer this 58
kind of information. International trade 59
exhibitions are an excellent context for 60
family SMEs to engage in networking. 61
Family SMEs with flexible management 62
teams should also take advantage of their 63
ability to be alert, in other words, their 64
ability to quickly react to opportunities 65
that arise in different contexts, often by 66
mere coincidence. 67

References

- Aldrich, H. (1999). *Organizations Evolving*. London: Sage. 70
Ardichvili, A., R. Cardozo, and S. Ray 71
(2003). "A Theory of Entrepreneurial 72
Opportunity Identification and Develop- 73
ment," *Journal of Business Ventur-* 74
ing 18(1), 105–123. 75
Arregle, J.-L., M. Hitt, D. Sirmon, and P. 76
Very (2007). "The Development of 77
Organizational Social Capital: 78
Attributes of Family Firms," *Journal of* 79
Management Studies 44(1), 73–95. 80
Bagwell, S. (2008). "Transnational Family 81
Networks and Ethnic Minority Busi- 82
ness Development: The Case of Viet- 83
namese Nail-Shops in the UK," 84
International Journal of Entrepre- 85
neurial Behaviour and Research 86
14(6), 377–394. 87
Baron, R. A. (2006). "Opportunity Recog- 88
nition as Pattern Recognition: How 89
Entrepreneurs 'Connect the Dots' to 90
Identify New Business Opportuni- 91
ties," *Academy of Management Per-* 92
spectives 20(1), 104–119. 93
Bonoma, T. V. (1985). "Case Research in 94
Marketing: Opportunities, Problems, 95
and a Process," *Journal of Marketing* 96
Research 22(2), 199–208. 97
Brown, S. L., and K. M. Eisenhard (1997). 98
"The Art of Continuous Change: 99
100

- 1 Linking Complexity Theory and Time- 51
2 Paced Evolution in Relentlessly Shift- 52
3 ing Organizations,” *Administrative* 53
4 *Science Quarterly* 42, 1–34. 54
5 Burt, R. S. (2000). “The Network Struc- 55
6 ture of Social Capital,” *Research in* 56
7 *Organizational Behaviour* 22, 345– 57
8 423. 58
9 ——— (2004). “Structural Holes and 59
10 Good Ideas,” *American Journal of* 60
11 *Sociology* 110(2), 349–399. 61
12 Child, J., S. H. Ng, and C. Wong (2002). 62
13 “Psychic Distance and International- 63
14 ization: Evidence from Hong Kong 64
15 Firms,” *International Studies of Man-* 65
16 *agement and Organization* 32(1), 66
17 36–56. 67
18 Chrisman, J. J., J. H. Chua, and L. Steier 68
19 (2005). “Sources and Consequences of 69
20 Distinctive Familiness: An Introduc- 70
21 tion,” *Entrepreneurship Theory and* 71
22 *Practice* 29, 237–247. 72
23 Claver, E., L. Rienda, and D. Quer (2008). 73
24 “Family Firms’ Risk Perception: 74
25 Empirical Evidence on the Interna- 75
26 tionalization Process,” *Journal of* 76
27 *Small Business and Enterprise Devel-* 77
28 *opment* 15(3), 457–471. 78
29 Coviello, N. (2006). “The Network 79
30 Dynamics of International New 80
31 Venture,” *Journal of International* 81
32 *Business Studies* 37(5), 713–731. 82
33 Coviello, N., and H. Munro (1997). 83
34 “Network Relationships and the Inter- 84
35 nationalisation Process of Small Soft- 85
36 ware Firms,” *International Business* 86
37 *Review* 6(4), 361–386. 87
38 Coviello, N. E., and M. V. Jones (2004). 88
39 “Methodological Issues in Interna- 89
40 tional Entrepreneurship Research,” 90
41 *Journal of Business Venturing* 19(4), 91
42 485–508. 92
43 Creswell, J. W. (1997). *Qualitative* 93
44 *Inquiry and Research Design: Choos-* 94
45 *ing Among Five Traditions*. Newbury 95
46 Park, CA: Sage Publications. 96
47 Crick, D., and M. Spence (2005). “The 97
48 Internationalisation of ‘High Perform- 98
49 ing’ UK High-Tech SMEs: A Study of 99
50 Planned and Unplanned Strategies,” 100
51 *International Business Review* 14(2), 52
53 167–185. 54
55 Dimitratos, P., and M. Jones (2005). 56
57 “Future Directions for International 58
59 Entrepreneurship Research,” *Interna-* 60
61 *tional Business Review* 14(2), 119– 62
63 128. 64
65 Donckels, R., and E. Fröhlich (1991). 66
67 “Are Family Businesses Really Differ- 68
69 ent? European Experiences from 70
71 STRATOS,” *Family Business Review* 72
73 12(2), 146–160. 74
75 Eisenhardt, K. M. (1989). “Building The- 76
77 ories from Case Study Research,” 78
79 *Academy of Management Review* 80
81 14(4), 532–550. 82
83 Ellis, P. (2000). “Social Ties and Foreign 84
85 Market Entry,” *Journal of Interna-* 86
87 *tional Business Studies* 31(3), 443–469. 88
89 ——— (2008). *Social Ties and Interna-* 89
90 *tional Opportunity Recognition*. 91
92 Unpublished manuscript, Hong Kong 93
94 Polytechnic University. 95
96 Fernandez, Z., and M. J. Nieto (2005). 97
98 “Internationalization Strategy of Small 99
99 and Medium-Sized Family Businesses: 100
Some Influential Factors,” *Family*
Business Review 18(1), 77–89.
- Finpro (2008). *Subsidiaries of Finnish*
Companies in France—July 2008.
Paris: Finpro.
- Gallo, M. A., and C. G. Pont (1996).
“Important Factors in Family Business
Internationalization,” *Family Business*
Review 9(1), 45–59.
- Gomez-Mejia, L. R., M. Makri, and M. L.
Kintana (2010). “Diversification Deci-
sions in Family-Controlled Firms,”
Journal of Management Studies 47(2),
223–252.
- Granovetter, M. S. (1973). “The Strength
of Weak Ties,” *American Journal of*
Sociology 76(6), 1360–1380.
- Graves, C., and J. Thomas (2004). “Inter-
nationalisation of the Family Business:
A Longitudinal Perspective,” *Interna-*
tional Journal of Globalisation and
Small Business 1(1), 7–27.
- (2006). “Internationalization of
Australian Family Businesses: A Mana-

- 1 gerial Capabilities Perspective,” 51
2 *Family Business Review* 19(3), 207– 52
3 224. 53
4 ——— (2008). “Determinants of the 54
5 Internationalization Pathways of 55
6 Family Firms: An Examination of 56
7 Family Influence,” *Family Business 57
8 Review* 21(2), 151–167. 58
9 Hills, G. E., and R. C. Schrader (1998). 59
10 “Successful Entrepreneur’s Insights 60
11 into Opportunity Recognition,” in 61
12 *Frontiers of Entrepreneurship 62
13 Research*. Eds. P. D. Reynolds et al. 63
14 Wellsley, MA: Babson College, 30– 64
15 43. 65
16 Hohenthal, J., J. Johanson, and M. Johan- 66
17 son (2003). “Market Discovery and the 67
18 International Expansion of the Firm,” 68
19 *International Business Review* 12(6), 69
20 659–672. 70
21 Huber, G. P., and D. J. Power (1985). 71
22 “Retrospective Reports of Strategic- 72
23 Level Managers: Guidelines for 73
24 Increasing Their Accuracy,” *Strategic 74
25 Management Journal* 6, 171–180. 75
26 Johanson, J., and L.-G. Mattsson (1992). 76
27 “Network Positions and Strategic 77
28 Action: An Analytical Framework,” in 78
29 *Industrial Networks: A New View of 79
30 Reality*. Eds. B. Axelsson and G. 80
31 Easton. New York: Routledge, 205– 81
32 217. 82
33 Johanson, J., and J.-E. Vahlne (1977). 83
34 “The Internationalization Process of 84
35 the Firm—A Model of Knowledge 85
36 Development and Increasing Foreign 86
37 Market Commitments,” *Journal of 87
38 International Business Studies* 8(1), 88
39 23–32. 89
40 ——— (2009). “The Uppsala Internation- 90
41 alization Process Model Revisited: 91
42 From Liability of Foreignness to 92
43 Liability of Outsidership,” *Journal of 93
44 International Business Studies* 40, 94
45 1411–1431. 95
46 Khilström, R., and J. Laffont (1979). “A 96
47 General Equilibrium Entrepreneurial 97
48 Theory of Firm Formation Based on 98
49 Risk Aversion,” *Journal of Political 99
50 Economics* 87(4), 719–748. 100
- Kirzner, I. M. (1979). *Perception, Opportunity, and Profit: Studies in the Theory of Entrepreneurship*. Chicago, IL: University of Chicago Press.
- (1997). “Entrepreneurial Discovery and the Competitive Market Process: An Austrian Approach,” *Journal of Economic Literature* 35(1), 60–85.
- Kontinen, T., and A. Ojala (2010). “The Internationalization of Family Businesses: A Review of Extant Research,” *Journal of Family Business Strategy* 1(2), 97–107.
- Krueger, N. F., and D. V. Brazeal (1994). “Entrepreneurial Potential and Potential Entrepreneurs,” *Entrepreneurship Theory and Practice* 18(3), 91–104.
- McAuley, A. (1999). “Entrepreneurial Instant Exporters in the Scottish Arts and Crafts Sector,” *Journal of International Marketing* 7(4), 67–82.
- McDougall, P. P., S. Shane, and B. M. Oviatt (1994). “Explaining the Formation of International New Ventures: The Limits of Theories from International Business Research,” *Journal of Business Venturing* 9(6), 469–487.
- Meyer, K., and A. Skak (2002). “Networks, Serendipity and SME Entry into Eastern Europe,” *European Management Journal* 20(2), 179–188.
- Miles, M. B., and A. M. Huberman (1994). *Qualitative Data Analysis: An Expanded Sourcebook*. Newbury Park, CA: Sage Publications.
- Miller, C. C., L. B. Cardinal, and W. H. Glick (1997). “Retrospective Reports in Organizational Research: A Reexamination of Recent Evidence,” *Academy of Management Journal* 40(1), 189–204.
- Organization for Economic Co-operation and Development (2003). *Officially-Supported Export Credits and Small Exporters*. ••, France: Organization for Economic Co-operation and Development. 15
- Ojala, A. (2008). “Entry in a Psychically Distant Market: Finnish Small and

- 1 Medium-Sized Software Firms in Reid, S. D. (1984). "Information Acquisition 51
2 Japan," *European Management* 52
3 *Journal* 26(2), 135-144. 53
4 ——— (2009). "Internationalization of 54
5 Knowledge-Intensive SMEs: The Role 55
6 of Network Relationships in the Entry 56
7 to a Psychically Distant Market," *Inter- 57
8 national Business Review* 18(1), 58
9 50-59. 59
10 Okoroafo, S. C. (1999). "Internationaliza- 60
11 tion of Family Businesses: Evidence 61
12 from Northwest Ohio, U.S.A.," *Family 62
13 Business Review* 12(2), 147-158. 63
14 Oviatt, B. M., and P. P. McDougall 64
15 (1995). "Global Start-Ups: Entrepre- 65
16 neurs on a Worldwide Stage," 66
17 *Academy of Management Executive* 67
18 9(2), 30-43. 68
19 ——— (2005). "Defining International 69
20 Entrepreneurship and Modeling the 70
21 Speed of Internationalization," *Entre- 71
22 preneurship Theory and Practice* 72
23 29(5), 537-553. 73
24 Ozgen, E., and R. A. Baron (2007). 74
25 "Social Sources of Information in 75
26 Opportunity Recognition: Effects of 76
27 Mentors, Industry Networks, and Pro- 77
28 fessional Forums," *Journal of Business* 78
29 *Venturing* 22(2), 174-192. 79
30 Park, J. S. (2005). "Opportunity Recogni- 80
31 tion and Product Innovation in Entre- 81
32 preneurial Hi-Tech Start-Ups: A New 82
33 Perspective and Supporting Case 83
34 Study," *Technovation* 25(7), 739- 84
35 752. 85
36 Pett, T. L., and J. A. Wolff (2003). "Firm 86
37 Characteristics and Managerial Per- 87
38 ceptions of NAFTA: An Assessment of 88
39 Export Implications for U.S. SMEs," 89
40 *Journal of Small Business Manage- 90
41 ment* 41(2), 117-132. 91
42 Pettigrew, A. M. (1990). "Longitudinal 92
43 Field Research on Change: Theory 93
44 and Practice," *Organization Science* 94
45 1(3), 267-292. 95
46 Prashantham, S., and C. Dhanaraj (in 96
47 press). "The Dynamic Influence of 97
48 Social Capital on the International 98
49 Growth of New Ventures," *Journal of* 99
50 *Management Studies* ••, ••-••. 100

1	<i>Growth</i> . Eds. J. Katz and R. Brockaus.	<i>of International Entrepreneurship</i>	15
2	Greenwich, CT: JAI Press, 119–138.	1(1), 31–42.	16
3	Yamin, M., R. Sinkovics, and E. Hadjie-	Zahra, S. A. (2003). "International Expan-	17
4	lias (2007). "EU Harmonization, Mana-	sion of U.S. Manufacturing Family	18
5	gerial Perceptions and SME Export	Businesses: The Effect of Ownership	19
6	Behavior," <i>Journal of Euromarketing</i>	and Involvement," <i>Journal of Business</i>	20
7	17(1), 7–21.	<i>Venturing</i> 18(4), 495–512.	21
8	Yin, R. K. (1994). <i>Case Study Research:</i>	Zahra, S. A., J. S. Korri, and J. F. Yu	22
9	<i>Design and Methods</i> , 2nd ed. Newbury	(2005). "Cognition and International	23
10	Park, CA: SAGE Publications.	Entrepreneurship: Implications for	24
11	Young, S., P. Dimitratos, and L.-P. Dana	Research on International Opportu-	25
12	(2003). "International Entrepreneur-	nity Recognition and Exploitation,"	26
13	ship Research: What Scope for Inter-	<i>International Business Review</i> 14(2),	27
14	national Business Theories?" <i>Journal</i>	129–146.	28

IV

NETWORK TIES IN THE INTERNATIONAL OPPORTUNITY RECOGNITION OF FAMILY SMEs

by

Tanja Kontinen and Arto Ojala

International Business Review, in press.

Reprinted with kind permission by Elsevier



Contents lists available at ScienceDirect

International Business Review

journal homepage: www.elsevier.com/locate/ibusrev



Network ties in the international opportunity recognition of family SMEs

Tanja Kontinen*, Arto Ojala¹

University of Jyväskylä, School of Business and Economics, P.O. Box 35, FI-40014 University of Jyväskylä, Finland

ARTICLE INFO

Article history:

Received 1 December 2009
Received in revised form 6 August 2010
Accepted 10 August 2010

Keywords:

Family SMEs
International entrepreneurship
International opportunity recognition
Network ties

ABSTRACT

The importance of network ties is emphasized in the current literature on opportunity recognition. However, it is unclear how firms with limited bridging networks, such as family SMEs, recognize international opportunities through their network ties. In this case study we found that in gaining foreign market entry, those family SMEs that lack existing network ties recognize opportunities through weak ties formed in international exhibitions. The findings also indicate that rather than being proactive, family SMEs respond reactively to opportunities that emerge coincidentally. The trustfulness of the tie is important when they consider these opportunities and form new ties for internationalization. The nature of the cooperator appears to be more important than the target country. From these findings we develop five propositions that are intended to lead to further studies on this topic.

© 2010 Elsevier Ltd. All rights reserved.

1. Introduction

In the field of entrepreneurship, opportunity recognition has been regarded as a key aspect of the entrepreneurial process (Shane & Venkataraman, 2000). Similarly, international opportunity recognition is acknowledged as an important element in understanding the internationalization behavior of firms (Chandra, Styles, & Wilkinson, 2009; Dimitratos & Jones, 2005a, 2005b; Ellis, 2008; Johanson & Vahlne, 2009; Oviatt & McDougall, 2005; Zahra, Korri, & Yu, 2005). Awareness of this aspect has led to recent interest in the precise means by which entrepreneurs identify and exploit new international opportunities (Chandra et al., 2009; Dimitratos & Jones, 2005a; Ellis, 2008; Johanson & Vahlne, 2009; Zahra et al., 2005).

It is well established that network ties are an important resource facilitating internationalization. Especially among small and medium-sized enterprises (SMEs) with limited resources for internationalization, network ties between firms have a significant role, as do the ties of individuals, especially managers or entrepreneurs (Crick & Spence, 2005; Ellis, 2008; Hadjikhani, Ghauri, & Johanson, 2005). In several studies (Coviello, 2006; Crick & Spence, 2005; Ghauri, Lutz, & Testom, 2003) such ties have been seen as major factors in initiating the internationalization process, with firms following their networks to foreign markets. This is consistent with the assumption in the network model of internationalization (Johanson & Mattsson, 1988) that the network ties of firms act as a bridge to foreign markets.

According to Ellis (2008), international opportunity refers to the possibility of conducting exchange with new foreign partners. Exchanges can be conducted, for example, with customers, distributors, licensees, franchisees, contract manufacturers, or joint venture partners (Ellis, 2008), and it appears that the extent of an entrepreneur's network ties is

* Corresponding author. Tel.: +358 14 260 3363.

E-mail addresses: tanja.kontinen@jyu.fi (T. Kontinen), Arto.K.Ojala@jyu.fi (A. Ojala).

¹ Tel.: +358 14 260 4622.

positively related to opportunity recognition (Ozgen & Baron, 2007; Singh, 2000). Such ties serve as conduits for the spread of information on new opportunities (Burt, 2004; Granovetter, 1973), and the ability to recognize novel opportunities may be determined by the reach of one's ties with others.

The aim of this study was to understand how the network ties of family SMEs function in recognizing opportunities to enter foreign markets. Family SMEs were selected as a target group for several reasons. Firstly, the proportion of family firms in the EU and US is about 85% (IFERA, 2003) indicating the importance of family firms for local economies. Secondly, because of their survivability capital, family firms can sustain their business even during economic downturns (Sirmon & Hitt, 2003). Thirdly, the internationalization of family-owned SMEs is different from that of non-family SMEs. Among family firms one can detect factors such as (i) limited managerial capabilities (Graves & Thomas, 2006, 2008), (ii) different internationalization strategies (Fernandez & Nieto, 2006; Gallo & Pont, 1996; Graves & Thomas, 2008; Zahra, 2003), (iii) limited networks (Graves & Thomas, 2004). It also seems that internal network ties may be especially strong in family-owned businesses (Salvato & Melin, 2008), but that their bridging network ties, outside the firm, are limited in comparison to non-family SMEs (Graves & Thomas, 2004). Finally, it seems that there are differences in the way networks are established in the internationalization process of family SMEs (Graves & Thomas, 2004) as compared to the network establishment of, for instance, rapidly internationalizing new ventures (Coviello, 2006). Hence, this study seeks to discover whether there are differences in the network formation of family SMEs as compared with SMEs in general, in the context of international opportunity recognition.

Although network ties have an essential role in the internationalization of SMEs, it is far from clear how family entrepreneurs recognize opportunities for foreign market entry, and in particular, how different kinds of network ties are used – and formed – in identifying such opportunities. To address these issues, the following questions are of interest:

- (1) What types of network ties do family entrepreneurs utilize in international opportunity recognition?
- (2) How does the strength of network ties explain the international opportunity recognition of family entrepreneurs?
- (3) What is the level of networking activeness of family entrepreneurs when they recognize the opportunity to enter a foreign market?

In addressing these questions, we selected as the target group of this research Finnish family SMEs operating in France. In so doing, we aimed to contribute to the network theory of internationalization by widening it towards family-owned SMEs. It was also our aim to respond to calls for more research on international opportunity recognition (Dimitratos & Jones, 2005a; Ellis, 2008; Oviatt & McDougall, 2005; Zahra et al., 2005), bearing in mind in particular the need for studies on the role of individual-level network ties in the recognition of opportunities for internationalization (Ellis, 2000, 2008). In addition, the study aimed to contribute to family business studies by investigating the poorly researched role of *bridging networks* when family firms enter foreign markets (Graves & Thomas, 2004).

2. Theoretical background

In this section, we shall first look at the network model of internationalization, and in so doing introduce certain key terms related to networking. These are necessary steps, since the terminology related to networks is rather fragmented in the current literature. Nevertheless, the constructs we present are drawn from the literature on international opportunity recognition. Thereafter, we shall briefly discuss the internationalization of family SMEs. Thirdly, we shall present research related to opportunity recognition in general, and, further examine opportunity recognition specifically within an international context.

2.1. The network model of internationalization

In the network model of internationalization (Johanson & Mattsson, 1988), internationalization is related to the development of network ties with other firms belonging to a network in a foreign market. These ties between firms in different markets act as *bridges* facilitating foreign market entry (Chetty & Blankenburg Holm, 2000; Johanson & Vahlne, 1990). The model proposes that a firm can compensate for its limited resources, either by developing its position in an existing network, or by establishing new ties (Johanson & Mattsson, 1988). In networks, common interests motivate firms to develop and maintain network ties with each other, because such ties are of mutual benefit (Johanson & Mattsson, 1988; Johanson & Vahlne, 2003). In foreign markets, a firm can have ties with different types of actors, for example with customers, distributors, suppliers, competitors, non-profit organizations, and bodies in public administration.

Within the literature, the term "network" is utilized in several ways in order to represent connections between actors that can be individuals or organizations (Coviello & Cox, 2006). Ellis (2008) noted that research utilizing the network model of internationalization had shed light on the interaction between organizations. However, important social exchanges at the level of the individual entrepreneur have been ignored (Ellis, 2008). Since it is the entrepreneur, not the organization, that recognizes opportunities, it is important to study opportunity recognition at the individual level (Chetty & Blankenburg Holm, 2000; Ellis, 2008). In the present study, individual-level network-tie analysis is applied to clarify how family SMEs recognize international opportunities within social interaction.

2.1.1. Different types of network ties

Network ties between firms or individuals have been categorized in a variety of ways. In this study, network ties are divided into *formal ties*, *informal ties*, and *intermediary ties*. A formal tie refers to an existing tie between individual business partners (Adler & Kwon, 2002; Coviello & Munro, 1997; Ojala, 2009) where products or services are exchanged by means of money or barter (Adler & Kwon, 2002). However, it can be argued that these relationships are also embedded within social ties and are essentially social (Adler & Kwon, 2002; Granovetter, 1985). Informal ties, for their part, are related to social relationships, for instance with friends and family members (Coviello, 2006; Krackhardt & Hanson, 1993; Larson & Starr, 1993). However, the boundary between the formal and informal ties is not always clear. As Larson and Starr (1993) note, informal ties may become formal and vice versa. In the intermediary tie, there are no existing business transactions between the seller and the buyer (Ojala, 2009). However, there is a third party, such as an export promotion organization or an organizer of exhibition, and that party forms a context facilitating the establishment of the network tie between the buyer and the seller. These third parties may, consequently, initiate international business activities between the seller and the buyer (Oviatt & McDougall, 2005). Taken as a whole, these categories are not mutually exclusive since they develop over time. Nevertheless, in this study, we shall categorize the tie on the basis of the particular situation in which the entrepreneur recognized the international opportunity.

2.1.2. Strength of ties

In the social sciences, the strength of network ties is categorized as either strong or weak (Granovetter, 1973). The strength of the tie is not dependent on whether the tie is formal, informal or intermediary: Söderqvist and Chetty (2009) found that both strong and weak ties can exist in different types of relationships. Hence, although strong ties may commonly be related to informal ties, this is not always the case: these informal ties can also be weak. For instance, Hofferth, Boisjoly, and Duncan (1999) found that informal ties between family members and/or friends were not always strong, since in some occasions they did not provide the support that was needed.

In previous research, the strength of tie has been considered from a number of perspectives, including the following: closeness (Marsden & Campbell, 1984), trust (Elg, 2008; Jack, 2005; Morgan & Hunt, 1994; Singh, 2000), mutual respect (Jack, 2005), and commitment (Hite, 2003; Morgan & Hunt, 1994). As was pointed out by Marsden and Campbell (1984), the use of frequency and duration as a measure of the strength of a tie can be misleading, and hence these variables are not applied here. Using a modification of the definition provided by Söderqvist and Chetty (2009), in the present research a *strong tie* is defined as one which is *close, and which is based on trust, mutual respect, and commitment*. By contrast, a *weak tie* is “a superficial tie not yet based on strong trust and where the parties do not know each other well and are not emotionally close to each other” (Söderqvist & Chetty, 2009, p. 9).

The number of strong ties that an individual can have is limited because of the maintenance costs, and the time requirements associated with close ties (Singh, 2000). By contrast, the number of weak ties can be high, due to the fact that weak ties do not require high maintenance or time. Although termed “weak”, weak ties can significantly help an entrepreneur in accessing valuable information (Granovetter, 1973; Singh, 2000). Granovetter (1973) argues that weak ties act as bridges to information that is not available through an entrepreneur’s strong ties. This is because entrepreneurs interact with weak ties only occasionally; hence weak ties can actually provide information that is more unique than that available from strong ties (Singh, 2000). This is also in line with the arguments of Burt (2004) to the effect that new ideas tend to emerge through weak ties between separate social networks. However, Granovetter (1992) takes the view that the emotional bonds of strong ties increase the willingness to offer assistance to actors within a network. In addition, strong ties contain more trust, and are more easily available than weak ties (Granovetter, 1992). Trust is generally based on experience (cooperation history) and continuous investments in learning in the relationships. Partner’s general reputation for being trustworthy affects the formation of trust and so do the focal firm’s earlier experiences from dealing with the partner and the strategic disadvantages that the partner would suffer by behaving opportunistically (Elg, 2008). Trust increases the willingness to offer advice and to provide valuable information (Singh, 2000). In this study, the analysis of the strength of the tie is based on qualitative rather than quantitative criteria. Hence, a network tie is defined as strong if the interviewees have described it as a close, trustworthy, and respectful relationship with mutual commitment at the time of the international opportunity recognition.

2.1.3. Activeness

The formation of network ties with other actors can be active or passive. According to Johanson and Mattsson (1988), active networking means that the initiative is taken by the seller. Thus, an entrepreneur will proactively search for new network ties or actively utilize existing networks. In reactive networking, by contrast, the initiation comes from the buyer (Johanson & Mattsson, 1988). This means that an entrepreneur will reactively respond to initiations from his/her existing network, or else that the initiative comes from outside an existing network. Hence, relationships can start based from a systematic search for a suitable partner or else as the result of ad hoc events, such as unplanned meetings (Johanson & Vahlne, 2006). In the present study, the level of the activeness of an entrepreneur was analyzed as a continuum, with reactive and proactive levels forming the opposite ends. If the entrepreneur merely reacted to an initiative from outside, the level is regarded as *reactive*; if (s)he did something in order to internationalize (for instance attended international trade exhibitions), the activity is regarded as something *in between reactive and proactive*; if the entrepreneur proactively looked for networks in order to enter the French market, the level is regarded as *proactive*.

Please cite this article in press as: Kontinen, T., & Ojala, A. Network ties in the international opportunity recognition of family SMEs. *International Business Review* (2010), doi:10.1016/j.ibusrev.2010.08.002

2.2. Internationalization of family SMEs

Family involvement in management has been seen as factor tending towards caution in the internationalization processes of family firms (Claver, Rienda, & Quer, 2008; Kontinen & Ojala, 2010). Hence, the internationalization of family firms mainly follows a stepwise internationalization process—although some family firms may internationalize rapidly to several different countries, for instance after a generational change (Graves & Thomas, 2008). Researchers have found that family firms are less likely to internationalize than their non-family firm counterparts (Fernandez & Nieto, 2005; Graves & Thomas, 2006). This has been thought to be due to their limited growth objectives (Donckels & Fröhlich, 1991), to avoidance of risk (Claver et al., 2008), and to restricted financial capital (Gallo & Pont, 1996). In addition, there could be a connection to limited managerial capabilities (Graves & Thomas, 2006) and to a lack of bridging network ties (Graves & Thomas, 2004).

As regards networking, family SMEs are less likely to form networks with other businesses than are non-family SMEs (Graves & Thomas, 2004; Roessl, 2005). This can be seen as a consequence of the strong internal ties of family firms—a phenomenon also termed “family capital” (e.g. Arregle, Hitt, Sirmon, & Very, 2007; Salvato & Melin, 2008). Family firms are oriented towards personal relationships, with a focus on interpersonal trust (Roessl, 2005). The internal ties between family members are extremely strong and they naturally affect decisions on the firm’s strategy, operations, and administrative structure (Chrisman, Chua, & Steier, 2005). However, close networks do not result in more rapid internationalization; indeed, they can become a liability, hindering the flow of information and blocking links to new contacts (Musteen, Francis, & Datta, 2010). It should be noted that bridging or external ties, formed between the employees of a firm and outsiders, are also important for family firms (Arregle et al., 2007), especially in the context of internationalization, since it is via these ties that information from outside the firm may be gained.

2.3. International opportunity recognition

Several studies have acknowledged the critical role of *opportunities* in the entrepreneurial process (Ozgen & Baron, 2007; Shane, 2000; Shane & Venkataraman, 2000). However, although opportunities may indeed exist, they can be exploited only if an entrepreneur recognizes the opportunity and understands its value for further business (Shane & Venkataraman, 2000). Information plays a central role in opportunity recognition (Ozgen & Baron, 2007; Shane, 2000; Shane & Venkataraman, 2000), and entrepreneurs can get access to such information through network ties (Singh, 2000). The crucial role of an entrepreneur’s network ties (Chandra et al., 2009; Crick & Spence, 2005; Ellis, 2008; Ozgen & Baron, 2007; Singh, 2000) is due to the fact that the size of an entrepreneur’s network is positively related to opportunity recognition. These ties increase the possibility of getting information on new opportunities (Burt, 2004; Granovetter, 1973), with the information tending to arrive via links from separate social networks (Burt, 2004) and weak ties (Singh, 2000).

There is little doubt that opportunity recognition is also related to success in international markets, and further, to the speed of internationalization (Chandra et al., 2009; Dimitratos & Jones, 2005a; Hohenthal, Johanson, & Johanson, 2003; Oviatt & McDougall, 2005). In the Uppsala model, Johanson and Vahlne (1977, p. 27) note that “knowledge of opportunities or problems is assumed to initiate decisions” related to foreign market entry and foreign operations. McDougall, Shane, and Oviatt (1994) have argued that opportunities in foreign markets can be recognized through the use of competencies unique to entrepreneurs, involving networks and earlier experiences. Ellis (2008), too, has found that network ties play an important role in international opportunity recognition. In line with Ellis (2008, pp. 3–4), international opportunity recognition is defined here as “the chance to conduct exchange with new foreign partners”.

Both formal ties with business partners and informal ties with friends serve as an important source of knowledge related to international opportunities (Child, Ng, & Wong, 2002; Coviello, 2006; Ellis, 2008; Johanson & Mattsson, 1988; Ojala, 2009). For instance, Child et al. (2002) found that the foreign expansion of Hong Kong firms was facilitated through managers’ formal networks with previous business partners, and through informal networks with trusted friends. This is in line with the opinion of Ellis (2000), that foreign market opportunities are commonly acquired through existing network ties. However, Crick and Spence (2005) found that after the initial entry into foreign markets, the importance of existing networks for recognizing opportunities decreased. This would suggest that SMEs have to identify and implement new opportunities by forming actively new network ties.

Intermediary ties such as professional forums (Ozgen & Baron, 2007) and trade exhibitions (Ellis, 2008; McAuley, 1999; Meyer & Skak, 2002; Reid, 1984) have also been found to be sources for information that can facilitate international opportunity recognition. Yet the role of exhibitions as a source of social ties is complex; it appears that the communicated awareness of the opportunities cannot easily be attributed to a buyer, a seller, or a third party (such as a government agency) (Ellis, 2000). Hence, Ellis (2000) suggests that it is appropriate to treat exhibitions as a special kind of initiation scenario. The unique role of exhibitions is consistent with the views of Reid (1984) and McAuley (1999), who found that participation in international exhibitions generates more information concerning international opportunities than any other information source. For their part, Ozgen and Baron (2007) found that the extent of network ties with mentors and informal industry networks was positively related to opportunity recognition; by contrast, network ties with family members and close friends did not increase the ability to recognize new opportunities. It was suggested that this could be due to the more limited industry-specific knowledge and experience of family members and close friends.

An empirical study conducted by Agndal, Chetty, and Wilson (2008) suggested that both direct (cf. strong ties) and indirect (cf. weak ties) ties are important when SMEs recognize opportunities for foreign market entry. This is in line with a

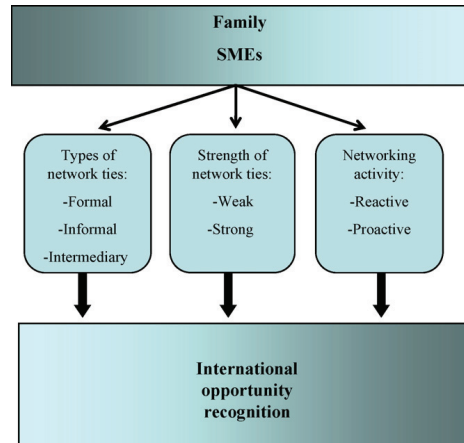


Fig. 1. Preliminary theoretical approach.

recent study of Chandra et al. (2009) indicating the important role of weak and strong ties when firms initially recognize international opportunities. It appears that weak ties can enable the acquisition of marketing knowledge by connecting different knowledge networks; by contrast, the usefulness of strong ties seems to lie in the passing of information to the relevant persons (Chandra et al., 2009). Although both weak and strong ties may be considered equally important in international opportunity recognition, Söderqvist and Chetty (2009) found that stronger ties were more often used in the early internationalization phase. This was because of mutual trust, commitment, openness, and the generosity of close ties.

Firms can expand their international operations through a combination of searches and accidental opportunity recognitions (Hohenthal et al., 2003). The importance of active networking for foreign market entry has been highlighted in several studies (Crick & Spence, 2005; Ojala, 2009). Ojala (2009) found that SMEs without suitable network ties proactively form new ties with a view to achieving foreign market entry. On the other hand, studies have also indicated the importance of reactive networking for foreign market entry (Crick & Spence, 2005; Ellis, 2000, 2008; Johanson & Vahlne, 2003). For instance, Crick and Spence (2005) found that several SMEs in their study entered new countries by receiving unsolicited orders and, in this way, reactively entered new markets.

2.4. Summary

Network ties have been regarded as extremely important for international opportunity recognition. Research on this area has been carried out in relation to (i) types of network ties (Child et al., 2002; Coviello, 2006; Ojala, 2009), (ii) strength of network ties (Agndal et al., 2008; Chandra et al., 2009; Crick & Spence, 2005), and (iii) networking activeness (Crick & Spence, 2005; Ellis, 2000; Ojala, 2009). However, it remains unclear how each of these perspectives explains the phenomenon, taken as a whole. Furthermore, there has been no research on *network ties among family SMEs* in relation to international opportunity recognition. From earlier studies, it appears that the internationalization of family SMEs may differ from the internationalization of SMEs in general (see e.g. Fernandez & Nieto, 2005; Graves & Thomas, 2006). For this reason, the present study seeks to clarify *how these three perspectives explain the international opportunity recognition of family SMEs, and the ways in which the network ties in the international opportunity recognition of family SMEs may differ from those of SMEs overall*. Fig. 1 illustrates the setting of this research.

3. Methodology

Given the current limited understanding of opportunity recognition among family SMEs, it appeared that a qualitative research method would be the most appropriate for the study reported here. We therefore utilized a multiple case study approach similar to the methodology introduced by Eisenhardt (1989) and Yin (1994). The case study method makes possible an in-depth investigation, with explanations of cause-and-effect relationships. It further allows the usage of replication logic regarding the phenomenon in question, enabling researchers to identify the subtle similarities and differences that are present within a collection of cases (Eisenhardt, 1989; Yin, 1994). The case study method is also relevant

Please cite this article in press as: Kontinen, T., & Ojala, A. Network ties in the international opportunity recognition of family SMEs. *International Business Review* (2010), doi:10.1016/j.ibusrev.2010.08.002

Table 1
Information on the case firms.

	Number of employees	Year of establishment	Industry segment	Start of internationalization	Operations in France
Firm A	249	1876	Industrial furniture	1970s	1982 direct export 1984 sales subsidiary
Firm B	18	1923	Wooden toys	1929	1968 direct export
Firm C	200	1967	Machines for forestry and agriculture	1979	1997 sales subsidiary
Firm D	20	1973	Log houses	1990s	1998 direct export 2002 representative
Firm E	140	1972	Packaging material	1980s	1989 direct export 2006 production subsidiary
Firm F	40	1988	Pipettes and analyzing systems	1991	1991 production/sales subsidiary
Firm G	30	1978	Fire safety equipment	1980	1990 import 1991 direct export
Firm H	150	1955	Sauna stoves and equipment	1990s	1993 direct export

when the study covers a real-life environment in which a particular action (such as opportunity recognition) takes place (Yin, 1994). Thus, Shane (2000, p. 453) argues that the case study method allows the investigation of opportunity recognition in a situation where “all of the relevant behaviors cannot be manipulated through experimental design.”

The research setting for this study consisted of eight Finnish family firms operating in the French market, but with different modes of operation (see Table 1). Finland was chosen as the country of origin due to its small and open economy with a very limited domestic market (OECD, 1997). In countries where the domestic market size is small, internationalization is an important growth strategy, forming part of efforts to guarantee long-term survival (Autio, Sapienza, & Almeida, 2000; Sapienza, Autio, George, & Zahra, 2006). The choice of the French market as the context made possible the investigation of opportunity recognition in a particular context, one that would be similar for all the firms involved in the study (cf. Shane, 2000)—bearing in mind that laws, regulations, and customs may well vary in different markets (Shrader, Oviatt, & McDougall, 2000). Despite its geographical closeness to Finland, France is culturally/psychically different from Nordic and English-speaking countries (Ronen & Shenkar, 1985; Trompenaars & Hampden-Turner, 1997), and hence running a business there often involves cultural confrontations. For instance, in Trompenaars' and Hampden-Turner's (1997) seven-scope cultural model, Finland and France are positioned at opposite ends in several cultural classifications. Moreover, in a study on communication in Finnish-French mergers and acquisitions, Irmann (2006) observed that the Finns and the French had many conflicts due to their cultural differences, and especially to their differing ways of communicating. Clearly, ways of avoiding/resolving conflicts need to be found, since France is a very important market—the third largest economy (GDP) in Europe and the eighth largest economy in the whole world (CIA, 2010).

In this study, a *family firm* was defined as a firm in which the family (i) controls the largest block of shares or votes, (ii) has one or more of its members in key management positions, and (iii) has members of more than one generation actively involved with the business. This definition is based on the two criteria of ownership and management presented, for instance, by Graves and Thomas (2008), and with the notion of continuity presented e.g. by Zahra (2003). The size of the firm was also specified. All the case firms fulfilled the criteria of the Finnish government and the EU for SMEs, since they had 250 or fewer employees (OECD, 2003). We also specified the industry: all the case firms were from the manufacturing sector.

The number of cases fits with the view of Eisenhardt (1989), who recommended using four to ten cases. Suitable case firms were sought out from different databases, including Finnish export statistics, the French-Finnish Chamber of Commerce, and Finpro Paris. We identified six SMEs that had direct operations in France, five of which are included in this study. The remaining three cases were family SMEs that had indirect operations (direct export) in France. As advised in the study of Eisenhardt (1989), the case firms for our study were selected for particular theoretical reasons rather than on the basis of random sampling.

We used multiple sources of information to gather data from each case firm. The main form of data collection was in-depth interviews conducted with the owner-managers and persons in charge of international affairs. Altogether, 16 semi-structured open-ended interviews were conducted in 2004 and in 2008–2009, with two informants from each firm. The interviewees were selected from those persons who had most in-depth knowledge concerning internationalization and operations in France, and they included executives (entrepreneurs), managing directors, managers of international affairs and sales administrators. The questions were designed to be broad and open-ended, with a view to gauging individual opinions. This made it possible to ask “main” questions and then to pose further, more detailed questions (Yin, 1994).

The interviewees were first asked to describe their business in general, thereafter their operations related to internationalization as a whole, and from that their business as it related to internationalization in France in particular. On the basis of general information on entry to the French market, more detailed questions were then asked about the following

issues: (i) important persons, firms, or organizations that influenced the entry to France, (ii) the nature and development of network ties in relation to the French entry, and (iii) the firm's activeness in pursuit of entry to France. In the interview process, we focused on the *focal ties* connected to market entry in France. The focal tie refers here to the most important contact (see Anderson, Håkansson, & Johanson, 1994) of the entrepreneur, the one that opened the firm's path to the market. In all the case firms, the entrepreneur was personally involved in the international opportunity recognition. The second interview from each case firm made it possible to validate the focal ties involved in the international opportunity recognition and to deepen understanding of the phenomenon. Because the interviews focused on entrepreneurs' past experiences, we followed the guidelines for retrospective studies given by Miller, Cardinal, and Glick (1997). Hence, we (i) compared information provided by the informants, (ii) asked about concrete events and facts, (iii) encouraged informants to give precise information rather than past opinions or beliefs, and (iv) utilized the written material of the firm to facilitate the recall of past events.

All the interviews (lasting 60–90 min) were digitally recorded and transcribed verbatim. A second listening was carried out to ensure correspondence between the recorded and the transcribed data. The complete case reports were then sent back to the interviewees for comment, and any inaccuracies they noticed were corrected. In addition, e-mail communication was used to collect further information and to clarify inconsistent issues if necessary. A further step at this point was to look at many types of secondary information sources (websites, annual reports, etc.). By comparing the interview data with other documents from the case firms, we conducted triangulation of the information (Miles & Huberman, 1994). This increased the validity of the interview data, and enabled us to formulate further questions to clarify incoherent information (Yin, 1994).

In the data-ordering phase, a detailed case history of each firm was drawn up, based on interviews and written documents. As Pettigrew (1990) has noted, organizing incoherent aspects in chronological manner is an important step in understanding the causal links between events. In the data analysis phase, we used cross-case pattern searching. The unique patterns of each case were identified, and similar patterns were categorized under themes related to the research questions in this study. In addition, checklists and event listings were used to identify critical factors related to determinants that could contribute to network ties in opportunity recognition (Miles & Huberman, 1994). Finally, the emergent data was compared with previous studies, identifying both conflicting and similar findings.

4. Findings

In this section we shall present the network ties through which the opportunity to enter France was recognized by the individuals belonging to the case firms. The findings here are generally presented at firm-level. This corresponds to the approach taken, for instance, by Chetty and Blankenburg Holm (2000), Coviello (2006), and Coviello and Munro (1997), who interviewed managers and reported the findings at firm level.

We shall first of all classify the network ties as *formal ties*, *informal ties*, and *intermediary ties*. Secondly, we shall categorize the ties present in the international opportunity recognition as *strong* or *weak*. Thirdly, based on the literature on the topic, we shall consider whether the networking activeness of the case firms can be seen as *proactive* or *reactive* in respect of their search for opportunities for French market entry. This will allow us to consider network ties in the context of opportunity recognition from various perspectives and, hence, increase our understanding of the phenomenon. Notice that the *type* of network tie is related to the context of the network tie (informal, formal, intermediary), whereas the *strength* perspective involves the level of trust and emotion in the ties. The level of *activeness*, for its part, adds to the picture of network ties in opportunity recognition, demonstrating further the attitude of the firms concerned towards the formation of network ties.

4.1. Types of networks

As Table 2 illustrates, the network ties involved in the international opportunity recognition of family SMEs were *intermediary ties*, *formal ties*, and *informal ties*. It is interesting that *none of the informal ties was a family-based tie*. Formal ties were present in the opportunity recognition of Firms C and G. In Firm G, the opportunity to enter France was perceived via a French supplier from whom Firm G imported various components. After one year of cooperation, this French partner asked if Firm G wished to export some items to France, on the grounds that the partner's firm needed the kinds of components that Firm G produced. This, then, was the main context for opportunity recognition: an existing, formal tie within the French market.

In the case of Firm C, one of C's Finnish subcontractors, having had a couple of years of domestic cooperation with Firm C, had agreed to work in France as an entrepreneur (with two other men) supplying forest machinery provided by the firm. Firm C had ordered a market research plan and knew there was potential for them. Hence, they started to plan a strategy to access

Table 2
Types of network tie involved in the recognition of opportunities in the French market.

	Formal	Informal	Intermediary
Strong	C, G	F	
Weak		D	A, B, E, H

Please cite this article in press as: Kontinen, T., & Ojala, A. Network ties in the international opportunity recognition of family SMEs. *International Business Review* (2010), doi:10.1016/j.ibusrev.2010.08.002

the market. The subcontractor came to be thought of as having the necessary qualities and became the most important tie facilitating French entry.

We looked for and found in Finland a youngish, eager entrepreneur, who worked as our subcontractor. He went off to France with two other men to work as an entrepreneur with our machinery. They knew that they could earn more there in France and that motivated them, as well as the fact that we sold the forest machinery at a very reasonable price [...] That is how we conceived the matter: we knew on the basis of market research that there was potential in France: they needed forest machines.

In Firms D and F, the essential network tie in the French opportunity recognition was informal. In the case of Firm D, the informal network tie that was essential in the opportunity recognition was a new one. A French national living in Finland happened to run into a representative of Firm D while he was presenting one of D's log houses. This entrepreneur insisted that he was extremely keen on exporting the log houses to France, since he saw the log houses as having potential in the French market. After some negotiations, an agreement was reached, despite the fact that Firm D had not previously had any plans to enter a new market.

We had no plan to go to France. My colleague just met this French guy by chance. He said that he wanted to sell our log houses in France. He saw immediately that there was a huge potential for them in France. [...] Well, then I went to see him and, after some negotiations, said okay, just go ahead and start selling our log houses. I didn't need to invest any money on this attempt, so I didn't have much to lose.

In the case of Firm F, the entrepreneur in question had had a good friend and previous business partner in France, having operated in France with his previous firm. When Firm F was established, previous business partners from different countries (not just France), were enthusiastic about starting up foreign subsidiaries for entrepreneur F's new firm. Hence, in Firm F, the most significant tie was an existing, informal one; it had initially been a formal tie, but over ten years it had developed into a close friendship.

In four cases (in Firms A, B, E, and H), the ties essential for opportunity recognition were formed at international trade exhibitions; hence they were ties mediated by the trade fair organizers (as a third party). All of these firms had been looking for suitable business partners in various trade exhibitions for some years, but none of them had focused solely on finding French partners, and, indeed, had no specific target markets in mind. A particularly important aspect in establishing a tie mediated by the trade exhibitions was a feeling concerning the right nature of the tie. In this respect Firm A is a good example. The firm had launched a new product family and was looking for new markets. The meeting with the future retailer and business partner was described thus:

In those international exhibitions we met many kinds of potential cooperators from different countries. This French partner seemed very pleasant and trustworthy and showed genuine interest in our products. [...] Our product suited their product range perfectly. We had a new, innovative product that other European firms imitated later on and it was of great interest for this retailer. We felt this was a good opportunity, and we were even happier when this partner contacted us himself soon after the exhibitions, and our cooperation started soon after that.

Hence, Firm A became interested in entering France, because a French trustworthy partner was found in the exhibitions. All in all, the entrepreneurs and employees in these firms (A, B, E, and H) trusted their feelings and instincts regarding new ties. Of course, it was important that the tie should be suitable in commercial terms, too. The international sales manager of Firm B, currently exporting to several countries around the world, described the importance of trade exhibitions for their firm as follows:

Trade exhibitions are extremely important for us, that is where all our contacts are made. And that is where we also met our future French agent. We already had business in some countries in Central Europe, and had in mind that France might be among the potential markets, too. And we have found dozens of new French candidates ever since in those trade exhibitions. Last year it was our 41st time there.. But we still cooperate with our first contact and have no other retailers in France.

From this one can see that Firm B conceived of France as a possible market, because the firm had no business operations there at that point. Throughout its history, the strategy of Firm B has been to use only industry exhibitions as a means of finding new partners. Furthermore, the firm has maintained very long-lasting partnerships: they still have the same French retailer after more than forty years of cooperation.

4.2. Strength of ties

Concerning the strength of the network ties, in five out of eight case firms, the network ties essential for French opportunity recognition were weak (see Table 2). These weak ties were linked to international exhibitions (Firms A, B, E, and H) or to an unsolicited order (Firm D). However, these weak ties were not weak in any absolute sense, from the perspectives of intimacy and emotional intensity—this despite the fact that there were no reciprocal services in the background and the ties were newly established. In describing their new French cooperators, the interviewees described how the persons they started their cooperation with were agreeable, and how they trusted their instincts as to whether the tie “felt good”. The

selection criteria for a good cooperator were not really based on the formal merits (qualifications or experience) of the person; it was rather a matter of personality. Many of the people the entrepreneurs and employees met in the exhibitions were not of interest to them. This could be because they did not seem entirely trustworthy, and/or because they had the wrong product. The export manager in Firm H explained his choice of cooperators in the following manner:

And also with our first French retailer, someone we met in the international trade exhibitions of our field, we saw in the first face-to-face meeting after the exhibitions that he was a suitable person and motivated to sell our products. We get several offers of cooperation every week from retailers, including people in France, every month. What we do depends on the person and his/her motivation to sell our products. If the first meeting is promising we continue with the discussion and may get a new retailer. Quite often, we know very soon after we meet the potential retailer that it will not work.

Another example is Firm D, in which a French entrepreneur living in Finland succeeded in persuading D of the potential of their log houses in France. The entrepreneur in Firm D made an agreement with this weak tie after a short conversation, since there was no financial risk for the firm and the French contact seemed highly motivated to sell the firm's log houses in France and was a "good guy". The fact that the French contact took out a large personal loan to carry out his ideas for selling the log houses naturally assured Firm D of the rightness of the opportunity. Although the entrepreneur in Firm D did not invest any money on French entry, he invested a lot of time and effort. It is interesting that in all these firms this weak tie became fairly strong very quickly, on the basis of mutual trust and interest in cooperation. It seems to be the case that in family-owned SMEs, the entrepreneurs have the ability to focus on the ties very intensely if they choose to do so, and this facilitates a quick enhancement of the tie from weak to strong. The entrepreneur in Firm D explained it in the following way:

I got a phone call and agreed to chat with him because of it. After the first meeting we agreed that he would start selling our log houses in France. [...] Being a small family-owned firm, it was easy to make a quick decision to launch business operations in France. This French person invested a lot of his own time and money to start the business in France, he learned the Finnish language and was very motivated in other ways, too. Based on this and the sales trips we undertook together to France, where we faced and also solved many problems, it was easy for me to trust him more and more.

Three firms (Firms C, F and G) were able to utilize strong ties for French opportunity recognition. In all three cases, these strong network ties were originally business partners, but in the case of Firm F, this business partner had become a friend while they were previously doing business together. The tie between the entrepreneur and the French friend was extremely strong: they had known each other for more than ten years, and had cooperated in business for more than five years. The entrepreneur in Firm F described the tie and the start of the cooperation in these terms:

We were good friends. It was very natural that we started cooperation after I launched my new firm. Well, it happened spontaneously, because we were such good friends. I do not even know who asked first, me or him. He wanted to work for me and not for my previous firms, which had been taken over, so he resigned right away when he heard about my new firm. [...] During all these years, I have got to know him extremely well. We can trust each other 100%, we have respect for each other's opinions, have similar kinds of values in life and are interested in similar kinds of things. [...] We do not communicate that often, but we can always proceed from where we left off last time.

Hence, the entry to France was a natural first step in internationalization for the entrepreneur of Firm F, since he knew this French friend so well and trusted him completely. Furthermore, the French friend was willing to cooperate with this entrepreneur, because he knew that in this family-owned firm the decision power was in good hands, and that values other than just making a quick profit were important to the firm. They had also similar kinds of interests and values and a lot of respect for each other. In the case of Firm G, there was a strong tie between Firm G and the French importer, as this French firm was able to provide the G with good-quality components at a reasonable price for a period of one year. The owner-manager of Firm G described the personality of their French cooperators in a positive manner.

They are very pleasant people. They have good products and we have been able to trust their deliveries, although sometimes they are a bit late. Yes, they are nice, and when we visited them in France, they took very good care of us. When they asked for components, it was natural to start exporting them after our cooperation in importing.

Exporting was a natural continuation to the tie between the importer and Firm G, based on G's knowledge of the importer and in the trust that was built up regarding the importer's products and staff. However, the level of emotional intensity or intimacy was not as high as in the case of Firm F, where there was a long history of cooperation and deep friendship. In the case of G, the parties did not meet many times and were not doing business so intensely.

In the case of Firm C, the Finnish subcontractor enabling French entry was seen as having potential because of previous successful cooperation, his young age, and his willingness to earn money. When Firm C was considering entry into the French market (in conjunction with the subcontractor and his friends) the subcontractor was also motivated by the acquisition of new forest machinery at a reasonable price. Hence, this tie was not especially strong in any emotional sense; nevertheless, the subcontractor was regarded as a "good guy", and there were several of successful reciprocal services in the background.

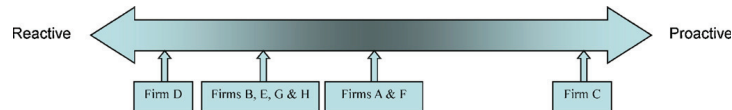


Fig. 2. Activeness in the case firms in their search for French opportunities.

4.3. Networking activeness in the firms

In their pursuit of the French market, only in Firm C there was a strategic desire to enter France. In the remaining firms (whose backgrounds are described in more detail below), French opportunities were not searched on any unique basis, and they might actually not be looking for new international opportunities at all. The networking activeness in the case firms in their attempts to enter the France market was assessed in the form of a continuum (see Fig. 2). In seven out of eight case firms, the approach was more reactive than proactive. They reacted to the opportunities that arose by meeting people who would promote entry to France. Firm D was the most reactive firm, as it had no intentions to internationalize. It merely reacted to an unsolicited order which launched their operations in France.

In the case of Firms B, E, G, and H, the approach to the French market can be considered fairly reactive. Nonetheless, they would not be placed on the furthest edge of the continuum, since they had a general will to expand their business; moreover, they traveled to international exhibitions (Firms B, E, and H) or had a background import business (Firm G). This indicates that they had considered the need for new international markets, with the possibility of following up the matter if they happened to see good opportunities. The entrepreneur in Firm G explained this in the following way:

We once tried to get a French connection while we were trying to win a contract for a shipping company. It did not succeed, as we did not find anything there. But we had a new opportunity as our French importer suggested that we could start exporting to France. [...] We have not got the money or courage to invest in big internationalization attempts, but in this way it was very convenient.

Firm A was active in its general attempts to internationalize, since it had launched a new product family and wanted to move into Europe. Nevertheless, it did not search for solely French opportunities; hence it is included in the middle of the continuum regarding French opportunity recognition.

We had launched a new product family and had in mind to start selling it in Europe. In the exhibitions, we looked for potential agents and as one of the most likely ones came from France, we felt that we had found a good opportunity for French entry.

Firm F, too, had background plans to internationalize, but because of the strong network ties of the entrepreneur it did not need to do anything to pursue internationalization at that point. A somewhat reactive attitude was possible because of the opportunity for internationalization offered by the entrepreneur's friends, and by business partners he had cooperated with in his previous firms. On this basis, Firm F can be placed in the middle of the continuum, together with Firm A.

Firm C is the only firm that can be considered proactive in its approach to moving into the French market: it actively sought out opportunities, in other words people who could start to establish a subsidiary there. In addition, prior to that, it had ordered market research to clarify the potential of the French market.

5. Discussion

It seems that although family firms have strong internal ties (Arregle et al., 2007; Salvato & Melin, 2008), these ties do not enhance their internationalization. Only three out of the eight case firms were able to use their existing formal or informal network ties for their international opportunity recognition, which would suggest that family SMEs have only limited bridging network ties beyond the firm itself. This finding demonstrates a contrast with a number of previous studies on *non-family* SMEs. Coviello and Munro (1995) found that more than half of the software firms they studied obtained their opportunities through existing formal/informal ties, and Bell (1995) found that software SMEs followed their existing domestic networks abroad. Furthermore, Coviello (2006) found that formal (economic) ties dominated at all the stages of internationalization of international new ventures. These differences are all consistent with the view that in the case of family SMEs, a lack of bridging network ties inhibits internationalization, and that family SMEs compensate for their limited bridging network ties by attending international exhibitions where they can form new ties. Network ties mediated by international exhibitions were the source of international opportunity recognition in four case firms. Interestingly, none of the intermediary ties were mediated by, for instance, the export-promoting organizations (cf. Ojala, 2009). It seems that the entrepreneurs in the family SMEs studied here wanted to select their network ties for themselves, based on a feeling of trust (discussed in more detail below). Furthermore, none of the family SMEs utilized family ties in the international opportunity recognition process. Ozgen and Baron (2007) suggested that family ties did not facilitate the opportunity recognition process of information technology firms. However, in the case of family SMEs with strong internal network ties (Salvato & Melin,

2008), this finding is somewhat surprising, because it could be assumed that family SMEs use their strong family ties also in their internationalization. The considerations above lead to the following propositions:

Proposition 1a. *In family SMEs, intermediary network ties are a more important source of international opportunity recognition than they are in other types of firm.*

Proposition 1b. *In family SMEs, the intermediary network ties are most often mediated by international trade exhibitions.*

Proposition 2. *In family SMEs, informal ties with family members do not generally help in their international opportunity recognition.*

In the present study, the ties involved in international opportunity recognition were found to be generally weak, having been formed in international exhibitions, or deriving from an unsolicited order. Interestingly, none of the weak ties were formal, indicating the lack of existing business ties that could be used for internationalization. As regards the new ties, the personality of the potential cooperator was significantly more important than the proven skills or qualifications of the person—and more important also than the target market, as can be seen from the fact that only one of the firms had taken a decision to enter France. In this result one can see a contrast with that of Ojala (2009), who found that the target market was the most important criterion for knowledge-intensive SMEs.

The weak ties of family SMEs quickly developed into strong ties. The family entrepreneurs were willing to put a lot of their own time into developing the ties, once they gained a sense of the goodness of the tie. This might be connected to the strong internal ties of family SMEs—they want to have a similar strong relationship with outside cooperators. There is a contrast here with the findings of Söderqvist and Chetty (2009): in their research, strong ties had a central role in the foreign market entry of SMEs, and the dynamism of the ties was a constant factor, both in the strong to weak and in the weak to strong direction. However, the findings in the present study indicate that family SMEs developed their weak ties into strong ties very quickly, and made efforts to maintain the strength of the ties.

The findings also indicate that the family entrepreneurs in question were fairly fastidious in the weak ties they chose to form, cooperating only with those individuals that they felt were trustworthy—“good people”. This finding reveals that family SMEs control their resources by carefully searching for and developing new contacts. This is in line with the general findings of Carney (2005) and Sirmon and Hitt (2003). However, here the importance of this aspect is also highlighted with regard to foreign market entry. When the case firms developed strong ties, the opportunity to enter France became self-evident, because of the trust between the cooperating parties. The decision was taken rapidly, without any need for extensive strategic deliberations. From this, one can derive the following two propositions:

Proposition 3. *In family SMEs, international opportunities are more often recognized through weak ties than is the case in other types of firm.*

Proposition 4. *In family SMEs, more time resources are dedicated to the rapid development of new weak ties into strong ties than is the case in other types of firm.*

It appears that the family SMEs in this study were more reactive than proactive in their attempts to enter the French market—though many of them cannot be regarded as straightforwardly reactive or proactive in this matter, since they had some background plans for growth and internationalization. The rather low level of activeness towards the French market can also be explained by the fact that family entrepreneurs trust their feelings about the rightness of a certain tie. They do not strategically concentrate on the search for ties in a particular market; their motivation derives rather from a strong inner trust in their own firms and, connected with this, a strong need to feel good about the potential and the suitability of their cooperators.

This finding provides an interesting contrast with the findings of Ojala (2009), who observed that knowledge-intensive SMEs (i.e. *non-family firms*) proactively formed networks, and were willing to enter certain foreign markets with high market potential. The reason for this difference may lie in the fact that family entrepreneurs do not want to take risks in their internationalization process. By and large, they trust their instincts about taking things further (Gallo & Pont, 1996), concentrating on seizing opportunities that seem to involve trust. Thus, the final proposition is as follows:

Proposition 5. *In family SMEs, foreign market selection is more related to reactivity and less to proactive opportunity-seeking with a particular foreign market in mind.*

6. Conclusions

This study contributes to the network theory of internationalization in the context of family SMEs and research on international opportunity recognition. It responds to the call for more research on international opportunity recognition (Dimitratos & Jones, 2005a; Ellis, 2008; Oviatt & McDougall, 2005; Zahra et al., 2005) and to the need for studies on the importance of network ties in recognizing opportunities for internationalization (Ellis, 2000, 2008; Singh, 2000). We extend the network theory of internationalization by showing that in the international opportunity recognition of family SMEs, new network ties (mainly formed at international trade exhibitions) have a crucial role, whereas family ties are less important.

Please cite this article in press as: Kontinen, T., & Ojala, A. Network ties in the international opportunity recognition of family SMEs. *International Business Review* (2010), doi:10.1016/j.ibusrev.2010.08.002

Hence, among family SMEs, international opportunity recognition does not commonly take place through existing network ties. In this regard, we observe a contrast with the knowledge-intensive SMEs studied by Bell (1995) and Coviello (2006), where existing network ties had a more significant role. This can be explained through the limited scope of the networks (Graves & Thomas, 2004) that the family SMEs could utilize for international expansion. This also supports Granovetter's (1973) views on the importance of weak ties in providing new information. However, we extend the understanding about weak ties in this context by revealing that the possibility to develop a new weak tie into a trustworthy one is particularly important for family entrepreneurs in recognizing opportunities for foreign market entry, with a sense of the "rightness" of the tie emerging as essential. Furthermore, our findings indicate that family SMEs are quick to develop their new weak ties into strong ties, and that they make efforts to maintain the strength of such ties. Indeed, the nature of the weak tie is seen as more important than the target country.

However, while contributing to an understanding of the topic, this study also points to aspects requiring further research. The propositions set out in Section 5 need further quantitative testing, since caution has to be applied in generalizing from a limited set of data. Secondly, our research setting delimits the case firms to family-owned SMEs, and to firms entering a particular market. Thus, further studies are needed in relation to the network development, international opportunity identification, and opportunity exploration of early-internationalizing firms, and of firms having different kinds of ownership structures. Studies comparing family SMEs and non-family SMEs could also be insightful. It would also be of interest to study the international opportunity recognition of firms by comparing two markets, one with higher and another with lower psychic/cultural distance. Thirdly, the focus of this study was solely on opportunities that were actually taken. There is therefore a need for further research on international opportunities that are recognized, but *not* taken, and the mechanisms according to which international opportunities are taken by some and ignored by others. Fourthly, the importance of trust was highlighted in this study: hence future research might well focus on the precise ways in which trust and commitment are developed in international opportunity recognition. Fifthly, it would be of interest to study how the age of a firm and the level of internationalization affect the international networking activity. Furthermore, here we study family SMEs as a whole: in future research, the role that may be played by differing degrees of family ownership and management on their network formation could be determined. Finally, having only two interviews per firm could be seen as a limitation. However, having regard to the small size of the firms and the role of the persons interviewed, one can see that these informants had the kind of crucial knowledge required for the purposes of this study.

From a managerial point of view, family entrepreneurs with limited networks should concentrate on actively looking for weak ties that will provide them with novel information on international opportunities. Due to the closeness of family members and employees within family SMEs, their internal bonding ties do not generate this kind of information. This study found that trade exhibitions offer a good context for family SMEs to create ties leading to new international opportunities. Another option for networking could be export-promotion organizations that could mediate relationships between family SMEs and potential foreign customers or distributors. It is, however, noteworthy that none of the case firms used the services of export-promotion organizations, despite the fact that some studies have indicated the importance of these organizations for SMEs (see e.g. Ojala, 2009).

Acknowledgements

The authors would like to thank Pervez Ghauri, the Editor of *International Business Review*, and the anonymous reviewers for their valuable comments and suggestions. The research has been generously funded by *Foundation for Economic Education*.

References

- Adler, P. S., & Kwon, S.-W. (2002). Social capital: Prospects for a new concept. *Academy of Management Review*, 27(1), 17–40.
- Agndal, H., Chetty, S., & Wilson, H. (2008). Social capital dynamics and foreign market entry. *International Business Review*, 17(6), 663–675.
- Anderson, J. C., Håkansson, H., & Johanson, J. (1994). Dyadic business relationships within a business network context. *Journal of Marketing*, 58(4), 1–15.
- Arregle, J.-L., Hitt, M., Sirmon, D., & Very, P. (2007). The development of organizational social capital: Attributes of family firms. *Journal of Management Studies*, 44(1), 73–95.
- Autio, E., Sapienza, H. J., & Almeida, J. G. (2000). Effects of age at entry, knowledge intensity, and imitability on international growth. *Academy of Management Journal*, 43(5), 909–924.
- Bell, J. (1995). The internationalization of small computer software firms: A further challenge to "Stage" theories. *European Journal of Marketing*, 29(8), 60–75.
- Burt, R. S. (2004). Structural holes and good ideas. *American Journal of Sociology*, 110(2), 349–399.
- Carney, M. (2005). Corporate governance and competitive advantage in family-controlled firms. *Entrepreneurship Theory and Practice*, 29(3), 249–265.
- Chandra, Y., Styles, C., & Wilkinson, I. (2009). The recognition of first time international entrepreneurial opportunities: Evidence from firms in knowledge-based industries. *International Marketing Review*, 26(1), 30–61.
- Chetty, S., & Blankenburg Holm, D. (2000). Internationalisation of small to medium-sized manufacturing firms: A network approach. *International Business Review*, 9, 77–93.
- Child, J., Ng, S. H., & Wong, C. (2002). Psychic distance and internationalization: Evidence from Hong Kong firms. *International Studies of Management & Organization*, 32(1), 36–56.
- Chrisman, J. J., Chua, J. H., & Steier, L. (2005). Sources and consequences of distinctive familiness: An introduction. *Entrepreneurship Theory and Practice*, 29, 237–247.
- CIA. (2010). *The world factbook*. Washington DC: Central Intelligence Agency.
- Claver, E., Rienda, L., & Quer, D. (2008). Family firms' risk perception: Empirical evidence on the internationalization process. *Journal of Small Business and Enterprise Development*, 15(3), 457–471.
- Coviello, N. (2006). The network dynamics of international new venture. *Journal of International Business Studies*, 37(5), 713–731.

Please cite this article in press as: Kontinen, T., & Ojala, A. Network ties in the international opportunity recognition of family SMEs. *International Business Review* (2010), doi:10.1016/j.ibusrev.2010.08.002

- Coviello, N., & Cox, M. P. (2006). The resource dynamics of international new venture networks. *Journal of International Entrepreneurship*, 4(2–3), 113–132.
- Coviello, N., & Munro, H. (1995). Growing the Entrepreneurial Firm: Networking for International Market Development. *European Journal of Marketing*, 29(7), 49–61.
- Coviello, N., & Munro, H. (1997). Network relationships and the internationalisation process of small software firms. *International Business Review*, 6(4), 361–386.
- Crick, D., & Spence, M. (2005). The internationalisation of 'high performing' UK high-tech SMEs: A study of planned and unplanned strategies. *International Business Review*, 14(2), 167–185.
- Dimitratos, P., & Jones, M. (2005a). Future directions for international entrepreneurship research. *International Business Review*, 14(2), 119–128.
- Dimitratos, P., & Jones, M. (2005b). International entrepreneurial culture, international opportunity perception and pattern of international exploitation: Towards an integrative model. In P. Ghauri, A. Hadjikhani, & J. Johanson (Eds.), *Managing opportunity development in business networks* (pp. 67–90). New York: Palgrave.
- Donckels, R., & Fröhlich, E. (1991). Are family businesses really different? European experiences from STRATOS. *Family Business Review*, 12(2), 146–160.
- Eisenhardt, K. M. (1989). Building theories from case study research. *Academy of Management Review*, 14(4), 532–550.
- Elg, U. (2008). Inter-firm market orientation and the influence of network and relational factors. *Scandinavian Journal of Management*, 24, 55–68.
- Ellis, P. (2008). Social ties and foreign market entry. *Journal of International Business Studies*, 31(3), 443–469.
- Ellis, P. (2008). *Social ties and international opportunity recognition*. Unpublished manuscript, Hong Kong Polytechnic University.
- Fernandez, Z., & Nieto, M. J. (2005). Internationalization strategy of small and medium-sized family businesses: Some influential factors. *Family Business Review*, 18(1), 77–89.
- Fernandez, Z., & Nieto, M. J. (2006). Impact of ownership on the international involvement of SMEs. *Journal of International Business Studies*, 37(3), 340–351.
- Gallo, M. A., & Pont, C. G. (1996). Important factors in family business internationalization. *Family Business Review*, 9(1), 45–59.
- Ghauri, P., Lutz, C., & Testom, G. (2003). Using networks to solve export-marketing problems of small- and medium-sized firms from developing countries. *European Journal of Marketing*, 37(5–6), 728–752.
- Granovetter, M. S. (1973). The strength of weak ties. *American Journal of Sociology*, 76(6), 1360–1380.
- Granovetter, M. S. (1985). Economic action and social structure: The problem of embeddedness. *American Journal of Sociology*, 91, 481–510.
- Granovetter, M. S. (1992). Problems of explanation in economic sociology. In N. Nohria & R. Eccles (Eds.), *Networks and organizations* (pp. 25–56). Boston, MA: HBS Press.
- Graves, C., & Thomas, J. (2004). Internationalisation of the family business: A longitudinal perspective. *International Journal of Globalisation and Small Business*, 1(1), 7–27.
- Graves, C., & Thomas, J. (2006). Internationalization of Australian family businesses: A managerial capabilities perspective. *Family Business Review*, 19(3), 207–224.
- Graves, C., & Thomas, J. (2008). Determinants of the internationalization pathways of family firms: An examination of family influence. *Family Business Review*, 21(2), 151–167.
- Hadjikhani, A., Ghauri, P., & Johanson, J. (2005). Introduction: Opportunity development in business networks. In P. Ghauri, A. Hadjikhani, & J. Johanson (Eds.), *Managing opportunity development in business networks* (pp. 1–24). New York: Palgrave.
- Hite, J. M. (2003). Patterns of multidimensionality among embedded network ties: A typology of relational embeddedness in emerging entrepreneurial firms. *Strategic Organization*, 1(1), 9–49.
- Hofferth, S. L., Boisjoly, J., & Duncan, G. J. (1999). The development of social capital. *Rationality and Society*, 11(1), 79–110.
- Hohenbhal, J., Johanson, J., & Johanson, M. (2003). Market discovery and the international expansion of the firm. *International Business Review*, 12(6), 659–672.
- IFERA. (2003). Family businesses dominate. *Family Business Review*, 16(4), 235–240.
- Irmann, O. (2006). *Intercultural communication and the integration of cross-border acquisitions*. Doctoral dissertation, Helsinki School of Economics, Helsinki.
- Jack, S. L. (2005). The role, use and activation of strong and weak network ties: A qualitative analysis. *Journal of Management Studies*, 26(6), 1234–1259.
- Johanson, J., & Mattsson, L.-G. (1988). Internationalisation in industrial systems—A network approach. In N. Hood J.-E. Vahlne (Eds.), *Strategies in global competition* (pp. 287–314). London: Croom Helm.
- Johanson, J., & Vahlne, J.-E. (1977). The internationalization process of the firm—A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23–32.
- Johanson, J., & Vahlne, J.-E. (1990). The mechanism of internationalisation. *International Marketing Review*, 7(4), 11–24.
- Johanson, J., & Vahlne, J.-E. (2003). Business relationship learning and commitment in the internationalization process. *Journal of International Entrepreneurship*, 1(1), 83–101.
- Johanson, J., & Vahlne, J.-E. (2006). Commitment and opportunity development in the internationalization process: A note on the Uppsala internationalization process model. *Management International Review*, 46(2), 165–178.
- Johanson, J., & Vahlne, J.-E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40, 1411–1431.
- Kontinen, T., & Ojala, A. (2010). The internationalization of family businesses: A review of extant research. *Journal of Family Business Strategy*, 1(2), 97–107.
- Krackhardt, D., & Hanson, J. (1993). Informal networks: The company behind the chart. *Harvard Business Review*, 71(4), 104–111.
- Larson, A., & Starr, J. A. (1993). A network model of organization formation. *Entrepreneurship Theory and Practice*, 17(2), 5–15.
- Marsden, P. V., & Campbell, K. E. (1984). Measuring tie strength. *Social Forces*, 63(2), 482–501.
- McAuley, A. (1999). Entrepreneurial instant exporters in the Scottish arts and crafts sector. *Journal of International Marketing*, 7(4), 67–82.
- McDougall, P. P., Shane, S., & Oviatt, B. M. (1994). Explaining the formation of international new ventures: The limits of theories from international business research. *Journal of Business Venturing*, 9(6), 469–487.
- Meyer, K., & Skak, A. (2002). Networks, serendipity and SME entry into Eastern Europe. *European Management Journal*, 20(2), 179–188.
- Miles, M. B., & Huberman, A. M. (1994). *Qualitative data analysis: An expanded sourcebook*. California: Sage Publications.
- Miller, C. C., Cardinal, L. B., & Glick, W. H. (1997). Retrospective reports in organizational research: A reexamination of recent evidence. *Academy of Management Journal*, 40(1), 189–204.
- Morgan, R. M., & Hunt, S. D. (1994). The commitment-trust theory of relationship marketing. *Journal of Marketing*, 58, 20–38.
- Musteen, M., Francis, J., & Datta, D. K. (2010). The influence of international networks on internationalization speed and performance: A study of Czech SMEs. *Journal of World Business*, 45(3), 197–205.
- OECD. (1997). *Globalisation and small and medium enterprises (SMEs)*. Synthesis Report, Vol. 1. France: Organization for Economic Co-operation and Development.
- OECD. (2003). *Officially-supported export credits and small exporters*. France: Organization for Economic Co-operation and Development.
- Ojala, A. (2009). Internationalization of knowledge-intensive SMEs: The role of network relationships in the entry to a psychically distant market. *International Business Review*, 18(1), 50–59.
- Oviatt, B. M., & McDougall, P. P. (2005). Defining international entrepreneurship and modeling the speed of internationalization. *Entrepreneurship Theory and Practice*, 29(5), 537–553.
- Ozgen, E., & Baron, R. A. (2007). Social sources of information in opportunity recognition: Effects of mentors, industry networks, and professional forums. *Journal of Business Venturing*, 22(2), 174–192.
- Pettigrew, A. M. (1990). Longitudinal field research on change: Theory and practice. *Organization Science*, 1(3), 267–292.
- Reid, S. D. (1984). Information acquisition and export entry decisions in small firms. *Journal of Business Research*, 12(2), 141–157.
- Roessl, D. (2005). Family businesses and interfirm cooperation. *Family Business Review*, 18(3), 202–214.
- Ronen, S., & Shenkar, O. (1985). Clustering countries on attitudinal dimensions: A review and synthesis. *Academy of Management Review*, 10(3), 435–454.
- Salvato, C., & Melin, L. (2008). Creating value across generations in family-controlled businesses: The role of family social capital. *Family Business Review*, 21(3), 259–276.
- Sapienza, H. J., Autio, E., George, G., & Zahra, S. A. (2006). A capabilities perspective on the effects of early internationalization on firm survival and growth. *Academy of Management Review*, 31(4), 914–933.
- Shane, S. (2000). Prior knowledge and the discovery of entrepreneurial opportunities. *Organization Science*, 11(4), 448–469.

Please cite this article in press as: Kontinen, T., & Ojala, A. Network ties in the international opportunity recognition of family SMEs. *International Business Review* (2010), doi:10.1016/j.ibusrev.2010.08.002

- Shane, S., & Venkataraman, S. (2000). The promise of entrepreneurship as a field of research. *Academy of Management Review*, 26(1), 13–17.
- Shrader, R. C., Oviatt, B. M., & McDougall, P. P. (2000). How new ventures exploit trade-offs among international risk factors: Lessons for the accelerated internationalization of the 21st century. *Academy of Management Journal*, 43(6), 1227–1247.
- Singh, R. P. (2000). *Entrepreneurial opportunity recognition through social networks*. New York: Garland Publishing.
- Simon, D. C., & Hitt, M. A. (2003). Managing resources: Linking unique resources, management, and wealth creation in family firms. *Entrepreneurship Theory and Practice*, 27(4), 339–358.
- Söderqvist, A., & Chetty, S. (2009). Strength of ties and their role in pre-founding, start-up and early internationalization. Paper presented at 12th McGill International Entrepreneurship Conference, Vaasa, Finland.
- Trompenaars, F., & Hampden-Turner, C. (1997). *Riding the waves of culture: Understanding cultural diversity in business* (2nd ed.). London: Nicholas Brealey.
- Yin, R. K. (1994). *Case study research: Design and methods* (2nd ed.). Newbury Park, CA: SAGE Publications.
- Zahra, S. A. (2003). International expansion of U.S. manufacturing family businesses: The effect of ownership and involvement. *Journal of Business Venturing*, 18(4), 495–512.
- Zahra, S. A., Korri, J. S., & Yu, J. F. (2005). Cognition and international entrepreneurship: Implications for research on international opportunity recognition and exploitation. *International Business Review*, 14(2), 129–146.

V

**SOCIAL CAPITAL IN RELATION TO THE FOREIGN
MARKET ENTRY AND POST-ENTRY OPERATION
OF FAMILY SMEs**

by

Tanja Kontinen and Arto Ojala

Journal of International Entrepreneurship, in press.

Reprinted with kind permission by Springer

Social capital in relation to the foreign market entry and post-entry operations of family SMEs

Tanja Kontinen · Arto Ojala

© Springer Science+Business Media, LLC 2011

Abstract Scholars in the discipline of international entrepreneurship have mainly studied rapidly internationalizing firms. However, the majority of entrepreneurial firms are family-owned businesses (85% of all firms in the EU and the USA). Research on family business has focused on the importance of bonding social capital whereas, despite its importance, bridging social capital has not so far attracted much attention. It has been argued that bridging social capital plays an important role in firms' internationalization processes. The purpose of this article is to examine the role of bridging social capital in the initial entry and post-entry operations of eight family SMEs with regard to the French market. We found that in foreign market entry social capital generally had a serendipity role, based on weak and intermediary relationships. In the post-entry situation, the role of strong and formal ties emerged strongly, and social capital most commonly took on efficacy or liability roles. Thus, it seems that the social capital of family entrepreneurs is limited to their strong bonding social capital, and perhaps to their strong national social capital. However, when such firms start to internationalize, they have to find new networks to gain the bridging social capital that will enable foreign operations. It seems that having a limited number of international ties drives family SMEs to search for relevant contacts at international trade exhibitions and trade fairs.

Keywords Family SMEs · Foreign market entry · Social capital

Introduction

The field of international entrepreneurship has commonly focused on rapidly internationalizing firms (Dimitratos and Jones 2005). Scholars have called for

T. Kontinen (✉) · A. Ojala
School of Business and Economics, University of Jyväskylä, P.O. Box 35, FI-40014 Jyväskylä,
Finland
e-mail: tanja.kontinen@jyu.fi

A. Ojala
e-mail: Arto.K.Ojala@jyu.fi

Published online: 08 January 2011

 Springer

research that would take in aspects of international entrepreneurship beyond early internationalizing firms (Young et al. 2003) and which would include different types of enterprise (Dimitratos and Jones 2005). In fact, studies combining family business research and international entrepreneurship are now emerging, and there has been a call for more research specifically on the internationalization of family firms (Graves and Thomas 2008; Sciascia et al. 2010). In both of these disciplines, networks, and social capital have been seen as important (e.g., Coviello 2006; Graves and Thomas 2004).

It has been suggested that social capital may be especially strong in family-owned businesses, because of the unification of ownership and management (Salvato and Melin 2008). A family business is an embodiment of the aspirations and capabilities of the family members, and the social element it embodies affects the decisions that determine its strategy, operations, and administrative structure (Chrisman et al. 2005). This *bonding social capital* of family firms, also called family capital, is a well-researched topic (e.g., Arregle et al. 2007; Salvato and Melin 2008). In addition, *bridging social capital* is important for family firms (Arregle et al. 2007), especially in the context of their internationalization. However (at least in the context of family firms), this topic remains under-researched (Arregle et al. 2007; Graves and Thomas 2004; Kontinen and Ojala 2010). The need to study the bridging social capital of family businesses has also been noted by Coviello (2006), who argued that there may be a difference between the network formation of rapidly internationalizing new ventures and family businesses. With these considerations in mind, this paper reports a study on eight family-owned small and medium-sized enterprises (SMEs).¹ The study investigated the role of social capital in the foreign market entry (FME) of the enterprises, and in the possible operational changes following market entry.

In this paper, we discuss the phenomenon of social capital in terms of *structural* dimensions (i.e., as being strong/weak, formal/informal/intermediary) and *economic* dimensions (involving efficacy/serendipity/liability). Thus, we seek first of all to contribute to the field of international entrepreneurship by expanding research beyond early internationalizing firms. Secondly, we wish to contribute to family business studies through an investigation of the bridging social capital of family firms, i.e., by taking up an under-researched topic. Thirdly, the study is intended to contribute to the field of social capital in the context of internationalization, through an investigation of family-owned SMEs—a perspective seen as lacking within organizational research (Dyer 2003)—and by investigating social capital in the context of FME and post-entry operations in a particular target country. This approach builds on the studies of Chetty and Agndal (2007) and Agndal et al. (2008), who studied social capital in the general internationalization pattern of SMEs. Fourthly, we here respond to the call made by Pedersen et al. (2002), who suggested that current literature on foreign operation modes is static, due to the fact that researchers have neglected the changes that may take place following market entry.

The detailed objective of this paper is to answer the following research questions: (1) What types of social capital do family SMEs utilize in their FME and post-entry

¹ The definitions of family firm and SME can be found in the “Methods” section of this article.

operations? In other words, it is important to know what types of tie (formal, informal, or intermediary) family SMEs utilize in their FME and post-entry operations, and whether these ties are strong or weak. This kind of knowledge can help us to achieve an understanding of how these ties are formed and utilized, and how they affect the FME and post-entry operations. (2) What kind of role does social capital have in these contexts? This means that we shall examine whether family SMEs use the *serendipity*, *efficacy*, or *liability* role of social capital in their FME and post-entry operations. By investigating these aspects, it will be possible to find out how the FME is triggered by social capital, and how changes in social capital affect post-entry operations. All in all, in this case study we aim to extend existing social capital theories to a new context, namely the internationalization of family SMEs.

The paper is organized as follows: we begin with a discussion of the concept of social capital, and more specifically, its types and roles within and subsequent to FME. Secondly, the specific features of family SME internationalization are discussed. Thirdly, the methodological issues of the paper are elaborated. Thereafter, the findings of the study are presented and discussed. In the concluding section, the contributions and limitations of the study are considered.

Theoretical background

Social capital

The resources available to actors in a network of relationships can be called social capital (e.g., Adler and Kwon 2002). This means that social ties between individuals can be used for a variety of purposes that may result in benefits for actors within the network (Adler and Kwon 2002; Nahapiet and Ghoshal 1998). Burt (1992) claims that social capital, rather than financial or human capital, is the most significant factor contributing to competitive success in all types of firms. Nahapiet and Ghoshal (1998, 243) define social capital as “the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit.”

Social capital differs from other types of capital, such as financial, physical, or human capital. It is a form of capital that is not located within a certain place, being embedded rather in relationships between actors in a social network (Adler and Kwon 2002; Coleman 1988; Nahapiet and Ghoshal 1998). Adler and Kwon (2002) also argue that social capital is a long-lived asset that can be used for different purposes, and that it can compensate for a lack of other types of capital. However, social capital also requires maintenance. It has to be regularly renewed and reconfirmed if it is to keep its efficacy (Adler and Kwon 2002).

Social capital is dynamic, since it changes over time (e.g., Larson and Starr 1993). It may increase or decrease as firms deepen existing relationships, establish new ones, and end problematic ones (Rauch 2001). However, social capital is not a “universally beneficial resource” (Nahapiet and Ghoshal 1998, 245). For instance, a closed network can limit the group’s access to new information and new ways of doing things, leading to reduced performance for the firm. The less social capital a

firm has, the more it is exposed to opportunistic behavior, and the more difficult it becomes to build long-term relationships (Walker et al. 1997).

The *structural*, or architectural, dimension of social capital refers to the pattern of connections between actors, and the *relational* dimension to resources attainable through the structural dimension, such as trust and trustworthiness (Granovetter 1992). In studies on *external* relations—in other words on *bridging* social capital—the focus is on the relations an actor maintains with actors outside his or her network (Adler and Kwon 2002). In studies on ties among actors within a collectivity, the focus is on *internal* or *bonding* social capital (Adler and Kwon 2002; Yli-Renko et al. 2002).

Types of social capital

To possess social capital, a person must have relationships with others (Portes 1998) and access to resources embedded in these relationships (Sobel 2002). Thus, it is important to study how ties between people are developed and structured. Social capital ties can be regarded as *strong* or *weak*. In previous research, the strength of the tie has been considered from a number of perspectives, including the following: closeness (Marsden and Campbell 1984), trust (Jack 2005; Singh 2000), mutual respect (Jack 2005), and commitment (Hite 2003). As was pointed out by Marsden and Campbell (1984), the use of frequency and duration as a measure of the strength of a tie can be misleading, and hence these variables are not applied here. Using a modification of the definition provided by Söderqvist and Chetty (2009), in the present research a *strong tie* is defined as one which is *close, and which is based on trust, mutual respect, and commitment*. By contrast, a *weak tie* is “*a superficial tie not yet based on strong trust and where the parties do not know each other well and are not emotionally close to each other*” (Söderqvist and Chetty 2009, 9).

An individual can have only a certain number of strong ties because of the maintenance costs associated with intimate relationships (Singh 2000). By contrast, the number of weak ties can be high. These weak ties do not require high maintenance, but can significantly help the entrepreneur in accessing information. Granovetter (1973) argues that weak ties act as bridges to sources of information not necessarily contained within an entrepreneur’s immediate (strong tie) network: because entrepreneurs interact with weak ties only occasionally, it is likely that such ties will provide more unique information than strong ties. This is in accordance with the findings of Burt (2004), to the effect that that new ideas tend to emerge through weak ties between separate social clusters. However, Granovetter (1985) argues that strong ties are more trustful, as they consist of emotional bonds. This increases the willingness to offer advice and provide valuable information (Singh 2000). In an empirical study, Agndal et al. (2008) found that both direct ties (cf. strong ties) and indirect ties (cf. weak ties) ties were important to all their case firms in relation to FME. Their findings also suggested that direct relationships are important in the early phase of the FME, whereas indirect relationships have a more dominant role in later phases.

In addition to strong and weak ties, the structure of network ties can be divided into *formal ties*, *informal ties*, and *intermediary ties* (Ojala 2009). The strength of the tie is not dependent on whether the tie is formal, informal, or intermediary:

Söderqvist and Chetty (2009) found that both strong and weak ties can exist in different types of relationships. A formal tie involves a relationship with other firms based on business or market relationships (Adler and Kwon 2002; Coviello and Munro 1997). Thus, Adler and Kwon (2002) explain that in market or business relationships, products or services are exchanged via money or barter. However, it can be argued that these relationships are also embedded within social ties and are thus essentially social (Adler and Kwon 2002; Granovetter 1985). Informal ties, on the other hand, are related to relationships with friends and family members (Coviello 2006; Krackhardt and Hanson 1993; Larson and Starr 1993). However, the boundary between the formal and informal ties is not always clear. As Larson and Starr (1993) note, informal ties may become formal and vice versa. In the intermediary tie, there is no direct contact between the seller and the buyer. However, there is a third party, such as an export-promotion organization or an organizer of an exhibition, and that party facilitates the establishment of the network tie between the buyer and the seller. In contrast to formal ties, there are no business transactions between the buyer and the intermediary or between the seller and the intermediary (Ojala 2009). These intermediary ties can provide links between actors in different markets and consequently initiate international business activities between the seller and the buyer (Oviatt and McDougall 2005).

Larson and Starr (1993) argue that the network ties of a firm evolve from informal ties to more formal ties during organization formation. However, recent studies related to rapidly internationalizing firms contradict this assumption (Chetty and Wilson 2003; Coviello 2006). For instance, Chetty and Wilson (2003) also found that early internationalizing firms focus on formal networks whereas less international firms rely more on informal networks.

Roles of social capital

The internationalization process of firms can be viewed as a process of developing and accessing social capital, since firms initiate, establish, and deepen ties during internationalization (Johanson and Vahlne 2006). Chetty and Agndal (2007) and Agndal et al. (2008) found that in the FME of SMEs, social capital was linked to *efficacy* and *serendipity* roles, whereas in the context of post-entry mode change the role of *liability* was also encountered. The *efficacy role* refers to the usefulness of a firm's social capital and how it enables market entry or a mode change (Agndal et al. 2008). For instance, interactions between firms increase their knowledge of each other and enable each firm to access the partner's knowledge (Yli-Renko et al. 2002). This helps in acquiring knowledge of new market opportunities, and it increases the efficacy of a firm's social capital. Chetty and Agndal (2007) found that the efficacy role of social capital is highlighted in cases where the need for information changes and where close interaction with partners is important. This can trigger a mode change from a low-control mode to a high-control mode. Agndal et al. (2008) argue that especially in initial FMEs, the efficacy role of social capital has an important role.

The *serendipity role* of social capital is highlighted when the FME or a post-entry mode change is triggered by a chance occurrence involving an external party (Chetty and Agndal 2007). Such an unexpected event is not initiated by the firm itself but by

serendipity; the implementation of changes is dependent on the firm's responses to new opportunities emerging from networks (Crick and Spence 2005; Ellis 2000). Chetty and Agndal (2007) found that serendipity plays an important role when firms establish joint ventures or subsidiaries based on the initiatives of partners or employees. These unexpected opportunities may be triggered by a firm's weak ties, emphasizing the important role of weak ties in serendipitous events. The findings of Agndal et al. (2008) indicate that in FME the serendipity role of social capital becomes more influential when a firm is entering a geographically or psychologically distant market. This would also suggest that serendipity has a more dominant role in later FMEs. However, Crick and Spence (2005) found that serendipity has an important role in both initial and later FMEs, but that it is highly dependent on managers' capability to react to and seize the new opportunities that have arisen.

The *liability role* of social capital refers to problems caused by social capital (Chetty and Agndal 2007). It refers to a change in social capital that "occurs as a result of the high costs and amount of time required to monitor and sustain social capital and poorly performing partnerships that do not accomplish the expected sales" (Chetty and Agndal 2007, 12). This point is based on the argument by Nahapiet and Ghoshal (1998) that social capital may limit openness and access to new information. The liability role of social capital can lead to mode change in times when a firm has to respond to a negative situation in the market (Chetty and Agndal 2007). Chetty and Agndal (2007) found that the liability role of social capital was the most influential factor for post-entry mode change among their case firms. This was due to the inactivity of business partners, high maintenance costs with customers or distributors, failure with a joint venture partner, retirement of a partner, and so on. All in all, in the studies by Chetty and Agndal (2007) and Agndal et al. (2008), efficacious and direct social capital was attached to early FMEs, with serendipitous and indirect social capital being associated with later FMEs. Hence, the role of social capital changed with and was dependent on FMEs. Nevertheless, these three roles (serendipity, efficacy, and liability) are not mutually exclusive, since a specific mode change can be initiated by the various single or multiple roles of social capital (Chetty and Agndal 2007).

Internationalization and social capital in family SMEs

Researchers have found that family firms are less likely to internationalize than nonfamily firms (Fernandez and Nieto 2005; Graves and Thomas 2006). The reasons for this might be, for instance, their limited growth objectives (Donckels and Fröhlich 1991), avoidance of risk (Claver et al. 2008), and restricted financial capital (Gallo and Pont 1996). In addition, there could be a connection to limited managerial capabilities (Graves and Thomas 2006) and to a lack of bridging network ties (Graves and Thomas 2004). All in all, family involvement in management has been seen as factor tending towards caution in the internationalization processes of family firms (Claver et al. 2008; Kontinen and Ojala 2010). In practice, the internationalization of family firms is mainly incremental, i.e., proceeding step by step (Claver et al. 2008; Graves and Thomas 2008).

As regard social capital, it should be noted that family SMEs are less likely to form networks—that is, bridging social capital ties—with other businesses than are

nonfamily SMEs (Graves and Thomas 2004; Roessl 2005). This tendency might well be connected to their extremely strong inner bonding social capital (Salvato and Melin 2008), which can be assumed to have an effect on the manner in which they build and develop bridging social capital. Their strong bonding capital is based on the unification of ownership and management (Salvato and Melin 2008): a family business incorporates the aspirations and capabilities of the family members, and the social element it embodies affects the decisions that determine its strategy, operations, and administrative structure (Chrisman et al. 2005). Family firms are oriented towards personal relationships, with a focus on interpersonal trust (Roessl 2005).

Summary

Scholars in the field of international entrepreneurship have called for research that would go beyond rapidly internationalizing firms (Dimitratos and Jones 2005; Young et al. 2003). Here, we study family-owned SMEs. In the disciplines of both international entrepreneurship and family business studies, networks and social capital have been seen as important (e.g., Coviello 2006; Graves and Thomas 2004). However, the bridging network ties of family SMEs have been studied to only a very limited extent (Arregle et al. 2007; Kontinen and Ojala 2010), despite their obvious importance, especially in the context of the internationalization of family firms. From earlier studies, it appears that the internationalization of family SMEs may differ from the internationalization of SMEs in general (see e.g., Fernandez and Nieto 2005; Graves and Thomas 2006). For this reason, it would seem useful to study bridging social capital when one is examining the specific features of family SMEs in relation to internationalization. In the present study we do this by moving from the broad concept of social capital to that of bridging social capital, applying the concepts in question to the internationalization of family SMEs.

Methods

Since the objectives of the research reported here were more related to understanding the behavior of a firm than to quantitative measurement (Jack 2005), a qualitative research method was regarded as most appropriate for this study. A qualitative approach provides “understanding of what really goes on in networks; provides more knowledge about the content of network relations; the processes involved; how networks evolve, change and develop over time” (Jack 2010, 120). Hence, we used a multiple case study method, similar to the approaches introduced by Eisenhardt (1989), Eisenhardt and Graebner (2007), and Yin (1994).

The research setting was eight family firms operating in the French market with different operation modes. The number of cases is in line with Eisenhardt (1989), who recommends using four to ten cases. The selection of the firms for investigation was based on an overall theoretical perspective, as recommended in the study by Eisenhardt (1989). To be eligible as a case firm, the following criteria had to be fulfilled: (1) the firm was Finnish, (2) the firm had less than 250 employees at the time of the French market entry, hence fulfilling the criteria of the Finnish

government and the EU for classification as an SME (OECD 2003), (3) the firm belonged to the manufacturing industry, (4) the firm was family-owned, with the family controlling the largest block of shares or votes, having one or more of its members in key management positions, and having members of more than one generation actively involved with the business,² and (5) the firm had been doing business in the French market for more than 5 years. Suitable case firms were sought in different databases, including Finnish export statistics, and the databases of the French-Finnish Chamber of Commerce and Finnish Export Promoting Organization (Finpro) in Paris. We identified six SMEs that had direct operations in France, five of which were included in this study. The remaining three cases were family SMEs with indirect operations in France, selected from different geographical locations in Finland.

We selected market entry to the French market as the context of the FME. This allowed investigation of the FME in a context that would be similar for all the firms, bearing in mind that laws, regulations, and customs can vary in different markets (Shrader et al. 2000). In addition, it seems that France is a somewhat difficult market for Finnish family SMEs to enter, despite its market potential (Finpro 2008); hence, the role of social capital could well be important in this context. Note also that social capital was studied in the context of SMEs, on the grounds that the determinants of social capital are more transparent in such enterprises. We thus follow Yin (1994) in selecting cases in which the phenomenon studied is transparently observable.

Table 1 summarizes the key information on the case firms. The firms were established between 1876 and 1988. The number of personnel varies from 18 to 249 employees, the average being 106 employees. France was generally entered at a fairly late stage in the internationalization pathways of the case firms.

Multiple sources of information were used to gather data from each case firm. The main form of data collection was in-depth interviews conducted with the owner-managers and with persons in charge of international affairs. Altogether, 16 semi-structured open-ended interviews, lasting from 60 to 90 min, were conducted with two informants from each firm. The interviewees were selected from those persons who had most in-depth knowledge concerning internationalization and operations in France, and they included executives (entrepreneurs), managing directors, managers of international affairs, and sales administrators. Following Svendsen (2006), at the beginning of the interview, neutral and nonthreatening questions were asked to establish a relationship of mutual trust. The interviewees were first asked to describe their business in general, thereafter their operations related to internationalization as a whole, and from that the business connected to internationalization in France in particular. When the main issues of the interview were touched on, short questions such as “Could you describe this? How? Why?” were posed to go deeper into the issue. Social capital in the process of entry to the French market was discussed in relation to important events, persons, firms, or organizations that had enabled or influenced the foreign market entry and possible post-entry changes. All these

² This definition is based on the two criteria of ownership and management presented, for instance, by Graves and Thomas (2008), and on the factor of continuity (see for instance Zahra 2003).

Table 1 Information on the case firms

	Number of employees	Year of establishment	Beginning of internationalization	Number of countries entered before France	Operation modes in France
Firm A	249	1876	1970s	5	1982 export 1985 subsidiary
Firm B	18	1923	1929	7	1968 export
Firm C	200	1967	1980s	4	1997 subsidiary
Firm D	20	1973	1990s	2	1998 export 2002 representative
Firm E	140	1972	1980s	>10	1989 export 2006 subsidiary
Firm F	40	1988	1991	0	1991 subsidiary
Firm G	30	1978	1980	4	1990 import 1991 export
Firm H	150	1955	1990s	10	1993 export

questions were developed according to the guidelines issued by Yin (1994), with the aim of making the questions as nonleading as possible. This encouraged the interviewees to give authentic answers to the interview questions. Because the interviews focused on the entrepreneurs' past experiences, we followed the guidelines for retrospective studies issued by Miller et al. (1997), and by Huber and Power (1985).

All the interviews were digitally recorded and transcribed verbatim using a word processor. During the second listening, correspondence between the recorded and the transcribed data was ensured. The complete case reports were sent back to the interviewees, and any inaccuracies they noticed were corrected on the basis of their comments. In addition, e-mail communication was used to collect further information from the interviewees and to clarify inconsistent issues, if necessary. The respondents interviewed were personally involved in the FME process, except in the case of firm D in which the person responsible for entry to the French market was deceased; here the interviewees were the person currently in charge of international affairs and the present owner-manager. However, the internationalization history of firm D was well documented. In addition, many types of secondary information (websites and annual reports, etc.) were collected and analyzed. By comparing the interview data with other case firm documents, we carried out triangulation of the information obtained (Miles and Huberman 1994). This also increased the validity of the interview data and enabled us to formulate further questions to clarify incoherent information (Yin 1994).

The method utilized in the data analysis was content analysis. The analysis of the case data consisted of three concurrent flows of activity (Miles and Huberman 1994): (1) data reduction, (2) data displays, (3) conclusion drawing/verification. In (1) the data reduction phase, the data were focused and simplified by writing a detailed case history of each firm. This is in line with Pettigrew (1990) who suggests that organizing incoherent aspects in chronological order is an

important step in understanding the causal links between events. Thereafter, on the basis of the interviews, the unique patterns of each case were identified and categorized into the patterns observed under the subtopics derived from the research questions. Three tables were formed to encompass the data. In addition, checklists and event listings were used to identify critical factors related to the phenomena encountered (Miles and Huberman 1994). In (2) the data display phase, the relevant data were collected in matrices, graphs, charts, networks, and in Tables in Microsoft Excel. In (3) the phase of conclusion drawing and verification, we concentrated on identifying the aspects that appeared to have significance. At this stage we noted regularities, patterns, explanations, and causalities relating to the phenomena.

Findings and discussion

In this section, the findings of the study are presented and discussed according to the type and role of social capital in the case firms' market entry to France. The type of social capital was investigated in terms of the strength of the tie (*strong* or *weak*) and the structure of the relationship (*formal*, *informal*, or *intermediary*). The role of social capital was analyzed by attaching to each type the *efficacy*, *serendipity*, or *liability* role operating in the FMEs, plus the entry mode choice. Figure 1 summarizes the types, plus the roles of social capital in the FME. It also shows how social capital functions changed in the post-entry operations of four case firms (see right-hand boxes).

Type and role of social capital in the FME

In most of the case firms (A, B, C, D, E, and H), the social ties in the FME could be considered *weak*. This indicates the importance of weak ties for family SMEs in the search for business opportunities in foreign markets. It also supports the ideas of Burt (1992, 2004) and Granovetter (1973) to the effect that unique information emerges through weak ties. It is further consistent with the findings of Agndal et al. (2008), indicating that indirect ties play a more important role in later market entries. To give an example, in the case of firm D, the circumstances around finding the weak tie were the following:

“A French guy happened to be in the countryside where one of our Finnish sales agents was presenting one of our log houses. He insisted on starting to sell our log houses in France. My sales agent phoned me about it and I (the owner-manager) said okay, he can come and meet me. Well, then I went to see him and after some negotiations I said okay, just go ahead and start selling our log houses. Of course I did not know him at all at that point, but it felt like he was a good guy.” (Firm D, owner-manager)

In all these six cases with weak ties (firms A, B, C, D, E, and H), social capital had a *serendipity* role. This is in line with Chetty and Agndal's (2007) finding that unexpected events are commonly triggered by weak ties. It also gives

	INITIAL ENTRY:				POST-ENTRY OPERATION:				
	Year	Type	Role	Mode	Year	Type	Role	Mode	
Firm A (1876) →	1982	weak, intermediary	serendipity	export	→	1985	strong, formal	efficacy	subsidiary
Firm B (1923) →	1968	weak, intermediary	serendipity	export					
Firm C (1967) ↗ ↘	1997	a) strong, formal b) weak, intermediary	efficacy; serendipity	subsidiary	→	2007	strong, formal	liability	ended
	1998	weak, intermediary	serendipity	export					
Firm D (1973) →	1998	weak, Informal	serendipity	export	→	2002	strong, formal	efficacy & liability	represent- ative office
Firm E (1972) →	1989	weak, intermediary	serendipity	export	→	2006	weak, inter- mediary	serendipity	joint venture
Firm F (1988) →	1989	strong, informal	efficacy	subsidiary					
Firm G (1978) →	1991	strong, formal	efficacy	export					
Firm H (1955) →	1993	weak, intermediary	serendipity	export					

Fig. 1 Type and role of social capital in the FME and post-entry operations of eight family SMEs

support to the findings of Agndal et al. (2008) that the serendipity role is more dominant in later market entries, and if a firm is entering psychologically distant,^{3,4} markets. In addition, the strong role of serendipity in FMEs indicates good managerial capabilities in the case firms that allow them to take advantage of new opportunities (cf. Crick and Spence 2005). For instance, the owner-manager of firm D was willing to seize the offer given by the French person—“*Okay, just go ahead and start selling our log houses.*” Similarly in the case of firm A, when their future French agent contacted them just after they had met at an international exhibition, they were able to take up the offer without delay:

“In those international exhibitions we met many kinds of potential co-operators from different countries. This French partner seemed very pleasant and trustworthy and showed genuine interest in our products. [...] Our product suited their product range perfectly. We had a new, innovative product that other European firms imitated later on, and it was of great interest to this retailer. We felt this was a good opportunity, and we were even happier when this partner contacted us himself soon after the exhibition, and our cooperation started soon after that.” (Firm A, international sales manager)

³ There are important cultural and linguistic differences between France and Finland, see e.g., Irrmann (2006) and Trompenaars and Hampden-Turner (1997).

⁴ Johanson and Wiedersheim-Paul (1975, 308) define psychic distance as “factors preventing or disturbing the flow of information between firm and market.”

Five out of the six case firms with weak ties used *intermediary* relationships for their market entry (firms A, B, C, E, and H) and one (firm D) an *informal* relationship. Hence, the FME was generally triggered by a third party not previously known to the case firm. This finding is in line with Ojala (2009), who found that intermediary relationships are important if a firm does not have existing relationships which it can utilize for the FME. In firms A, B, E, and H, this intermediary contact was made at an international trade exhibition, thus demonstrating the importance of trade exhibitions in the search for suitable partners. One of the informants in firm A described it this way:

“Recently, I’ve been thinking of our international co-operators, and, indeed, most of them are people we’ve found at international trade exhibitions. There, people can see, okay, there’s this kind of product as well, and they come and ask if we already have representatives. [...] That was how it went with the French, too.”

In firm C, the weak and intermediary tie was found via Finnish Export Promoting Organization (Finpro). Firm C contacted Finpro Paris to find out if they had any potential candidates to market and sell their product in France. A Finnish woman living permanently in France, someone who had also worked for the Finpro Paris office, was found through this search. She was one of two important persons enabling the entry of firm C to France. The other person was a strong and formal tie, a Finnish entrepreneur who also facilitated the entry (discussed in more detail later in this section). The French co-operator described the sequence as follows:

“I had been working for Finpro just before I heard from my colleagues in Finpro that a firm (Firm C) was looking for someone to establish their business in France. I became interested in that right away, since I was looking for a job and this firm seemed nice and interesting.”

In the case of firm D, too, the central tie was weak but informal (as opposed to intermediary), as the person initiating the French FME was met by coincidence. A French entrepreneur living in Finland met the representative of firm D in one of its log houses (i.e., the product of firm D). The French entrepreneur was keen on exporting the log houses to France, since he saw that the French market had potential for this kind of product.

It was only in firms F and G, that the FME to France was based solely on *strong* ties, in other words ties developed through interactions over time. In addition, one of the two ties essential in the FME of firm C was strong, whereas the other one (discussed above) was weak and intermediary. All of these three strong ties derived from what had originally been a business-based relationship. However, in firm F, this tie had developed into an informal one, as the entrepreneur in firm F had become a good friend of the subsidiary manager of the French subsidiary. Hence, it is classified as an *informal* tie. This demonstrates the dynamic nature of social capital, with the possibility that the nature of ties can change over time (cf. Larson and Starr 1993). The entrepreneur in firm F described the strong relationship as follows:

“We were good friends. It was very natural that we would start to cooperate after I launched my new firm. Well, it happened spontaneously, because we

were such good friends. I don't even know who asked first, me or him. He wanted to work for me and not for my previous firms, which had been taken over, so he resigned right away when he heard about my new firm. [...] Over all these years, I have got to know him extremely well. We can trust each other 100%, we have respect for each other's opinions, have similar kinds of values in life and are interested in similar kinds of things. [...] We do not communicate that often, but we can always proceed from where we left off last time."

In firms C and G, the strong tie was obviously *formal*. In firm C, it was based on a Finnish entrepreneur who had agreed to utilize C's forest machinery in France, and at the same time, to promote it there.

"Well, we found a young and eager entrepreneur in Finland who took two friends with him and starting working there [in France] with our machine. We sold him the machine at a reasonable price. [...] Then he found some work there and started to earn money, actually better than in Finland."

In the case of firm G, the initiator of the foreign market entry was their formal contact, the French supplier who imported their products. The owner-manager of the firm commented on this as follows:

"They wanted us to provide them with some of our products, items they did not produce there in France. That is how we started to export to France."

In all of these case firms with strong ties, social capital played an *efficacy* role. Hence, the FME was based on the proactive exploitation of the strong social capital ties where information on business opportunities in France had come through partners who were well known to the firm. For firm F, France was the first country which it entered, demonstrating the efficacy role of social capital in initial market entries (see Agndal et al. 2008).

Type and role of social capital in post-entry mode change

In firms A, C, D, and E, a post-entry mode change occurred after the initial entry to the French market. In three out of four cases (firms A, C, and D), the mode change was based on *strong* and *formal* social ties, social capital now having *efficacy* and/or *liability* roles. Firm A established a French subsidiary because their French partners were good and trustworthy, indicating the efficacy role of social capital. One of the informants in firm A described the matter in the following way:

"We ended up setting up a subsidiary after two or three years of exporting, because they were doing so well and we wanted them to concentrate only on our products. The manager of this subsidiary was a very good type of person and we had confidence that it was worth investing money on this firm. And everything has gone extremely well ever since."

This supports the findings of Chetty and Agndal (2007), that increasing social capital between partners can trigger post-entry mode change, from a low-control

mode to a high-control mode. In firm D, both the efficacy and liability roles of social capital were present when a representative office was set up. The efficacy role refers to the French entrepreneur who initiated the entire French entry, and who was seen as a person who could be trusted to set up a representative office. However, the liability role of social capital was also centrally present in this context: firm D initially wanted to form an extensive network of French retailers to represent their products. They tried dozens of retailers, but failed to achieve cooperation. Because of these difficulties, they saw it as necessary to take care of the French trade themselves, and they ended up establishing a representative office. This demonstrates that the differing roles of social capital can be overlapping and exist simultaneously. The entrepreneur in firm D explained the matter as follows:

“We started by searching for local partners who would look for customers. They told us about the needs of the customers, we made the offers and they passed them on to customers. We tried this and that with these potential partners for many years, but none of them turned out to be trustworthy or able to sell. They just took our time and money. On one of the trips we went to Paris and met a man who ordered thirty log houses. And none of them were actually delivered. He just cheated us...But luckily I had him (the French agent) and we established a representative office in France.”

In a similar manner to firm D, firm C did not have a strategy or suitable networks to sell their forest machinery in France or in any other countries with success. Hence, they closed their subsidiary, and the role of social capital in this case can be regarded as a liability role. This was connected with several problems encountered in the French market. One of the informants in firm C saw this as more of a strategic problem: firm C was not able to sell forest machines globally and achieve financial profitability. Taking a contrasting view, the French subsidiary manager of firm C saw the matter more as a communication problem and as involving a lack of cooperation between the headquarters and the subsidiary.

Firm E was the only enterprise in which the ties initiating the entry mode change were weak and intermediary, and in which social capital played a serendipity role. Exports of goods to France had encouraged the owner-manager of firm E to look for new opportunities in France. However, the firm did not find that any of its existing agents in France had the potential to set up a subsidiary. In the end, the firm's joint venture partner was found through a French organization (Invest in France). Furthermore, the establishment of the production joint venture in France was a strategic choice:

“It is natural that if you are abroad and you just sell, you often do not sell that much, because you also have other products to sell. When you set up a production subsidiary, the nature of selling changes totally—you need to sell all you produce. It's totally different from the situation of selling however much you like. [...] We were lucky to find this Invest in France organization that helped us so much in finding a good partner in France. We had a couple of alternatives, and ended up with one of them. We knew we needed to be in France and Invest in France made it possible to find an excellent partner with whom to establish a joint venture.

This is in line with Chetty and Agndal's (2007) study, indicating that weak ties have a central role in serendipitous events. However, this finding also reveals the intermediary role of export/import promotion organizations in entry mode change and serendipity events.

Conclusions

This study contributes to the fields of international entrepreneurship and family business studies. Firstly, by studying family SMEs, it expands international entrepreneurship studies beyond early internationalizing firms, answering the call for research beyond rapidly internationalizing firms (Dimitratos and Jones 2005; Young et al. 2003). Note here that family firms are to be regarded as entrepreneurial firms, although they usually internationalize in a later phase of their life cycle. Secondly, this study investigates bridging social capital—a topic not hitherto covered in family business studies. It is clear that family SMEs with strong, inner bonding networks also need bridging networks when they internationalize. For this reason, it is important to see how they use social capital in this context. Thirdly, the findings here validate and also build on the studies by Chetty and Agndal (2007) and Agndal et al. (2008), in so far as they demonstrate how the roles and types of social capital affect FME and entry mode change among family SMEs. Our findings relate to what are, in research terms, a new group of firms (family SMEs), and the FME context is extended to a particular market rather than involving the general pattern of internationalization. In addition, this paper responds to the call of Pedersen et al. (2002) for investigations into post-entry mode changes after the initial FME. In addition to focusing on the FME, the study also looked at social capital in the context of post-entry operations. On a more detailed level, the study elaborated the effect of social capital on foreign operation mode changes.

In this study, social capital generally had a serendipity role, based on weak and intermediary relationships among the case firms. The intermediary ties were most often initiated at international trade exhibitions. Three out of the eight case firms were able to utilize existing strong relationships for the FME, social capital in these cases taking on an efficacy role. However, most family SMEs do not have international ties, and they need to develop them for the FME.

As regards post-entry mode changes, the role of strong and formal ties was obvious, and social capital generally had efficacy or liability roles. There was only one post-entry change towards the use of intermediary ties, and to a serendipity role. From this it would appear that in most cases, family SMEs concentrate on developing trustworthy relationships. If they succeed in this, they may change their mode of operation from indirect to direct. Generally speaking, family SMEs do not seem to concentrate on finding new international ties once they have acquired the necessary contact to operate in the market in question.

Overall, it seems that the social capital of family entrepreneurs is limited to their strong bonding social capital and, perhaps, to their strong national social capital. When they do internationalize, they generally need to find new networks to collect some bridging social capital, in order to make the FME possible. This is a resource that they usually do not have initially. These considerations

underline the need for more research on the bridging social capital of family SMEs if we are to gain an understanding of the role of social capital in their FMEs and in their other operations.

Although our study provides an empirical contribution to the topic of social capital in the FME and post-entry operations of family SMEs, there is plenty of scope for further research. As a first step, a similar kind of a study could be conducted in some other cultural contexts. This could cast more light on the effect of the cultural context on the issue. Secondly, once a comparative study has been conducted in several countries, there is a need for quantitative testing, since the findings of this study cannot be very widely generalized due to the methodological circumstances. Thirdly, our research setting limits the case firms to family-owned SMEs. Although this approach has the advantage of a specific focus, one would clearly wish to take the research into broader contexts. Thus, further studies are needed in relation to social capital ties of *early internationalizing firms* and firms that have *different kinds of ownership structures*. In addition, there is a need for comparative studies between family SMEs and nonfamily SMEs.

Regarding the possible limitations of the study, there are some aspects that might differ depending on the home and target country. For instance, it seems that some firms (from China, India, Vietnam, etc.) are able to take advantage of their emigrant relationships around the world (Bagwell 2008; Child et al. 2002; Prashantham and Dhanaraj 2010). In these cases, transnational family ties (Bagwell 2008; Tsang 2001) may have a greater effect on network formation and development than was the case in the present study. In addition, the cultural and psychic distances between countries may affect how firms establish and develop network ties; as the psychic distance between countries increases, network formation becomes more difficult (Johanson and Vahlne 2009) and firms have to find alternative ways to find and establish network ties (Ojala 2009).

Managerial implications

International trade exhibitions offer a good context for family SMEs to create ties leading to international markets. They offer excellent possibilities to network with international operators in the same industry, which in turn may give them access to new foreign markets. Another option for international networking is export-promotion organizations; these may be able to mediate relationships between family SMEs and potential foreign customers or distributors. They can provide firms with overall market data and with some contact details, and from these the firms can start the search for co-operators. Although the ties found in these kinds of contexts are initially weak, they can be built up to become strong and trusted, enabling the further development of international operations. For instance, an agent can become a subsidiary manager or a joint venture partner.

Another relevant point here is that family entrepreneurs should take advantage of their ability to react serendipitously: when an offer for cooperation comes from a potential social capital tie, they have the possibility to seize hold of the opportunity in a flexible fashion, in contrast to firms with more formal organizational and management structures. One can also suggest that family firms should take full

advantage of their actual presence in the foreign market: given their flexibility and personal contacts, they have possibilities to network with customers and other actors, persons whom they may need in future for other purposes. These foreign customers can act as a source for recognizing new business opportunities, and they can help with localizing a firm's product for the specific needs of customers in the country in question.

Acknowledgments The authors would like to thank the anonymous reviewers and the editor for their insightful comments and suggestions for improving the manuscript. The research has been generously funded by the Foundation for Private Entrepreneurs and the Eemil Aaltonen Foundation.

References

- Adler PS, Kwon S-W (2002) Social capital: prospects for a new concept. *Acad Manage Rev* 27(1):17–40
- Agndal H, Chetty S, Wilson H (2008) Social capital dynamics and foreign market entry. *Int Bus Rev* 17(6):663–675
- Arregle J-L, Hitt MA, Sirmon DG, Very P (2007) The development of organizational social capital: attributes of family firms. *J Manag Stud* 44(1):73–95
- Bagwell S (2008) Transnational family networks and ethnic minority business development: the case of Vietnamese nail-shops in the UK. *Int J Entrep Behav Res* 14(6):377–394
- Burt RS (1992) *Structural Holes*. Harvard University Press, Cambridge
- Burt RS (2004) Structural holes and good ideas. *Am J Sociol* 110(2):349–399
- Chetty S, Agndal H (2007) Social capital and its influence on changes in internationalization mode among small and medium-sized enterprises. *J Int Mark* 15(1):1–29
- Chetty SK, Wilson HIM (2003) Collaborating with competitors to acquire resources. *Int Bus Rev* 12(1):61–81
- Child J, Ng SH, Wong C (2002) Psychic distance and internationalization: evidence from Hong Kong firms. *Int Stud Manage Organ* 32(1):36–56
- Chrisman JJ, Chua JH, Steier L (2005) Sources and consequences of distinctive familiness: an introduction. *Entrep Theory Pract* 29(3):237–247
- Claver E, Rienda L, Quer D (2008) Family firms' risk perception: empirical evidence on the internationalization process. *J Int EntreprenJ Small Bus Enterprise Dev* 15(3):457–471
- Coleman JS (1988) Social capital in the creation of human capital. *Am J Sociol* 94:S95–S120
- Coviello N (2006) The network dynamics of international new venture. *J Int Bus Stud* 37(5):713–731
- Coviello N, Munro H (1997) Network relationships and the internationalisation process of small software firms. *Int Bus Rev* 6(4):361–386
- Crick D, Spence M (2005) The internationalisation of 'high performing' UK high-tech SMEs: a study of planned and unplanned strategies. *Int Bus Rev* 14(2):167–185
- Dimitratos P, Jones M (2005) Future directions for international entrepreneurship research. *Int Bus Rev* 14(2):119–128
- Donckels R, Fröhlich E (1991) Are family businesses really different? European experiences from STRATOS. *Fam Bus Rev* 12(2):146–160
- Dyer WG Jr (2003) The family: the missing variable in organizational research. *Entrep Theory Pract* 27(4):401–416
- Eisenhardt KM (1989) Building theories from case study research. *Acad Manage Rev* 14(4):532–550
- Eisenhardt KM, Graebner ME (2007) Theory building from cases: opportunities and challenges. *Acad Manag J* 50(1):25–32
- Ellis P (2000) Social ties and foreign market entry. *J Int Bus Stud* 31(3):443–469
- Fernandez Z, Nieto MJ (2005) Internationalization strategy of small and medium-sized family businesses: some influential factors. *Fam Bus Rev* 18(1):77–89
- Finpro (2008) *Subsidiaries of Finnish companies in France*. Annual Report by Finpro Paris, Paris: Finpro
- Gallo MA, Pont CG (1996) Important factors in family business internationalization. *Fam Bus Rev* 9(1):45–59
- Granovetter MS (1973) The strength of weak ties. *Am J Sociol* 76(6):1360–1380
- Granovetter MS (1985) Economic action and social structure: the problem of embeddedness. *Am J Sociol* 91(1):481–493

- Granovetter MS (1992) Problems of explanation in economic sociology. In: Nohria N, Eccles R (eds) *Networks and organizations*. HBS Press, Boston, pp 25–56
- Graves C, Thomas J (2004) Internationalisation of the family business: a longitudinal perspective. *International Journal of Globalisation and Small Business* 1(1):7–27
- Graves C, Thomas J (2006) Internationalization of Australian family businesses: a managerial capabilities perspective. *Fam Bus Rev* 19(3):207–224
- Graves C, Thomas J (2008) Determinants of the internationalization pathways of family firms: An examination of family influence. *Fam Bus Rev* 21(2):151–167
- Hite JM (2003) Patterns of multidimensionality among embedded network ties: a typology of relational embeddedness in emerging entrepreneurial firms. *Strategic Organization* 1(1):9–49
- Huber GP, Power DJ (1985) Retrospective reports of strategic-level managers: guidelines for increasing their accuracy. *Strateg Manage J* 6:171–180
- Irrmann O (2006) Intercultural communication and the integration of cross-border acquisitions. Doctoral dissertation, Helsinki School of Economics, Helsinki
- Jack SL (2005) The role, use and activation of strong and weak network ties: a qualitative analysis. *J Manag Stud* 26(6):1234–1259
- Jack SL (2010) Approaches to studying networks: implications and outcomes. *J Bus Venturing* 25:120–137
- Johanson J, Vahlne J-E (2006) Commitment and opportunity development in the internationalization process model. *Manag Int Rev* 46(2):165–178
- Johanson J, Vahlne J-E (2009) The Uppsala internationalization process model revisited: from liability of foreignness to liability of outsidership. *J Int Bus Stud* 40:1411–1431
- Johanson J, Wiedersheim-Paul F (1975) The internationalization of the firm: four Swedish cases. *J Manag Stud* 12(3):305–322
- Kontinen T, Ojala A (2010) The internationalization of family businesses: a review of extant research. *Journal of Family Business Strategy* 1(2):97–107
- Krackhardt D, Hanson JR (1993) Informal networks: the company behind the chart. *Harv Bus Rev* 71(4):104–111
- Larson A, Starr JA (1993) A network model of organization formation. *Entrep Theory Pract* 17(2):5–15
- Marsden PV, Campbell KE (1984) Measuring tie strength. *Soc Forces* 63(2):482–501
- Miles MB, Huberman AM (1994) *Qualitative data analysis: an expanded sourcebook*. Sage Publications, California
- Miller CC, Cardinal LB, Glick WH (1997) Retrospective reports in organizational research: a reexamination of recent evidence. *Acad Manage J* 40(1):189–204
- Nahapiet J, Ghoshal S (1998) Social capital, intellectual capital, and the organizational advantage. *Acad Manage Rev* 23(2):242–266
- OECD (2003) *Officially-supported export credits and small exporters*. Organization for Economic Co-operation and Development, Paris
- Ojala A (2009) Internationalization of knowledge-intensive SMEs: the role of network relationships in the entry to a psychologically distant market. *Int Bus Rev* 18(1):50–59
- Oviatt BM, McDougall PP (2005) Defining international entrepreneurship and modeling the speed of internationalization. *Entrep Theory Pract* 29(5):537–553
- Prashantham S, Dhanaraj C (2010) The dynamic influence of social capital on the international growth of new ventures. *J Manag Stud* 47(6):967–994
- Pedersen T, Petersen B, Benito G (2002) Change of foreign operation method: impetus and switching costs. *Int Bus Rev* 11(3):325–345
- Pettigrew AM (1990) Longitudinal field research on change: theory and practice. *Organ Sci* 1(3):267–292
- Portes A (1998) Social capital: its origins and application in modern sociology. *Annu Rev Sociology* 24(1):1–24
- Rauch JE (2001) Business and social networks in international trade. *J Econ Lit* 39(4):1177–1203
- Roessl D (2005) Family businesses and interfirm cooperation. *Fam Bus Rev* 18(3):202–214
- Salvato C, Melin L (2008) Creating value across generations in family-controlled businesses: the role of family social capital. *Fam Bus Rev* 21(3):259–276
- Sciascia S, Mazzola P, Astrachan JH, Pieper T (2010) The role of family ownership in international entrepreneurship: exploring nonlinear effects. *Small business economics*. Springer, Berlin
- Shrader RC, Oviatt BM, McDougall PP (2000) How new ventures exploit trade-offs among international risk factors: lessons for the accelerated internationalization of the 21st century. *Acad Manage J* 43(6):1227–1247
- Singh RP (2000) *Entrepreneurial opportunity recognition through social networks*. Garland Publishing, New York

- Sobel J (2002) Can we trust social capital? *J Econ Lit* 40(1):139–154
- Svendsen GH (2006) Studying social capital in situ: a qualitative approach. *Theory Soc* 35:39–70
- Söderqvist A, Chetty S (2009) Strength of ties and their role in pre-founding, start-up and early internationalization. Paper presented at 12th McGill International Entrepreneurship Conference, Vaasa, Finland
- Trompenaars F, Hampden-Turner C (1997) *Riding the waves of culture: understanding cultural diversity in business*, 2nd edn. Nicholas Brealey, London
- Tsang EWK (2001) Internationalizing the family firm: a case study of a Chinese family business. *J Small Bus Manage* 39(1):88–94
- Walker G, Kogut B, Shan W (1997) Social capital, structural holes and the formation of an industry network. *Organ Sci* 8(2):109–125
- Yin RK (1994) *Case study research: design and methods*, 2nd edn. SAGE Publications, Newbury Park
- Yli-Renko H, Autio E, Tontti V (2002) Social capital, knowledge, and the international growth of technology-based new firms. *Int Bus Rev* 11(3):279–304
- Young S, Dimitratos P, Dana LP (2003) International entrepreneurship research: what scope for international business theories? *J Int Enterpren* 1(1):31–42
- Zahra SA (2003) International expansion of U.S. manufacturing family businesses: the effect of ownership and involvement. *J Bus Venturing* 18(4):495–512

VI

**SOCIAL CAPITAL IN THE INTERNATIONAL
OPERATIONS OF FAMILY SMEs**

by

Tanja Kontinen and Arto Ojala

Journal of Small Business and Enterprise Development, forthcoming.

Reprinted with kind permission by Emerald

Social capital in the international operations of family SMEs

Tanja Kontinen and Arto Ojala

Manuscript forthcoming in *Journal of Small Business and Enterprise Development*

Abstract

Purpose – The aim of this study is to discuss how social capital is developed in the internationalization process of small and medium-sized family enterprises (family SMEs).

Design/methodology/approach – This paper reports findings from an in-depth multiple case study with four Finnish manufacturing family SMEs. The data were analyzed through the perspectives of (i) structural holes, (ii) network closure, and (iii) the interplay between these two mechanisms.

Findings – Our material demonstrated that family entrepreneurs had a large number of structural holes when launching international operations, but also after several years of running international operations. Instead of trying to span structural holes, they concentrated merely on developing the network closure with agents and subsidiary staff. The case firms spent a lot of resources on finding suitable network ties and on developing good network closure with the selected social capital ties.

Research limitations/implications – There are some aspects that might differ depending on the home and target country of firms. For instance, firms in some Asian countries are able to utilize emigrant relationships that help them with networking, which was not the case here with Finnish family SMEs.

Practical implications – Family entrepreneurs seem to have a tendency to concentrate on a limited number of foreign partners, and to neglect the building of new relationships that could help them in future challenges.

Originality/value – In this study, we (i) respond to calls for more research on network development in the entrepreneurial process, especially in the context of internationalization, (ii) we introduce the notions of network closure and structural holes to the internationalization context, and (iii) we reveal how social capital restricts and facilitates family SMEs' international operations.

Keywords family SMEs; social capital; network closure; structural holes; foreign operations

Paper type Research paper

1. Introduction

Social capital has attracted the interest of researchers in various research fields for several decades (e.g. Adler and Kwon, 2002). Social capital is essentially dynamic, being dependent on network development: the capital can increase or decrease as firms deepen existing relationships, establish new ones, and end problematic ones (Jack et al., 2008; Larson and Starr, 1993; Rauch, 2001). An understanding of this kind of network development is clearly important for research on entrepreneurship (Hoang and Antoncic, 2003; Jack, 2010; Jack et al., 2008) since changes in the network will affect the further development of the firm (Coviello, 2006; Jack, 2005), including any internationalization processes that are undertaken (Chetty and Agndal, 2007). However, much remains to be discovered about networks and their development in the entrepreneurial process, (Jack, 2010), and there have been calls for qualitative research to increase understanding of the phenomenon (Hoang and Antoncic, 2003; Jack, 2010).

Especially among SMEs, network ties between employees are tightly integrated, and changes in the network structure have more effect than in large multinationals. Family SMEs are highly suitable for research on social capital; indeed, social capital has been proposed as a particular feature of family-owned businesses, on account of the close ties between family members (Salvato and Melin, 2008). Nevertheless, although close ties between family members and employees create social capital, it has been argued that such ties may restrict access to new and valuable information outside the firm (Burt, 1992; Granovetter, 1973).

In the international context, we have very limited knowledge of how family firms develop their network ties outside the firm during the internationalization process (Kontinen and Ojala, 2010). For these reasons, the broad aim of this study is *to determine how family SMEs develop their social capital during the progress of international operations, and to examine how, within this course of events, two posited mechanisms, namely (i) network closure, and (ii) structural holes, interact with each other.* These mechanisms will be discussed in Section 2 below, which will be followed (Section 3) by a statement of our more specific research questions.

2. Concepts and definitions

2.1 Social capital

Social capital differs from other types of capital (such as financial, physical, or human capital), since it is a form of capital that is not located within a certain place, being rather embedded in relationships between actors in a social network (Adler and Kwon, 2002; Coleman, 1988; Nahapiet and Ghoshal, 1998). In the study reported here, we use the definition by Nahapiet and Ghoshal (1998, p. 243): social capital is “the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit.” The dynamic nature of social capital indicates that it may increase or decrease as firms deepen existing

relationships, establish new ones, and end problematic ones (Larson and Starr, 1993; Rauch, 2001). It should be noted that social capital may not be advantageous in every case. For instance, a close network can limit the group's access to new information and new ways of doing things; or social capital partners may prove untrustworthy, leading to a reduced performance for the firm (Nahapiet and Ghoshal, 1998). Nevertheless, having only limited social capital is usually detrimental: the less social capital a firm has, the more it is exposed to opportunistic behavior, and the more difficult it may be to build long-term relationships (Walker et al., 1997).

2.2 Structural holes and network closure

The two most important network mechanisms providing social capital are *structural holes* and *network closure* (Burt, 1992; Coleman, 1988). The traditional view of social capital emphasizes the positive effects of network closure, i.e. cohesive ties, in terms of social network benefits (Coleman, 1988). However, according to structural hole theory (Burt, 1992), social capital stems from the possibilities permitted by separate ties, i.e. by a *lack* of network closure. On the face of it, these theories represent opposing views on how networks create social capital.

According to the structural holes theory (Burt, 1992), the benefits of social capital result from the diversity of information and the *brokerage opportunities* created by the lack of connections between separate groups in social networks. Structural holes (gaps, lacunae in networks) permit a competitive advantage for a person (or firm) whose relationships *span* the holes. Individuals whose networks have only a limited number of structural holes know and have control over more rewarding opportunities. Based on this, a structural hole is here defined in the words used by Burt (2005, p. 25) as "a place in a network that could create value. A structural hole exists between two people or groups when either party is unaware of the value available if they were to coordinate on some point." Relationships acting as bridges to other groups, such as firms, can result from events such as the setting up of cross-functional teams, inter-organizational conventions, or professional meetings bringing together people from different groups (Burt, 2000). Network brokerage can also be indirect, if there is a strong connection to a person/firm with a strong connection to someone else who is important for the firm (Burt, 2010). This can be the case, for instance, if the foreign agent of the firm has strong relationships with customers whom the headquarters staff do not know at all.

Network closure is created by a network of strongly interconnected persons (Burt, 2000). It emphasizes the positive effect of cohesive social ties in the creation of social capital. Hence, network closure refers to networks in which everyone is connected in such a way that *no one can escape the notice of others*, which in operational terms usually means a dense network (Coleman, 1988). Social norms are given "closure" when two or more individuals recognize that it is advantageous for their interests to cooperate. In a closed network "people have strong relations with one another or can reach one another indirectly through strong relations to mutual contacts" (Burt, 2010, p. 251). In the first place, closure facilitates access to information, because another person in the network

can briefly convey what is essential, and knowledge sharing is efficient. Secondly, network closure facilitates sanctions, and this has the effect of enhancing the level of trust in the network. When people have strong relations in their network, they get more reliable communication channels; furthermore, they are protected, because by means of their contacts they are better able to cooperate against someone who does not obey the network's norms (Burt, 2000; Coleman, 1988).

These two network mechanisms refer to a different means of creating social capital. Yet although they have been regarded as opposed to each other, they have also been seen as complementary mechanisms (Burt, 2000; Gargiulo and Benassi, 2000; Podolny and Baron, 1997). Burt (2000) found that the performance of a firm is the highest when the firm achieves high levels in *both network closure and the number of non-redundant contacts* beyond the firm. Networks that span structural holes may provide the manager with timely information about new opportunities, whereas cohesive ties are needed to exploit those opportunities (Podolny and Baron, 1997). According to Burt (2010, p. 151), "[w]here brokerage is about vision and growth from expanded horizons, closure is about control and productivity associated with people aligned on a shared goal."

According to Gargiulo and Benassi (2000), *these two mechanisms cannot be maximized simultaneously*, since the trade-off between safety (i.e. network closure) and flexibility (i.e. structural holes) is inherent to the dynamics of social networks. In the context of the formation of inter-organizational ties, organizations prefer to form *embedded ties*¹ (Gulati and Gargiulo, 1999), which may lead to network closure. In a later phase, when organizational change is needed, the flexibility offered by structural holes may be more important than network closure.

2.3 Social capital and internationalization in family firms

Important factors related to social capital and internationalization in family firms are, for instance, their: (i) unusual devotion to continuity, (ii) tendency to nurture the community of employees very carefully, and (iii) search for closer connections with customers and partners in order to sustain the business (Miller et al., 2008). These factors are related to both the internal/familial and the external social capital of family firms. Internal capital is based on strong internal relationships and interactions composed of the aspirations and capabilities of family members (Salvato and Melin, 2008), which can be assumed to have an effect on the manner in which family firms build and develop external social capital. Strong internal social capital can reduce transaction costs, and it can facilitate information flows, knowledge creation and accumulation, and creativity (Arregle et al., 2007; Burt, 2000). However, internal networks do not result in faster internationalization; in fact they may become a liability by hindering the flow of information and blocking links to new contacts (Musteen et al., 2010).

External social capital connects family firms to diverse networks. It is the result of family firms' interactions, communications and relationships with diverse external

¹*Embedded* here refers that the ties are an integral part of a surrounding whole.

stakeholders, and it makes it possible to obtain resources from other companies (Arregle et al., 2007). Networks of this kind are needed if the firm is to innovate and succeed. Family firms have been shown to have a limited number of external network ties in comparison to non-family firms (Graves and Thomas, 2004). This can be seen as a consequence of their strong internal social capital (Arregle et al., 2007; Salvato and Melin, 2008). However, external social capital ties prevent family firms from becoming too conservative and unable to adapt to environmental changes (Miller et al., 2008).

As regards internationalization, family involvement in management has been seen as factor tending towards caution in the internationalization processes of family firms (Claver et al., 2008). There is evidence that family firms are less likely to internationalize than non-family firms (Graves and Thomas, 2006). If family firms internationalize, they do it mainly incrementally, proceeding step by step (Graves and Thomas, 2008). In addition to a lack of external network ties, the reasons for the cautious and incremental internationalization might be, for instance, their limited growth objectives, avoidance of risk, restricted financial capital, and limited managerial capabilities (see Kontinen and Ojala (2010) for further review).

3. Aims, critique and research questions

In this paper we aim to contribute to research on social capital and firm internationalization by modifying *network closure* and *structural holes* perspectives in ways appropriate to the context of firm internationalization. Although the literature review here clearly demonstrates the important role of social capital, in general, and especially in the context of family firms, we do not know much how the two network mechanisms, i.e. structural holes and network closure, explain (separately and together) the internationalization of family firms (see also Kontinen and Ojala, 2010). This is important especially for family SMEs in which relationships between employees are commonly close and highly integrated. The broad issue addressed in this study can be phrased as follows: *How do network closure and structural holes explain the development of international operations among family SMEs?* This can be addressed via three specific research questions which we shall focus on in our observations: 1. *How do the international operations of family SMEs develop in terms of structural holes?* 2. *How does network closure develop in the international operations of family SMEs?* 3. *How do family SMEs bridge structural holes and develop network closure in their international operations?*

4. Methodology

Since the objectives of this research were more related to understanding than to measuring (Jack, 2005), and since current understanding of the dynamics of bridging social capital in the context of family SMEs is limited, a qualitative research method was regarded as most appropriate for this study. Social capital is “an aggregate concept that has its basis in individual behavior, attitudes, and predispositions” (Brehm and Rahn, 1997, p. 1000) – an aspect which further strengthens the need for a qualitative study, since the focus is on studying the processes, contents and dynamics of networks

consisting of individuals (Coviello, 2006; Jack, 2005, 2010; Prashantham and Dhanaraj, 2010).

For this study, we selected a multiple-case study with four family SMEs operating in the French market. Finland was chosen as the country of origin because it has a small and open economy with a very limited domestic market (OECD, 1997) where the internationalization is an important growth strategy. The choice of the French market as the context made it possible to investigate the dynamics of social capital in a particular context, one that would be similar for all the firms involved in the study.

As far as the definition of a *family firm* is concerned, it can be defined as one in which the family (i) controls the largest block of shares or votes, (ii) has one or more of its members in key management positions, and (iii) has members of more than one generation actively involved within the business. This definition is based on the two criteria of ownership and management presented, for instance, by Graves and Thomas (2008), and on the factor of continuity (see for instance Zahra, 2003). All the case firms were from the manufacturing sector and had fewer than 250 employees at the time of entry to the French market. Thus, they fulfilled the criteria of the Finnish government and the EU for classification as SMEs (OECD, 2003).

Multiple sources of information were used to gather data from each case firm. The main form of data collection was a semi-structured interview, guided by a list of topics. The interviews were conducted by one of the authors, a researcher who was fluent in English and French, and who had experience of living in French-speaking countries. The interviewer followed the guidelines set out by Huber and Power (1985) to minimize the risk of providing inaccurate or biased data. Altogether, eleven semi-structured open-ended interviews lasting 60–100 minutes were conducted with two or three respondents from each firm², in the firm's headquarters in Finland and in its subsidiary/agency in France. The interviewees selected had in-depth knowledge of internationalization and operations in France. Having two or three interviewees from each case firm we aimed to get the most relevant knowledge, and to counteract the biases of individual opinions (Huber and Power, 1985).

Following Svendsen (2006), at the start of the interview, neutral and non-threatening questions were asked to establish a relationship of mutual trust. The interviewees were first asked to describe their business in general, thereafter their operations related to internationalization as a whole, and from that the business connected to internationalization in France in particular. Once the main issues of the interview had been touched on, short questions, such as "Could you describe this? How? Why?" were posed to go deeper into the issue. Social capital in the process of entry to the French market was discussed through the following issues: (i) important events, persons, firms, or organizations that influenced the entry process, (ii) the development of relationships after the initial entry, and (iii) considerations relating to how and why the relationships developed in such a way. All these questions were developed

² Two from the small firm B (employing fewer than 50 persons), and three from middle-sized firms A, C, and D.

according to the guidelines issued by Yin (1994), with the aim of making the questions as non-leading as possible.

All the interviews were digitally recorded and transcribed verbatim. A second listening was conducted to ensure correspondence between the recorded and the transcribed data. The complete case reports were sent back to the interviewees and any inaccuracies they noticed were corrected. In addition, e-mail communication was used to collect further information and to clarify any inconsistent issues. To improve the validity of the study we collected and analyzed many types of secondary information (such as websites and annual reports). By comparing the interview data with other documents from the case firms, we carried out triangulation on the information (Miles and Huberman, 1994).

In the data-ordering phase, a detailed case history of each firm was formed, based on interviews and written documents. Pettigrew (1990) suggests that organizing incoherent aspects within a chronology is an important step in understanding the causal links between events. In our data analysis phase, cross-case pattern searching was utilized. The unique patterns of each case were identified and similar patterns were categorized under broad themes, on the basis of the research questions in the study. In addition, checklists and event listings were used to identify critical factors (Miles and Huberman, 1994) related to determinants that might involve social capital.

To make the theoretical constructs of structural holes and network closure suitable for this study we have modified them to make them suitable for the international operations context. To illustrate the role of structural holes and the extent to which the case firms have bridges spanning these holes, the number of bridges is regarded as *high* or *low*. The number of bridges in the network of a firm is regarded as *low* if the firm has no contacts in the target market, and if in foreign operations it does not have any contacts other than foreign agents/subsidiary staff. The number of bridges in the network of a firm is regarded as *high* if the firm has several contacts in the target market when planning foreign operations, or many contacts in addition to the ones it does business with. The level of network closure is regarded as:

- (i) *Strong* if the relationship with the foreign cooperator(s) is close, based on trust, mutual respect, open communication, commitment, similar values, a passion for the field, and freedom to act according to one's own personality and creativity.
- (ii) *Medium* if there are only two or three of the following features in the relationship with the foreign cooperator(s): closeness, trust, mutual respect, open communication, commitment, freedom to act according to one's own personality and creativity.
- (iii) *Weak* if the relationship with the foreign cooperator(s) has most of the following features: distance, a lack of trust, a lack of mutual respect, a lack of open communication, a lack of freedom, and a lack of commitment.

5. Findings

Figure 1 illustrates the most important social capital ties of the case firms in the French market and the strength and development of these ties. Firstly, we shall very briefly discuss each firm and its network development in the French market. Secondly, we shall discuss in detail the development of the firm's social capital in the context of its international operations, making use of the structural holes and network closure perspectives.

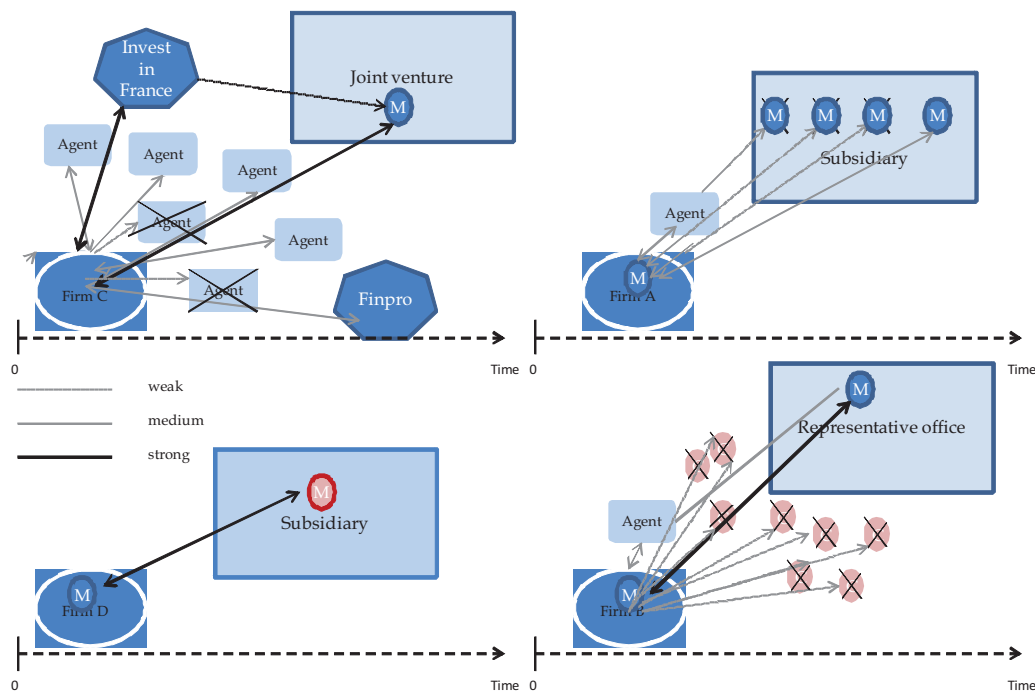


Figure 1. Development of social capital within the case firms (upper right quadrant = Firm A, lower right = Firm B, upper left = Firm C, lower left = Firm D).

5.1 The firms' network development

The stories behind the firms are important in order to situate the phenomenon under study, i.e. the development of social capital, in particular contexts. The following paragraphs will briefly present these stories. *Firm A*, which provides office equipment and manufactured products made of sheet metal, was established in 1876. In 1970, Firm A started exporting to the Nordic countries. In 1980, exporting was expanded to Germany, and in 1982 export to France was launched. The agent that took care of the exports was found at an international exhibition, when Firm A was looking for suitable partners to increase its international sales. The relationship with the agent developed quickly and led to the establishment of a subsidiary in France, in 1984. Since then,

cooperation in the French market has been problematic for Firm A, since it has been forced to change the subsidiary manager three times.

In the case of *Firm B*, which manufactures log houses, internationalization started in 1994, 21 years after the establishment of the firm (1973), with the export of log houses to Germany and Japan. The French trade started in 1998 in the form of exporting. The entry to the French market was based on the initiative of a French person who saw potential in selling the villas abroad. The relationship between the entrepreneur and the French agent very soon became strong. It was intended that a network of distributors would be formed, but the attempts to find reliable people in the French market failed. Hence, a representative office was established in France in 2002 with a view to facilitating administration.

The story of *Firm C*, currently run by the second generation, began in 1972. This firm manufactures different kinds of packaging materials. Poland was its first export market (1985). The firm exported to ten European countries and had a subsidiary in Poland before it entered France in 1989. Originally, four agents were found at international exhibitions; the relationship with them was something between strong and weak until two agents were replaced by better ones, also found at international exhibitions. Firm C wanted to strengthen its presence in Central Europe and looked for suitable production opportunities in France through two intermediary organizations, Invest in France and Finpro. A suitable partner was found through Invest in France, and a joint venture involving a production plant was established in 2006.

Firm D was launched in 1988 by an experienced entrepreneur. This firm produces various products including pipettes and analyzing systems. It is important to note that before the entrepreneur set up Firm D, he had run two similar kinds of businesses in the same field; his social capital from previous businesses was so strong that the establishment of the first foreign subsidiaries happened almost by itself. The French subsidiary was the first subsidiary to be established, in 1991.

5.2 Structural holes

In Firms A, B, and C, there was no existing social capital for entry into the French market. Hence, these family SMEs had a low number of *bridges* and their French foreign market entry was based on the formation of new social capital. Firm D is the only one that was able to utilize its *existing social capital* for the French entry: a previous business partner and friend resigned from his job and launched a subsidiary, three years after the owner-manager established Firm D. This subsidiary manager had also managed the preceding French subsidiary of the owner-manager.

As regards research question 1 (concerning the spanning of structural holes in post-entry international operations), Firms A and D have sought to develop new bridges only to a very limited extent, while Firm B looked for French bridges only right after the initial foreign market entry. Firm C has been the most active and successful in developing post-entry bridges and the only one with a *high* number of bridges in the French market. Firm C has renewed two of its agents by attending international

exhibitions, cooperated with intermediary organizations, and established a production joint venture in France. The joint venture partner was found through an agency (called *Invest in France*) which gave them a great deal of help.

As regards Firm B, after the initial FME, the entrepreneur and the French agent of Firm B drove together around France, searching for local retailers for their log houses (the prospective retailers are marked as C, standing for “candidate” in Figure 1). However, all the candidates contacted were found unsuitable, and Firm B went on to set up a representative office instead of a retailer network. Since then, bridges have been built to a more limited extent. Firms A and D have been inactive in developing bridges in the French market. Firm A has on three occasions been in a situation where they have needed to replace the existing subsidiary manager. However, since Firm A’s habit has been to search for new cooperators only when there is a true need for it, they have operated on opportunistic lines, recruiting from among their existing staff. As far as Firm D is concerned, the existing, trustworthy network tie in the French market has been found so reliable that the firm has not looked for any other cooperators there,

5.3 Network closure

Generally speaking, all the case firms seem to have regarded the development of network closure as very important in their international operations, investing time on finding trustworthy partners and also on maintaining established relationships. As Figure 1 illustrates, most companies have succeeded in finding one trustworthy French partner with *strong network closure* (marked with a thick, black arrow), but many of the case firms have nevertheless had to cooperate with partners with *medium* network closure (marked with a gray arrow). Furthermore, most firms have network ties that belong to the category *weak network closure*. In some cases (see Firms A and C especially), a formerly *medium* network tie became a *weak* one and has, as a result, terminated. This illustrates the dynamics of network closure, in which problematic partnerships are ended and new ones established. These are important features in terms of research question 2 concerning network closure in the context of international operations. In the following sub-sections, the focus will be on (i) *strong/strengthening*, (ii) *medium*, and (iii) *weak/weakening* network closure among the case firms.

Strong/strengthening network closure. In Firm D, there was extremely strong network closure between the owner-manager and the French subsidiary manager. Both the owner-manager and the subsidiary manager emphasized respect, total trust, similar values, and a passion for the field as the secret of their extremely strong relationship, which had never had setbacks. The subsidiary manager expressed it thus:

What makes our relationship unique is respect for each other and inspiration regarding our field. We seem to see the world in the same way, we share values. He does not think about money so much, all the other aspects come first. And he also gives total freedom to me. I feel so comfortable with being able to run the French subsidiary my way. He always trusts me: if I want to do something, he says, yes, do that, you know what is best for you there.

Firm C's joint venture partner was described in fairly similar terms, with the resemblances between the two firms being emphasized. Like Firm C, the joint venture partner was 100% family-owned, and hence also a firm with family values, and the sizes of the two firms were fairly similar. The commitment of the French joint venture partner was crucial in the development of a good relationship, and their network closure became strong very soon after the two parties realized that they had common interests. In terms of the *strong network closure* perspective, Firm B, too, displays strong network closure between the owner-manager and the French agent. The French agent even took out a large personal loan to carry out his ideas for selling the log houses.

In Firms B and C, the finding of strong partnerships was based both on serendipity and on active search. However, Firm D was different; since the network closure between the French subsidiary manager and the owner-manager of Firm D was already strong before the launch of the French subsidiary. Furthermore, this relationship has been the most stable one. Although the present subsidiary manager had had a profitable subsidiary to run and although he was offered double the wages he was getting, he decided to start a new subsidiary for Firm D from scratch. All this illustrates how significant strong social capital ties can be when an international business is launched. Instead of having to concentrate on the initiation of network ties (as in the cases of Firm B and C), the co-operators were able to concentrate on subsequent closure. The subsidiary manager explained his decision in the following manner:

They offered me a five-year agreement and they offered to double my salary from the company where I was working. I said "No, I'm leaving. I have decided I'm leaving." In Firm D, I like it that you have a certain way of doing business, meaning that there is business, but there is private life as well. With the Finnish companies, the human relationship is very important as well. And it is very important for me, too. And that is the main reason why I am still working with him.

The French subsidiary has achieved very good results and has grown substantially. The subsidiary manager has given the same freedom to the subsidiary employees that was given to him by the Firm D manager, and he sees this as the secret of their success:

I believe in people and letting them do things. So that they can create things in a positive way. If you don't let people express themselves you won't get as much as they can give. In order to be competitive, you need to have a team which is happy to work for the firm.

Medium network closure. Relating to research question 2 concerning the development of network closure in international operations, we present below features connected to a *medium level* of network closure. Closeness and commitment remain essential features in such a level of network closure. Firm A's subsidiary sales assistant described the relationship as follows:

I would say they (the Finns in the headquarters) are very nice people, no problems with that. It's a kind of family. We have relations with colleagues that have been so long in the company. And

we know all the people in the company and the management. Really, I would not like to leave, because I feel at home here.

In the case of Firm B, similar kinds of values were mentioned by the informants as present from the beginning of their relationship: mutual trust, closeness and an interest in cooperation. But by contrast, trust and respect seem to be qualities that can be *lacking* in a relationship with medium network closure. Firm's A current subsidiary manager and the subsidiary sales assistant explained the lack of trust and mutual respect in the headquarters-subsidiary relationship in the following terms:

When for example we explain that we should get a lighter range, they do not consider this. They listen to what you say, it is an open discussion, but it does not mean that anything happens...That is why I cannot really trust them. They always have an answer to my questions, but it is not really a good one. For example when they came to us here in the French subsidiary for a couple of days, they weren't discussing with us, just checking how we were working, and there's also the fact that they are producing these items and then thinking how we should sell them.

In Firm C, too, there have been various social capital ties with medium network closure. Over a period of fifteen years, two of these agents have been replaced by better ones, due to the weakening of network closure. The best ones have been able to continue cooperation.

Weak/weakening network closure. A third perspective on research question 2, concerning the development of network closure in the international operations of family SMEs, is gained by examining weak/weakening network closure and the features underlying it. From the point of view of the headquarters, a weaker than expected level of network closure could be related to too high a level of control and to irregular communication with the subsidiary. The international sales manager at the headquarters of Firm A said:

It started very well, but there were problems, because they did not want to follow our rules. And now, since then, I have also understood that we left them alone too much. We also experienced some misbehavior, because they realized that we did not control them. It is so important for the French to have a feeling of togetherness, but we had things too much like "us here" and "you there".

The point of interest here is that the weakening of the originally trustworthy relationship with the subsidiary managers was also connected to too strong a belief that things would go well in France without a high level of control. Interestingly, from the headquarters point of view, there was also a problem with learning to know how the subsidiary employees felt about their managers. The manager of international affairs in Firm A explained the lack of openness in the following way:

In France, the managers seem to have a very strong position. First of all, the employees do not voice judgments on their bosses to outsiders. We had several occasions when we realized that something was wrong in the subsidiary, but we just did not get any comments on it. They just could not say straight out what they thought of their boss.

For Firm B, the formation of network closure with French retailers was very hard. Since they knew no potential French cooperators, the entrepreneur and the French agent travelled around France and discussed the matter with interested parties. Dozens of candidates were commissioned and many more were met, but they all failed to sell the Finnish log houses. In fact, there was not even a medium level of network closure with the new candidates. The network closure remained at a low level, since none of the potential retailers did what they promised. The entrepreneur explained their search for candidates as follows:

We started by searching for local partners. They told us about the needs of the customers, we made the offers and they passed them on to customers. We played with these potential partners for many years, but none of them turned out to be trustworthy or able to sell. They just took our time and money. On one of the trips we went to Paris and met a man who ordered 30 log houses. And none of them were actually delivered. He just cheated us.

This had in fact caused some financial loss to Firm B. With four years' experience of searching for suitable partners in France, Firm B ended up establishing a representative office in Paris, in 2002.

6. Discussion

In terms of structural holes, our material demonstrated that *family entrepreneurs had a large number of structural holes in their foreign markets*, especially when launching international operations, but also after several years of running international operations. Instead of trying to span structural holes, they concentrated merely on developing the network closure with agents and subsidiary staff. This led the family entrepreneurs to serendipitous procurement in their international operations: their international networks were limited, and they only started searching for new cooperators when there was a true need for it, at which point they behaved opportunistically. The need for a new network tie usually emerged after a network tie was proved weak. Since family entrepreneurs did not generally have ready-made partnerships in the target market, they went and looked for them at international exhibitions, or else they took on the search purely by themselves. The generally emerging pattern was that instead of seeking to span structural holes internationally, the family SMEs in this study concentrated on the development of network closure with a very small number of partners in their international operations. This large number of structural holes, in turn, led to serendipitous procurement in internationalization.

Altogether, as regards research question 2 on the development of network closure, all the case firms spent a lot of resources on finding suitable network ties and on developing good network closure with the selected social capital ties. Yet despite the efforts, network closure between the headquarters and the subsidiaries/agents was often somewhat limited. Network closure was strong when the headquarters and the subsidiary/joint venture/representative office staff had a relationship based on respect, total trust, similar values, open communication, commitment, passion for the field, and freedom to act according to one's own personality and creativity. The *medium* type of network closure was based on closeness and commitment, but trust and respect were generally lacking. As regards *weak/weakening* network closure, in the case of headquarters-subsidiary cooperation the problems were related to poor knowledge-sharing and the possibilities of influencing how the firm was run. In Firm A, entrepreneurial freedom was either given too early (to their first subsidiary managers, who reportedly misused it) or not at all (to their last subsidiary manager, who felt frustrated). This would suggest that headquarters staff ought to be able to give entrepreneurial freedom at a particular phase – not too early, but soon enough. In the case of headquarters-agents cooperation, the problems were more related to not knowing and trusting each other sufficiently.

If the overall picture is one of the *strengthening* of network closure being related to family SMEs agents' and subsidiaries' feelings of closeness and commitment, a *weakening* of network closure was related to negative feelings on the part of family SMEs' agents and subsidiaries concerning trust (the lack of it), mutual respect, open communication, and freedom to act according to one's own personality and creativity.

As regards the research question 3 of how network closure and structural holes explain the development of international operations in the French market, the predominant feature in our material – in line with the observations of Gargiulo and Benassi (2000) – was one of *a lack of simultaneous maximization of the two network mechanisms*; the firms tended rather to concentrate on network closure. Firm C came closest in our material to providing a counter-example: the firm here seemed to be seeking to embark on a strengthening phase in both network mechanisms, at least in turn, but partly also simultaneously – and indeed, the firm would merit longer-term follow-up with a focus on this aspect. Nevertheless, the evidence at present seems rather to suggest that *a general concentration on increasing network closure runs counter to the long-term survival of family SMEs in the target market*; once a problem with the partner appears, there are no networks to replace that partnership. As Gulati and Gargiulo (1999) suggested, the establishment of strong ties is important in the formation of inter-organizational ties, but in a later phase, the flexibility offered by structural holes may be more important than network closure. Moreover, as argued by Podolny and Baron (1997), by focusing on network closure family entrepreneurs lose timely information on new opportunities.

Overall, it seems that in family SMEs there is a tendency to construct a single trustworthy social capital tie, instead of efforts to create additional social capital ties. We cannot at this point state that such a process is inevitable, but we did observe that due to

concentration on just a few social capital ties, firms were obliged to go (for instance) to exhibitions to look for new cooperators. Although they had indirect bridges to French cooperators through their trustworthy French partners, these could be lost with the loss of the foreign partner. Family entrepreneurs may, naturally, form some strong connections through their partner's connections (Burt, 2010); however, there is a strong possibility that if problems arise, these secondary connections will follow the strong tie they know, leaving the family entrepreneurs without any international network ties in the specific market in question.

Altogether, in our material it appeared that *the entrepreneurs gained support and resources from their cohesive networks, but that the obligations hindered their ability to pursue new opportunities*. As regards social capital, the greatest threat to the family SMEs seemed to be related to the dependency on one foreign cooperator and, hence, to a lack of the social capital obtainable by spanning structural holes.

7. Conclusions

This study contributes to research on social capital and internationalization of SMEs in a number of ways: (1) It investigates the development of *social capital in the international operations of family SMEs* – hence responding to calls for more research on network development in the entrepreneurial process (Jack, 2010), especially in the context of internationalization (Prashantham and Dhanaraj, 2010). (2) We contribute to research on social capital by applying the notions of *network closure* and *structural holes* to the firm internationalization context, and by extending a theory on them in the context of family SMEs' international operations. (3) The study contributes to *family business research* by revealing how these mechanisms restrict and facilitate family SMEs' international operations, bearing in mind that despite the suitability of family SMEs for research on social capital (Salvato and Melin, 2008), it has been unclear how social capital affects their internationalization and foreign operations (Kontinen and Ojala, 2010).

In terms of managerial implications, this research has a number of recommendations to offer. Family entrepreneurs seem to have a tendency to concentrate on a limited number of foreign partners, and to neglect the building of new relationships that could help them in future challenges. They should acknowledge the need to develop new partners in international exhibitions, through customers, and so on. Family entrepreneurs should also take care not to select their cooperators very arbitrarily – and not trust unknown people too soon. However, once the cooperation has begun and trust has arisen, firm managers ought to give freedom to their subsidiary managers, gradually, allowing them do business with an entrepreneurial mindset. Excessive control is harmful for cooperation or for a good level of trust. Furthermore, firms should avoid showing distrust towards their subsidiary staff simply because of earlier, harmful events caused by previous managers.

Managers should look for help in networking: the person looking for suitable cooperators ought to know both the culture and the business field. Family businesses do not want to invest money on finding good relationships, but in the end they can lose

money by not doing so, since they may end up having to deal with opportunistic or exploitative behavior. Family business managers could also be bolder in developing new network ties, even if they have found good existing ones. If cooperation ends for one reason or another, it is often too late to find a good partner to replace the one who was lost. Furthermore, family managers may have a tendency to hire new managers from among the existing staff. However, it may well be better for them to look for alternative network ties from outside the subsidiary.

References

- Adler, P.S. and Kwon, S.-W. (2002), "Social capital: Prospects for a new concept", *Academy of Management Review*, Vol. 27 No. 1, pp. 17-40.
- Arregle, J.-L., Hitt, M.A., Sirmon, D.G. and Very, P. (2007), "The development of organizational social capital: Attributes of family firms", *Journal of Management Studies*, Vol. 44 No. 1, pp. 73-95.
- Brehm, J. and Rahn, W. (1997), "Individual-Level Evidence for the Causes and Consequences of Social Capital", *American Journal of Political Science*, Vol. 41 No. 3, pp. 999-1023.
- Burt, R.S. (1992), *Structural Holes*, Harvard University Press, Cambridge, MA.
- Burt, R.S. (2000), "The Network Structure of Social Capital", *Research in Organizational Behaviour*, Vol. 22, pp. 345-432.
- Burt, R.S. (2005), *Brokerage and Closure: An Introduction to Social Capital*, Oxford University Press, US.
- Burt, R.S. (2010), *Neighbor networks: Competitive advantage local and personal*, Oxford University Press, US.
- Chetty, S. and Agndal, H. (2007), "Social Capital and Its Influence on Changes in Internationalization Mode Among Small and Medium-Sized Enterprises", *Journal of International Marketing*, Vol. 15 No. 1, pp. 1-29.
- Claver, E., Rienda, L. and Quer, D. (2008), "Family firms' risk perception: Empirical evidence on the internationalization process", *Journal of Small Business and Enterprise Development*, Vol. 15 No. 3, pp. 457-471.
- Coleman, J.S. (1988), "Social Capital in the Creation of Human Capital", *American Journal of Sociology*, Vol. 94, pp. S95-S120.
- Coviello, N. (2006), "The network dynamics of international new venture", *Journal of International Business Studies*, Vol. 37 No. 5, pp. 713-731.
- Gargiulo, M. and Benassi, M. (2000), "Trapped in your own net? Network Cohesion, Structural holes, and the adaption of social capital", *Organizational Science*, Vol. 11 No. 2, pp. 183-196.
- Granovetter, M.S. (1973), "The Strength of Weak Ties", *American Journal of Sociology*, Vol. 76 No. 6, pp. 1360-1380.
- Graves, C. and Thomas, J. (2004), "Internationalisation of the family business: a longitudinal perspective", *International Journal of Globalisation and Small Business*, Vol. 1 No. 1, pp. 7-27.

- Graves, C. and Thomas, J. (2006), "Internationalization of Australian family businesses: A managerial capabilities perspective", *Family Business Review*, Vol. 19 No. 3, pp. 207-224.
- Graves, C. and Thomas, J. (2008), "Determinants of the internationalization pathways of family firms: An examination of family influence", *Family Business Review*, Vol. 21 No. 2, pp. 151-167.
- Gulati, R. and Gargiulo, M. (1999), "Where do interorganizational networks come from?", *American Journal of Sociology*, Vol. 104 No. 5, pp. 1439-1493.
- Hoang, H. and Antoncic, B. (2003), "Network based research in entrepreneurship: a critical review", *Journal of Business Venturing*, Vol. 18 No. 2, pp. 165-187.
- Huber, G.P. and Power, D.J. (1985), "Retrospective Reports of Strategic-level Managers: Guidelines for Increasing their Accuracy", *Strategic Management Journal*, Vol. 6 No. 2, pp. 171-180.
- Jack, S.L. (2005), "The Role, Use and Activation of Strong and Weak Network Ties: A Qualitative Analysis", *Journal of Management Studies*, Vol. 26 No. 6, pp. 1234-1259.
- Jack, S.L. (2010), "Approaches to studying networks: Implications and outcomes", *Journal of Business Venturing*, Vol. 25 No. 1, pp. 120-137.
- Jack, S.L., Dodd, S.D. and Anderson, A. (2008), "Change and the development of entrepreneurial networks over time: a processual perspective", *Entrepreneurship & Regional Development*, Vol. 20 No. 2, pp. 125-159.
- Kontinen, T. and Ojala, A. (2010), "The internationalization of family businesses: A review of extant research", *Journal of Family Business Strategy*, Vol. 1 No. 2, pp. 97-107.
- Larson, A. and Starr, J.A. (1993), "A Network Model of Organization Formation", *Entrepreneurship Theory and Practice*, Vol. 17 No. 2, pp. 5-15.
- Nahapiet, J. and Ghoshal, S. (1998), "Social Capital, Intellectual Capital, and the Organizational Advantage", *Academy of Management Review*, Vol. 23 No. 2, pp. 242-266.
- Miles, M.B. and Huberman, A.M. (1994), *Qualitative Data Analysis: An Expanded Sourcebook*, Sage Publications, California.
- Miller, D., Le Breton-Miller, I. and Scholnick, B. (2008), "Stewardship vs. Stagnation: An Empirical Comparison of Small Family and Non-Family Businesses", *Journal of Management Studies*, Vol. 45 No. 1, pp. 51-78.
- Musteen, M., Francis, J. and Datta, D.K. (2010), "The influence of international networks on internationalization speed and performance: A Study of Czech SMEs", *Journal of World Business*, Vol. 43 No. 3, pp. 197-205.
- OECD, (1997), *Globalisation and small and medium enterprises (SMEs)*. Synthesis Report, Vol. 1, Organization for Economic Co-operation and Development, France.
- OECD, (2003), *Officially-supported export credits and small exporters*, Organization for Economic Co-operation and Development, France.
- Pettigrew, A.M. (1990), "Longitudinal field research on change: Theory and practice", *Organization Science*, Vol. 1 No. 3, pp. 267-292.
- Podolny, J.M. and Baron, J.N. (1997), "Resources and relationships: Social networks and mobility in the workplace", *American Sociological Review*, Vol. 62 No. 5, pp. 673-693.

- Prashantham, S. and Dhanaraj, C. (2010), "The Dynamic Influence of Social Capital on the International Growth of New Ventures", *Journal of Management Studies*, Vol. 47 No. 6, pp. 967-994.
- Rauch, J.E. (2001), "Business and Social Networks in International Trade", *Journal of Economic Literature*, Vol. 39 No. 4, pp. 1177-1203.
- Salvato, C. and Melin, L. (2008), "Creating Value Across Generations in Family-Controlled Businesses: The Role of Family Social Capital", *Family Business Review*, Vol. 21 No. 3, pp. 259-276.
- Svendsen, G.H. (2006), "Studying social capital in situ: A qualitative approach", *Theory and Society*, Vol. 35 No. 1, pp. 39-70.
- Walker, G. Kogut, B. and Shan, W. (1997), "Social Capital, Structural Holes and the Formation of an Industry Network", *Organization Science*, Vol. 8 No. 2, pp. 109-125.
- Yin, R.K. (1994), *Case study research: Design and methods*, 2nd ed., SAGE Publications, Newbury Park, CA.
- Zahra, S.A. (2003), "International expansion of U.S. manufacturing family businesses: The effect of ownership and involvement", *Journal of Business Venturing*, Vol. 18 No. 4, pp. 495-512.

VII

SUCCEEDING IN THE FRENCH MARKET: RECOMMENDATIONS FOR SMALL BUSINESSES

by

Tanja Kontinen 2011

Journal of Business Strategy 32 (1), 15-25.

Reprinted with kind permission by Emerald

Succeeding in the French market: recommendations for small businesses

Tanja Kontinen

Tanja Kontinen is a Senior Assistant in the School of Business and Economics, University of Jyväskylä, Jyväskylä, Finland.

Introduction

As the third largest economy (GDP) in Europe and the eighth largest economy in the world (*CIA World Factbook*, 2010), France is an extremely important market. However, France is culturally different from Nordic and English-speaking countries in many respects (Hofstede, 2001; Ronen and Shenkar, 1985; Trompenaars and Hampden-Turner, 1997), and it can therefore be anticipated that doing business in France will be demanding. Despite the opportunities and possible problems, a search for articles on foreign firms operating in France reveals few studies focusing on managerial practices in France as compared to other countries. The present study is aimed at filling the gap: it discusses best practices in the French market as viewed by 22 informants from eight Finnish family small- and medium-sized enterprises (SMEs) operating in France. The basic research question posed in the study was: "What are good practices for foreign firms in the French market?"

French (business) culture

Culture can be regarded as a collective phenomenon, since it is shared at least partly by people who live in the same environment (Hofstede, 1991). Culture is learned and not inherited in the genes. It gives individuals significant freedom to think, feel, and act in their own way. However, society sets up clear barriers on individuals (Hofstede, 1991). Culture can be seen as a three-level onion (Trompenaars and Hampden-Turner, 1997), with the following levels:

1. The outer level, which includes buildings, infrastructure, dressing, speaking, and gestures, can be seen immediately when one enters a foreign culture.
2. The middle level consists of norms (What should I do?) and values (How am I supposed to act?). Becoming familiar with these norms takes time.
3. The inner level consists of basic components that are self-evident for people living in a certain culture. This level involves ways of discussing the world and solving problems. It is the habits at this level that are the most difficult to understand and to acquire.

French culture and its affiliations

Along with other Catholic cultures, French culture belongs to the set of case-oriented cultures (Trompenaars and Hampden-Turner, 1997). One characteristic linked to this is that laws (in the legal sense) may not be seen as applying absolutely, and infringements of laws are not always condemned. By contrast, in countries with universal cultures (such as Nordic and English-speaking countries), there is one single truth, and people are expected to obey laws, regulations, and contracts. Furthermore, the French think that matters, facts, and views

“... the French tend to solve problems that are immediately pressing rather than develop long-run strategies, and that they avoid planning where the plans depend on the prediction of uncertain future events.”

may be in dispute, rather than people (Trompenaars and Hampden-Turner, 1997; Finpro, 2004; Hofstede, 1994.)

Some characteristics are attached to collectivism of the French: other people are always taken into consideration. Furthermore, the French tend to be strongly attached to their families. People in Nordic countries are much more individualistic in these matters (Trompenaars and Hampden-Turner, 1997).

Concerning power distance, France has the highest rank of all the European countries (also fifteenth highest in the world, with a score of 68). All the English-speaking, German-speaking, and Nordic countries have a considerably lower power distance score (USA 40, Great Britain and Germany 35, Finland 33) (Hofstede, 2001, p. 87). Power distance can be defined as “the degree of inequality in power between a less powerful individual (I) and a more powerful other (O), in which I and O belong to the same social system” (Mulder, 1977, p. 90).

As regards uncertainty avoidance, France (with a score of 86), together with the other Southern European countries, does not avoid uncertainty to a great extent. This means that the French tend to solve problems that are immediately pressing rather than develop long-run strategies, and that they avoid planning where the plans depend on the prediction of uncertain future events (Hofstede, 2001). By contrast, in the English-speaking countries (Canada 48, USA 46, Great Britain 35), and in the Nordic countries (Sweden 29), uncertainty is avoided to a significantly greater extent (Hofstede, 2001: 151).

Furthermore, France represents a diffuse culture in which a customer is not only a customer as in Nordic countries and in English- and German-speaking countries. For the French, a client represents also a relationship that may develop into a friendship. In such a culture, launching and developing business relations takes time, since the French will want to learn to know the foreigner fairly well before moving on to business matters (Trompenaars and Hampden-Turner, 1997).

Finally, France (together with other Southern European countries) has a polychromic time view (Lewis, 1996). People are flexible and expect to do several things simultaneously, frequently without planning matters in advance. Past, present, and future are present at the same time, and punctuality is not so highly regarded. The Nordic, German, and English-speaking countries, by contrast, represent a monochromic time view; they do one thing at a time according to a plan (Lewis, 1996).

French business culture

Culture and business culture cannot be separated from each other, but this sub-section will deal with matters more obviously related to running a business. “Business culture” refers to the way of seeing things in a working community (Trompenaars and Hampden-Turner, 1997). The most important components of a business culture are authority, hierarchy, decision making, responsibility, control, and creativity (Trompenaars and Hampden-Turner, 1997).

The French respect authorities in spite of rather than because of the rules that authorities may impose (D'Iribarne, 1998). French firms can roughly be divided into families and “Eiffel towers,” both of which are characterized by a strong hierarchy. Authority is held by the father in SMEs, and by the highest hierarchical level in larger firms where there are several hierarchical levels (Trompenaars and Hampden-Turner, 1997). Tasks are clearly assigned

and differentiated, and this is sometimes hard to understand for people from Northern Europe (D'Iribarne, 1998; Finpro, 2004; Szymanski, 2000). Decision making in French firms is quick and clear, and takes place at the highest level of the hierarchy. The French are also very punctilious about titles, statuses and protocols, and they do not tolerate being underestimated by their partners (D'Iribarne, 1998; Hill, 1992). It must also be noted that the French language is the core of French identity and culture (Toivanen, 2000).

Methodology

The study reported here utilized a qualitative approach, with a multiple case study methodology similar to that used by Eisenhardt (1989) and Yin (1994). Data were collected from eight selected Finnish SMEs in the manufacturing sector. It seems that France is a somewhat difficult market for Finnish SMEs to enter, despite its market potential (Finpro, 2004), and this would underline the importance of understanding its business culture. Table I summarizes the key information on the case firms.

The main form of data collection was a semi-structured interview, guided by a list of topics. The author, a researcher fluent in English and French, conducted a total of 22 semi-structured open-ended interviews lasting 60-90 minutes in the firms' headquarters in Finland, and in their subsidiaries/agencies in France. The interviewees consisted of executives, managing directors, subsidiary managers, managers of international affairs, and those sales administrators who had the greatest in-depth knowledge of internationalization and operations in France. In the interview process, the interviewees were first asked to describe their business or background in general, thereafter their operations related to internationalization as a whole, and from that the business connected to internationalization in France in particular. They were further asked to describe problems and successes in the French market and to give recommendations for persons pursuing internationalization in the future.

We utilized secondary information, such as web pages and annual reports, to ensure the correctness of the information. On the basis of the interviews, we identified the perceptions of each informant and categorized the perceptions under sub-topics on a more general level.

Findings and discussion

In this section, we present and discuss the most important findings concerning best practices in the French market, as highlighted by the informants in the case firms. The procedures, practices, and attitudes recommended for firms doing business in the French market are divided into four categories:

Table I Information on the case firms					
	<i>Number of employees</i>	<i>Year of establishment</i>	<i>Start of internationalization</i>	<i>Industry segment</i>	<i>Operations in France</i>
Firm A	249	1876	1970s	Industrial furniture	1982 export 1984 subsidiary
Firm B	18	1923	1929	Wooden toys	1968 export
Firm C	200	1967	1979	Machines for forestry and agriculture	1997 subsidiary
Firm D	20	1973	1990s	Wooden villas	1998 export 2002 representative
Firm E	140	1972	1980s	Packaging material	1989 export 2006 production subsidiary
Firm F	40	1988	1991	Pipettes and analyzing systems	1991 production/sales subsidiary
Firm G	30	1978	1980	Fire safety equipment	1990 import 1991 export
Firm H	150	1955	1990s	Sauna stoves and equipment	1993 export

1. developing and nurturing relationships;
2. use of international trade exhibitions, intermediary organizations, French commercial databases, and market research;
3. culture and language knowledge; and
4. understanding French business culture.

Development and nurturing of relationships

All the entrepreneurs and employees in the case firms emphasized the need to give plenty of attention to French partners and cooperators. In particular they noticed that the ability to communicate through “small talk” and also to have a human relation with French cooperators and customers was crucial, since the French do not normally wish to go straight to the point, and because a relationship is never purely business for them. The international sales manager in Firm C expressed this as follows:

It's about small talk. You go to your partner's home for a dinner in the evening and you don't say a word about business. First of all you create your relationships and show what you're like in every situation: when there are problems, when good things come your way, how you behave when you're celebrating, how alcohol changes you, that's what they want to see. And when they've seen you on different occasions, it will help a lot and things will go on from there [...] Once you've sold the machine, you also become a family friend. They call you about things other than just business matters, they come to your home, they ask you to their home, and they are extremely friendly. It's about friendship alongside business.

The interviewees saw the diffuse nature of the French culture also in the way that once the business relationship was established, the friendship side or the “human” side of the relationship was still crucial. The French subsidiary manager of Firm F explained that the main reason for working for Firm F was that they (the Finns) considered the human aspect to be important, in addition to the business aspect:

I like the fact that there is business but there is private life as well, and the natural environment, and so on. So I like Finland. Some other companies don't consider the human side so much. You are a number, and as long as you bring in plenty of money, you're a good guy. Whenever you have a small problem coming up they kick you out. But with the manager and the whole staff of Firm F, human relations are very important, too.

Active, regular communication with the French was seen crucial in the case firms. Since the human side of a relationship was so important for the French, a lack of communication could lead to bad results on the business side:

Many entrepreneurs make the mistake of hiring an agent and then calling him up a year later and wondering why the sales haven't got off to a good start (Firm C, international sales manager).

Now, since then, I've also understood that we left them too much on their own. We also had some misbehavior on their part, because they realized that we weren't checking them. It's so important for the French to have a feeling of togetherness, but what we had with them was too much “us here” and “you there” (Firm A, international sales manager).

Nurturing relationships is also important with the end customers. French customers are demanding, and want high-quality personal service in their own language:

French people are really keen on service. They don't want to pay for it, but they like it. And I think it's a great mistake [just] to put a Finnish guy in here, in France. It's a great mistake. I graduated

“The importance of international exhibitions in the search for international opportunities was expressed in seven out of eight case firms.”

“... firms should also recognize that France is a very sophisticated market, with different cultural climates in different parts of France.”

from a French university and I know the culture and the people, so it's easy for me here (Firm A, subsidiary manager).

All in all, the case firms were of the opinion that it takes a long time to build trusting relationships in France. There was agreement in the case firms that honest, friendly, and trustworthy behavior had been helpful in creating trust over time.

Use of international trade exhibitions, intermediary organizations, French commercial databases, and market research

The importance of international exhibitions in the search for international opportunities was expressed in seven out of eight case firms. It was a very common way of finding the initial French partner or partners to replace a failed relationship. The French subsidiary manager of Firm F saw the importance of trade exhibitions in the search for cooperators and employees, referring also to their importance in domestic trade within France:

The exhibition is a place where you can spend three days and see where there are good people, and what the competition is like. When you are involved in an industry for a long time, it's quite easy to recognize the good people.

In three case firms it was emphasized that firms planning to internationalize in France ought to take advantage of intermediary organizations. Organizations such as Finpro (Finnish export promoting organization) and Invest in France (an organization attracting foreign investors to France) can provide firms with suitable networks and market information. Surprisingly, though, only one of the case firms had actually utilized Finpro in the search for French candidates. Further, the entrepreneurs and employees in Firms D, E, and G criticized the capabilities of Finpro in helping with foreign market entries. The entrepreneur in Firm E, who had utilized Finpro for some other foreign market entries, expressed his dissatisfaction with Finpro in the following terms:

They [in Finpro] just cannot concentrate on everything. If they wanted to be useful, they would need to do some specializing themselves. Now they just help a little with sales and marketing, and they do it just on the surface, since it would be necessary to dive deep to really be able to help. We used Finpro in the USA and South Africa, and they have been really disappointing (Firm E, owner-manager).

However, for firms with no connections with the French market, Finpro can be useful, since it can act as an intermediary between important networks and convey important market information to foreign entrepreneurs. As a third means, the international sales manager in Firm E recommended the use of “pages professionnelles” in finding new customers for certain products, and the use of the Compass database in the search for cooperators and customers:

To look for customers you can go to a database called “pages professionnelles” and all the companies involved in this product will appear. There is also another database, Compass, to which you have to buy the access, and then you have a lot of information available. It's used a great deal in France. It's for searching out companies who might be able to use our product (Firm E, international sales manager).

As an additional point, the entrepreneurs in Firms A, C, and E recommended that firms carry out market research before planning French entry, to make sure that France really has potential for the firm. Alternatively, one can carry this out in the context of cooperation with an intermediary organization. The entrepreneurs in Firms C and E observed that firms should

also recognize that France is a very sophisticated market, with different cultural climates in different parts of France. The entrepreneur in Firm C further emphasized the need to find a lawyer:

When you enter a new market, you need to find a lawyer who will be a source of security for you. If there are misunderstandings, he can tell you what to do. However good a friend you may be with your cooperator, once you come up against a disagreement, the friendship won't help any more (Firm C, international sales manager).

Culture and language knowledge

All the informants agreed that it is very important to know facts about French culture before entering the market, in order to be able to network and proceed with one's business. The international sales manager in Firm C put the matter thus:

If you have general knowledge about the country and its history, you get much more respect in France. If you know a fact your partner doesn't know, you are highly appreciated. They love to see that you are interested and that you know a lot.

The international sales assistant of the French subsidiary of Firm A, with 20 years of close cooperation with Finns, believed that for Finns, operating in France should involve a totally different state of mind from what they have in their home country. In particular, Finns should bear in mind that the French are very sociable people, who enjoy meeting people. Keeping quiet is almost impossible:

Finns have to be more open-minded in order to be able to adapt to a country. And that is also a way of meeting people, this human-relations side is totally different. Sometimes you wonder what they [the Finns] are thinking. What it is they want to tell you. You just stand beside each other and say nothing. At lunchtime, for example, oh dear . . .! And that is something they should consider when working abroad.

All in all, life in France is flexible, which is a sign of their diffuse, collective, and case-oriented culture. The international sales manager in Firm C described this as follows:

They [the French] are used to drinking wine at any time. The Finns never drink between 8 am and 4 pm. But they [the French] just open the bottle and have a little wine, and there is no need to drink three bottles of it. And you can't tell your French colleague not to drive a car after having some wine. They just drive. These are the biggest differences between the Finns and the French.

Altogether, in France one has to seize hold of the situation and act in the French way.

In the concluding part of the interview with the entrepreneur in Firm D, he put the matter thus:

Well, we were told that we should know French culture, and I'd agree with that totally at this point. And it really is a big plus if you know the French language as well.

In fact, all the informants agreed on the point that it is advantageous to know the French language, especially when learning to know French cooperators. The entrepreneur in Firm E, however, emphasized that knowledge of French in daily business is no longer so important – unless one has direct contact with French customers, in which case knowing French is essential:

One should have knowledge of the language, although the French and the Germans have ended up in a situation where they need to be able to communicate in English. Previously they wouldn't have spoken English at all, just French. But now French is only needed when you are drawing up contracts with them [. . .] But as regards direct customer contacts, there is no way you could sell them something in English.

“ . . . in France one has to seize hold of the situation and act in the French way. ”

“When doing business in France, all the informants underlined the need to adapt to the French state of mind.”

Interestingly, the subsidiary manager of Firm F mentioned that the reason the French do not (or did not) speak English is that among older generations, the ability to speak English is limited:

Many people outside France think that we are too proud to speak English, but that's not completely true, because it's just that people aren't able to speak a foreign language. The thing was that in my generation, I wasn't able to speak well because the way of learning a foreign language in France wasn't good at all. But nowadays at school we have decided to change things a little bit, and today you can meet young people who can speak English (Firm F, subsidiary manager).

Understanding French business culture

When doing business in France, all the informants underlined the need to adapt to the French state of mind. The international sales manager in Firm C described the change from the Finnish mentality to the French one in the following terms:

You can't go there with the Finnish mentality at all. You can't act rapidly and efficiently, you have to do things peacefully. An efficient Finnish engineer working from eight until six o'clock in the evening with a good product, but having no cultural knowledge – he'll certainly not succeed. In France you work for a certain time, but then you socialize, have breaks, and everything will work out.

Second, in France, there is no agenda on how things will proceed further (indicating the low uncertainty avoidance of the French). The French subsidiary manager of Firm A described this as follows:

In France, there is no roadmap. Yesterday we lost a big project, but today we have to put in an offer, and on Monday we might get the order. That happens. And they want things to be delivered three weeks from now. That's typical in France. I've discussed it with my Finnish colleagues and that could never happen in Finland, because the guy has the roadmap and step one, step two, step three. That's so logical – and so irrational in France I would say. And that's also why the Finnish headquarters might not understand that we need the delivery quickly, because it doesn't work the same way in Finland.

Concerning punctuality, six out of eight case firms had problems with receiving reports on time, and with payments:

As far as reporting is concerned, the French subsidiary is always the last to report, although they know the date very well. But we always need to remind them many times (Firm A, international sales manager).

In France it is very typical that nobody pays, and if they do pay, it'll be four or five months after the due date (Firm C, international sales manager).

This is a sign of the polychronic culture in France. The collectivism of the French is also emphasized. Once again, the subsidiary manager of Firm F regards active, direct sales as an important success factor in the French market:

When I'm asked how I'm so successful, I say it's because I have eight sales people full-time in the field. Well, today you have the internet and you can let your product become known through it, but I think that to begin with, if you really want to sell and penetrate the market with your product, you have to go and sell. Here in France it's still very important to let them see you when you are selling (Firm F, subsidiary manager).

The entrepreneurs in Firms E and F, the most successful firms out of all the case firms, revealed that it is important to let French employees act entrepreneurially, and to look for

entrepreneurially oriented people to work in France. The French want to have the power to make decisions about running the business. The will to have control may be connected to their uncertainty avoidance, but is also somewhat surprising, since the concept of hierarchy is generally so strong in French culture. This is how the French subsidiary manager of Firm A puts it:

I was working for an American company for a few years in between my career in Firm A. It was quite tiring in the end. I missed the opportunity of being creative. And when I work for this company [Firm A], I can use my creativity. In this job I find solutions, creating something new for the customers. You can always use your brain and improve things and work as a kind of consultant. For me it's the creativity that makes me stay here (Firm A, subsidiary manager).

The freedom to act entrepreneurially has led to excellent success in the subsidiary of Firm F, since freedom is given to employees as well:

I believe in people and let them do things. If you do not let the people express themselves you will not get as much as they can give. In order to be competitive, you need to have a team which is happy to work for the firm (Firm F, subsidiary manager).

Nonetheless, the strong power distance and hierarchy in the French culture were also visible in the case firms, and the strong hierarchy was also highlighted by all the specialists. The manager of international affairs in Firm A had the following experiences of the French hierarchy:

In France, the managers seem to have a very strong position. First of all, the employees do not criticize their bosses to outsiders. We had several occasions when we realized that something was wrong in the subsidiary, but we just did not get any comments about it. They just could not say straight out what they thought of their boss.

To conclude, most of the case firm informants highlighted the need to do business in the French way. The Finnish vision annoyed the staff in the subsidiary of Firm A considerably:

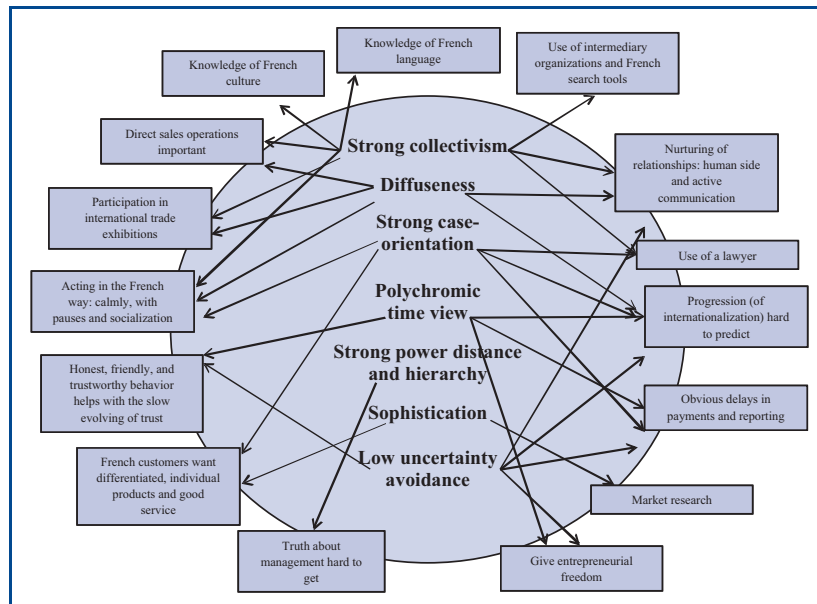
I would say that the Finnish management has a vision that is too Finnish-oriented. And here we are of course in France and we have a different vision of the market. Our clients need good service and somewhat differentiated products, but the management at headquarters wants to keep to the Finnish standard, and that is a great mistake.

Conclusions

This study can benefit practitioners planning to enter the French market. It links features of French (business) culture to the practical experience of SMEs and can thus advance understanding of foreign operations in the French market. The most important managerial implications for foreign firms aiming at doing business in the French market are illustrated in Figure 1. Each of these implications is taken up below:

1. Nurturing and development relationships in the French market is extremely important, since for the French there always needs to be the human side of the relationship, in addition to the business aspect. The French cannot be left without attention; communication with them should be active and regular.
2. Use of intermediary organizations is recommended, since these organizations can provide the firms with good and suitable partners and tailored market knowledge. These organizations cannot give the firms the deepest knowledge, but they can help with basic market knowledge, with finding the first, important contacts, and by helping with the market research, for instance. Furthermore, some French commercial databases are recommended for foreign firms: there are the "pages professionnelles" and Compass to help in finding suitable customers.
3. Knowledge of the French language is important, especially when launching a business in France, and with the end customers. Since France has a collective culture and the older generations have very limited linguistic knowledge, knowledge of French is always an advantage, although younger generations can speak English quite well.

Figure 1 Managerial implications related to cultural features of the French market



4. Knowledge of French culture is essential if one is to act in the country. It also helps to gain people's respect, since the foreigner is seen as being interested in the country.
5. Direct sales operations are significant in the French market, since for the French, face-to-face communication is important.
6. Participation in international trade exhibitions is an excellent way of meeting potential French partners and customers.
7. When doing business in the French market, foreign firms should try their best to act in the French way: calmly, with pauses and socialization, since this kind of behavior is typical of French culture.
8. Trust seems to evolve slowly with French cooperators. Honest, friendly, and trustworthy behavior helps in developing trust over time.
9. Because of their strong case orientation and sophisticated markets, the French want differentiated and individual products, and good service – a point that foreign firms should particularly note.
10. Because of the strong hierarchy and power distance, the management of foreign firms should be aware of the loyalty of French people toward their bosses: the truth about the behavior of the management can be hard to obtain. Nevertheless, despite the strong hierarchy within French organizations, the most successful subsidiaries among the case firms of this study were run by French managers who were given entrepreneurial freedom to make decisions, concerning their subsidiary and the whole firm. If the French feel they cannot affect the decisions of the firm they represent, they can easily become frustrated and demotivated.
11. The factors mentioned above imply that it would be prudent for foreign firms to recruit French managers who have an entrepreneurial mindset.
12. Because of the sophisticated market structure, market research is recommended in order to understand the opportunities arising in different parts of France.

13. Owing to uncertainty avoidance, the polychronic time view and a strong case orientation, it is usual that for there to be delays with payments and reports from the French side. This is a very typical element in French culture, and one that all foreign firms need to cope with.
14. As a result of these various cultural features, the progress of internationalization and of French business overall is hard to predict; the French live more in the present moment; their thoughts and behavior can be unpredictable and very dependent on the development of the human side of the relationship. However, if there is a problem in the relationship, the human side will not be of much help, since the French protect their families and friends as much as they can.
15. From all the above considerations, use of a lawyer is recommended, from the very start of the internationalization process.

All in all, it is good to realize that the behavior of the French in business life can be explained through their cultural heritage, and that they mostly do not irritate their foreign cooperators on purpose. They merely behave in the way they have learned to behave and according to their normal reactions. Understanding this might help foreign firm managers to advance their French business. The outer level of the three-level onion (Trompenaars and Hampden-Turner, 1997) is the easiest for foreigners to understand, but successful business dealings in France require a good mastery of the middle and inner levels of the onion, which include the various aspects mentioned in this study.

Keywords:
 Small to medium-sized enterprises,
 International business,
 Finland,
 France

References

- CIA World Factbook (2010), *The World Factbook*, Central Intelligence Agency, Washington, DC.
- D'Iribarne, P. (1998), *Cultures et mondialisation*, Seuil, Paris.
- Eisenhardt, K.M. (1989), "Building theories from case study research", *Academy of Management Review*, Vol. 14 No. 4, pp. 532-50.
- Finpro (2004), "Country reports: France", available at: www.finpro.fi/DynGen_PDF/CountryPDFs/Maaraportti84.PDF
- Hill, R. (1992), *We Europeans*, Europublications, Brussels.
- Hofstede, G. (1991), *Cultures and Organizations: Software of the Mind. Intercultural Cooperation and its Importance for Survival*, HarperCollins, London.
- Hofstede, G. (1994), "The business of international business is culture", *International Business Review*, Vol. 3 No. 1, pp. 1-14.
- Hofstede, G. (2001), *Culture's Consequences: Comparing Values, Behaviors, Institutions, and Organizations across Nations*, Sage Publications, London.
- Lewis, R. (1996), *When Cultures Collide: Managing Successfully across Cultures*, Nicholas Brealey, London.
- Mulder, M. (1977), *The Daily Power Game*, Martinus Nijhoff, Leiden.
- Ronen, S. and Shenkar, O. (1985), "Clustering countries on attitudinal dimensions: a review and synthesis", *Academy of Management Review*, Vol. 10 No. 3, pp. 435-54.
- Szymanski, D. (2000), *Impact of National Cultures on Finnish-French Teamwork*, Publications of Vaasa University, Vaasa.
- Toivanen, E. (2000), *Kahden puolen kanaalin*, Kustannusosakeyhtiö Otava, Helsinki.
- Trompenaars, F. and Hampden-Turner, C. (1997), *Riding the Waves of Culture: Understanding Cultural Diversity in Business*, 2nd ed., Nicholas Brealey, London.
- Yin, R.K. (1994), *Case Study Research: Design and Methods*, Sage Publications, Newbury Park, CA.

Further reading

Capizzi, M.T. and Ferguson, R. (2005), "Loyalty trends for the twenty-first century", *Journal of Consumer Marketing*, Vol. 22 No. 2, pp. 72-80.

Graves, C. and Thomas, J. (2008), "Determinants of the internationalization pathways of family firms: an examination of family influence", *Family Business Review*, Vol. 21 No. 2, pp. 151-67.

Organization for Economic Co-operation and Development (2003), *Officially-supported Export Credits and Small Exporters*, Organization for Economic Co-operation and Development, Paris.

Trompenaars, F. and Woolliams, P. (2003), *Business across Cultures*, Capstone Publishing, Chichester.

Zahra, S.A. (2003), "International expansion of US manufacturing family businesses: the effect of ownership and involvement", *Journal of Business Venturing*, Vol. 18 No. 4, pp. 495-512.

Corresponding author

Tanja Kontinen can be contacted at: tanja.kontinen@jyu.fi

To purchase reprints of this article please e-mail: reprints@emeraldinsight.com
Or visit our web site for further details: www.emeraldinsight.com/reprints

VIII

BIOHIT: A GLOBAL FAMILY-OWNED COMPANY EMBARKING ON A NEW PHASE

by

Tanja Kontinen

Entrepreneurship Theory and Practice, forthcoming.

Reprinted with kind permission by Wiley-Blackwell

Biohit: a global, family-owned company embarking on a new phase

Tanja Kontinen, Jyväskylä University School of Business and Economics

Manuscript forthcoming in *Entrepreneurship Theory and Practice*

Abstract

This case concerns Biohit, a family-owned biotechnology company established in Finland in 1988, selling liquid handling and diagnostics products in the global market. The case also describes the entrepreneurial career of Biohit's CEO Osmo Suovaniemi, since the company is mainly based on the know-how that Osmo gained as owner-manager of his two earlier companies, *Labsystems* and *Eflab*, during the 1970s and 1980s. Hence, this case describes the prior and initial phases of Biohit, examining also its commitment to innovation and its management practices. The case ends with the situation as of March 2010, and includes the reflections of Biohit's managers on the future of the company. At this point, Osmo was intending to hand over his executive position to someone from outside the family, on the grounds that none of his three sons was able or willing to take up the position. However, he planned to continue as owner, inventor, and full-time board member of Biohit. The managers of Biohit had high hopes of making a breakthrough with diagnostics products that had been under intensive development over a long period.

INTRODUCTION

On April 1st 1988, Osmo Suovaniemiⁱ decided to launch a company called Biohit. His career as an entrepreneur had begun in the 1970s with two successful firms that he himself had founded: *Labsystems Ltd* (established 1972) and a joint venture *Eflab Ltd* (established 1978). However, in 1986, Osmo was forced to sell these two companies to *Skopbank*. He claimed that *Skopbank* had acted illegally, and bitter legal disputes followed. Feeling that he could no longer carry on, he left the companies and started up a new venture, Biohit, which is now one of the most successful companies in its field. The Suovaniemi family has a strong presence in Biohit, since in addition to the whole company being currently centered on Osmo, family members have an ownership share of about 70% in the company, which is publicly listed. Furthermore, the Suovaniemi family controls an even larger proportion of the decision-making power, since they have share capital entitling them to 88% of the voting rights (for more information on the ownership of Biohit, see Exhibit 1). In March 2010, Biohit was on the point of

entering a new phase, since Osmo wanted withdraw from his central role in the firm, handing over his executive position to an employee who was not a member the family.

The stated mission of Biohit is to improve people's quality of life and well-being, as summed up in the phrase "Innovating for Health." Biohit develops, manufactures, and markets liquid handling products, diagnostic tests, and analysis systems. Biohit is the global market leader in electronic pipettes, and its range of electronic and mechanical liquid handling devices is currently the widest in the world. Sales abroad make up 96 % of the company's total sales. Biohit's products are sold in 70 countries by approximately 450 distributors. The products of Biohit involve a high degree of processing, and have a domestic content of approximately 95%. The headquarters of the company are in Helsinki, Finland, with production plants situated in Finland and in China. Biohit has subsidiaries in France, Germany, the UK, Russia, China, India, Japan, and the USA. There is also a representative office in Singapore. Currently, the Biohit group has approximately 370 employees spread over eleven countries. The company's B shares have been quoted on the NASDAQ OMX Helsinki, Healthcare since 1999. The key customers of the company are health care organizations and services, research institutions, industrial laboratories, and general practices. Consumers constitute a new customer group for Biohit, since the company has developed new tests for various ailments, including stomach illnesses. Important customers include Eastman Kodak Co. Clinical Diagnostic Systems (later acquired by Johnson & Johnson), Becton Dickinson, and 3M.

Biohit has an aggressive innovation and patenting strategy, developed by Osmo himself. Osmo has about 70 patents in Finland. Indeed, he could be said to have set an example for companies of all sizes in Finland, in terms of innovating and patenting. In the Finnish media (Biohit, 2002: p. 1), it has been claimed that in two of Finland's largest companies, Nokia and KONE, the patenting strategy was adopted at least in part from Osmo's companies. This might be partly connected to the fact that an employee who had been responsible for patenting moved from one of Osmo's companies to KONE, and later to Nokia phones, during the 1980s.

*** INSERT EXHIBIT 1 HERE***

OSMO SUOVANIEMI

Osmo Suovaniemiⁱⁱⁱ, Doctor of Medicine, PhD, Professor, was born in 1943 in Kihniö, Finland. He was the second son of a farming couple. In addition to farming, Osmo's parents ran a sawmill. At high school, Osmo met his future wife, Oili, who was the daughter of another farmer in Kihniö. Osmo moved to Helsinki for his studies in medicine and Oili studied nursing in Jyväskylä. They got married in 1964 and their first son, Vesa, was born the same year. Their second son, Ville, was born in 1978 and their third, Joel, in 1981. There is a considerable age difference, fourteen years, between the first and the second son. Between the birth of the first and the second son, Osmo and Oili concentrated on launching their first enterprise, Labsystems.

First steps in the entrepreneurial career of Osmo Suovaniemi

Osmo's background was far from wealthy. While he was studying medicine in the 1960s he found he had an interest in research, becoming involved in doing what he later called "special work" at the university, in a research capacity. Since he did extremely well in the branch called medical chemistry, he was later given a post as an Assistant. Osmo describes this phase of his life as follows:

"As well as being a student I did what you could call "special work" and worked as an Assistant. And at the weekends, I did emergency duties and worked as a doctor in psychiatric outpatient care. So I did lots of things. That was a very creative and active time. Well, as we know, people are at their most creative around the age of 20."

While doing his special research, mostly at night, Osmo learned how to use pipettes and microscopes. He found that the equipment was awkward to use. When he was doing his experiments, he almost swallowed a piece of rat's brain, and sometimes the rats bit him. It also took a lot of time to do all the experiments.

"That is how I ended up developing the pipettes. I developed the first single- and multichannel adjustable mechanical pipettes in the world. It was actually hard to get enough glass pipettes from our manufacturer to develop the multichannel pipettes. You needed to ask in a very humble manner just to get one glass instrument, so nine pipettes was an awful lot to ask. Aside from this, I also created an analyzer, because after I had dozed off for a while I needed to measure the liquid somewhere."

This was at the end of the 1960s. As his experiments began to go more smoothly thanks to his innovations, he was motivated to develop them further. At the start of the 1970s, when Osmo was just about to graduate as a doctor, he offered his inventions – which he had developed in the kitchen of his small apartment – to Finnish industry, approaching companies such as *Valmet*, *Huhtamäki*, and *Instrumentarium*. At this point he wanted to get some money for his innovations and to start working as a medical doctor. However, the companies he approached did not really understand the logic of his products. Since they were not prepared to give him even the amount of money he had spent on developing his innovations, he ended up going into business himself. Initially, he was involved in some small-scale business, concentrating on product development (Osmo A. Suovaniemi Ltd; Finpipette Ltd.). As Oili sees it, they really got into running a business in 1970. This was when Osmo had the pipette molds made – and when he gave Oili an instruction manual on bookkeeping. Yet in Oili's opinion they never actually made a decision to launch a firm; it was more a situation that they found themselves slipping into. Osmo describes the decision to set up a business as follows:

"It was a really tough decision to study for six-and-a-half years and graduate as a doctor and then set up a firm. My relatives were putting on the pressure, they kept saying how bad it was for Osmo that he did not become a communal doctor, that he became an entrepreneur, someone who made things. It really meant that I took a path of my own. But I have not regretted it for a moment. It has shown me that being an inventor and entrepreneur is as essential for me as stripes are for zebras."

Osmo also wanted to learn about business; thus he studied at Helsinki School of Economics and Business Administration in 1976–1977. Oili describes their entrepreneurial life as follows:

"I have always loved routines and Osmo has loved innovating, so it has been natural to take these roles in the enterprises, too. We have always worked long hours, but of course I was at home for many years, when our sons were small. But there, too, I helped by looking after the guests of our firms when they came to the house, and by listening to Osmo. Of course, I might have affected some decisions through the kitchen door as well. Thinking of our free time, when we had small children we took more time off then, going to the sea or to our summer cottage in the evenings and at weekends, but even there I often realized that Osmo's thoughts were on the business. It has been so important for him. And it has been an interesting life for me, as well."

Oili says that she has always supported her husband's decisions, and has trusted them. Oili has worked as Chief Cashier of Osmo's firms throughout, except for the beginning of the 1980s when she had two small sons to look after. Even at this point she took care of guests: she served meals and discussed business matters with Osmo whenever they were on his mind. Oili is of the opinion that as a couple they took risks, but asks where else they would have invested their money. For his part, Osmo sees challenges and risks as having been very important to him:

"Well, I can say that I have taken huge risks. But I have never really thought of the risks. I would say that the more troubles or challenges I have, the harder I work. But if something is too easy, I very easily get lazy. I'm extremely lazy by nature. That's also why I created multichannel pipettes at the end of the 1960s – it was so frustrating to measure with just one channel. I created a pipette with nine channels."

Innovations and product development have always been close to Osmo's heart. He has been awarded some seventy patents in Finland alone and several hundred worldwide, mainly in the fields of medical laboratory diagnostics, optics, and mechanics. In 1994 Osmo was awarded a PhD from the University of Helsinki, and in June 2002 the President of Finland awarded Osmo the title of Professor.

PRODUCTS

Liquid handling

As mentioned above, Biohit has two major business segments: liquid handling and diagnostics. The management groups for the different products are shown in Exhibit 6 in the end of the case. Liquid handling products (see Exhibits 2 and 3) include electronic and mechanical pipettes, disposable tips, and pipette maintenance and calibration for the customers buying these products. The primary customers are the laboratories of hospitals and research institutions. Liquid handling products – pipettes and tips – are basic laboratory tools. According to the company's own estimate, the average annual growth in the total market for pipettes has been 5%. Market growth has slackened off in recent years due to the global recession. Growth has mainly occurred in electronic pipettes (about 10% annually) and disposable tips (about 20% annually). The largest market areas are North America and Europe, but the importance of Asia is also increasing. More efficient R&D and production processes are leading to increased automation in certain segments. A notable feature is that in industry there is a move away from handheld pipettes towards computer-controlled analysis systems, and towards liquid handling equipment using robotics.

***** INSERT EXHIBIT 2 HERE *****

The operators in the liquid handling market include several larger global manufacturers and marketers, plus numerous smaller players. Increases in supply together with cheap production have intensified price competition. However, strict quality and safety standards have made market entry difficult for copycat products, most of which are manufactured in Asia. Biohit has invested substantially in quality in all its production facilities and operations. The company is still the global market leader in electronic pipettes and OEM (Original Equipment Manufacturer) liquid handling products, and is a pioneer in terms of promoting high quality and the safe use of its products. Rapid delivery of disposable products to customers has become a major competitive factor, and thus Biohit has put a heavy emphasis on improving the efficiency of its distribution processes throughout the Group.

As the level of precision and safety demanded in liquid handling rises, and as quality assurance regulations become stricter, equipment performance and measurement traceability have become a challenge for many laboratories. Pipette accuracy must be ensured via calibration and performance testing that complies with quality standards. The provision of accredited calibration services has given Biohit a competitive edge.

***** INSERT EXHIBIT 3 HERE *****

Diagnostics

The diagnostics segment (see Exhibit 4) consists of products and analysis systems for the early diagnosis of gastrointestinal diseases. Biohit equipment permits blood-sample based GastroPanel examinations for the diagnosis of stomach illnesses and associated risks, quick tests for the diagnosis of lactose intolerance and *Helicobacter pylori* infection in connection with gastroscopy, and the ColonView examination for the early detection of fecal occult intestinal bleeding (faecal occult blood), which would indicate a risk of colorectal cancer. Its Acetium innovation was developed to reduce carcinogenic acetaldehyde in the gastrointestinal tract. Overall, the key objective of the diagnostics business is to prevent diseases of the gastrointestinal tract. The primary customers are health care practitioners and a number of health care chains, such as Terveystalo in Finland.

***** INSERT EXHIBIT 4 HERE *****

In addition to large global companies, the companies in the diagnostics market include smaller companies such as Biohit, which specialize in particular diagnostic fields. Harnessing the huge market potential of Biohit's diagnostic products requires proactive sales and marketing, and also cooperation with strong partners who specialize in diagnostics.

LAUNCHING A BUSINESS: The foundations of Biohit

As mentioned above, Biohit had two precursors: Labsystems and Eflab. It is important to understand the developments in these companies in order to understand the story of Biohit. The chronology of events in these companies will thus be outlined in the following paragraphs.

Since Osmo found that no company was interested in his innovations in the late 1960s/early 1970s, he established Labsystems in 1972. Osmo was the inventor, and Oili took care of the book-keeping. Being an entrepreneur meant working in their small apartment, doing experiments and development work in the kitchen and bathroom. As time passed, Osmo hired new people to work for the firm, and Labsystems started to grow. Huhtamäki Ltd. took care of the export of pipettes until 1977, when Osmo ended the contract. Huhtamäki had operated illegally, and Osmo won the ensuing court case. After terminating the contract, Osmo hired a new person for international marketing and sales. At the same time, product development continued. Aside from pipettes and analyzers, the company developed diagnostics equipment. Together, the products formed an analyzing system which allowed different kinds of diagnoses, and which could be used by researchers and other laboratory personnel.

A time of growth

Aside from running Labsystems, in 1978 Osmo established an international joint venture, *Eflab*, with American partners. Eflab started to sell multichannel pipettes and microplate analyzers around the world. The venture was a huge success. Both of Osmo's firms grew, to such an extent that they were now the fastest growing companies in the industry. It appeared that these firms were responding to what clients really needed. For instance, Labsystems was the first firm to launch AIDS tests at the start of the 1980s. Osmo felt that as a doctor, he was to some degree a customer for himself. From this starting point he came up with dozens of new inventions.

These innovations, developed at the end of the 1970s, are still in use around the world. However, other pipette firms started to copy the single and multichannel pipettes made by Labsystems as soon as the patents expired (it is worth noting here that the pipette business is worth around 2 billion Euros annually at the present time). Later, the microplate analyzers, too, were copied (current analyzer business amounts to 2–4 million Euros annually). In 1984 Labsystems became a publicly listed company, with the number of its patents exceeding any of the large Finnish firms such as KONE Ltd. or Nokia Ltd.. Nonetheless, patenting skills moved from Labsystems to Nokia when Timo Louhi, who had implemented an aggressive innovation and patenting strategy in Labsystems, moved to KONE and later to Nokia phones.

In the mid-1980s, there was also an episode when Pekka Herlin from KONE wanted to buy out Osmo's companies. Osmo did not wish to sell them and Herlin took him to court. He claimed that Osmo's companies had libeled KONE. The legal proceedings went on for eight years, and Herlin lost all of them. However, before the end of these proceedings, there was a serious setback that led to Osmo leaving his two successful companies.

A serious setback

In the spring of 1986, the Finnish bank, *Skopbank*, made Osmo an offer of collaboration. Since Osmo was innovating extremely rapidly, extra money was needed, and he signed the contract of collaboration in May 1986. However, this collaboration turned out to have dire consequences. According to Osmo, Skopbank had no intention of fulfilling the agreement. Instead, Skopbank planned to create a sizable cluster of companies in Finland, using Labsystem's ideas as the core. At that point, Osmo had no idea what was envisaged.

“One of Skopbank's managers was my neighbor and he kept telling me how they wanted to finance my companies and create a new enterprise dynasty. I had been taught to trust the banks and I thought that banking people were honest, so I agreed. That was a terrible mistake, a true catastrophe! After forcing me to sell my shares, they immediately made a profit of 200 million marks. I became furious when I realized that they just wanted to take advantage of me, but they blackmailed me, telling me that if I did not sell them the majority of the shares of Labsystems,

they would call in my loan and buy the bankrupt estate with one finmarkⁱⁱⁱ. I had no choice. That was how they got control over the company."

Osmo took Skopbank to court. In Skopbank, notes were found showing secret calculations as to how they would break the agreement, make "enormous profits" and "raise Skopbank's image." The indictment against Skopbank was "pre-planned grand blackmail," but the charges were rejected, since there was not sufficient evidence to show a crime had been committed. As a consequence, Eflab too ended up under Skopbank's control, and Osmo left both companies.

"With this Skopbank tragedy, I became a victim of the Finnish casino economy that imitated the criminal traits of the US savings-and-loan crisis at the start of the 1980s. My extensive work was destroyed and what little remained after the collapse of Skopbank in 1991 was sold to foreign owners in 1993."

A new venture: the creation of Biohit

"Of course, I left Labsystems and Eflab (in 1986), and wondered for a while what to do. But then in 1988 I established Biohit. Undeterred by my experiences, I decided to continue my work as an inventor and entrepreneur. 'What does not kill, makes you stronger' is true in my case. It took pioneering spirit, new innovations, and entrepreneurialism to establish Biohit in 1988. For my part, I can only say that once an inventor and entrepreneur, always an inventor and entrepreneur."

According to Oili, Osmo never slid into depression, and was always looking for new opportunities. He was offered a good job, but he refused, because he could not see himself as an employee. Now the Suovaniemi family once again put all their money into a new venture, tying up their capital for the first two years. "What else would we use our money for, there is no better choice than a business enterprise," said Oili. In addition to their own capital, Biohit received some funding from TEKES (the National Technology Agency of Finland) during the initial two-year product development phase. When Osmo launched Biohit, he gathered a good team around him, taking on the best employees from Labsystems. Their first thought was "What would we do?" followed by "What can we do?" and "What would give us some competitive advantage?" Almost everybody from Labsystems would have liked to join Osmo's new company, but he was not able to take everyone, simply to "skim the cream." All of these employees still work for Biohit. Erkki Vesanen, also from Labsystems, joined the company in the autumn of 1989, the eleventh person to do so. He explained that his arrival was a kind of a milestone, since at that point the staff of Biohit could no longer fit into the Suovaniemi kitchen: the women, including Oili (who cooked for the staff in addition to planning the business together with her husband), started to eat in the dining room, while the men remained in the kitchen. A year-by-year history of Biohit is presented in Exhibit 7 in the end of the article.

During its early years, Biohit successfully developed and commercialized two more of the inventions that Osmo had come up with in the 1970s^{iv}. Erkki described this as follows:

“We started to develop a new generation of pipettes, products that the world had never seen before. We studied the technology available around the world, and also did a lot of basic research. We then saw that ‘utopian’ technologies were not the best alternative, and ended up creating an electronic pipette that did not exist anywhere in the world. Of course it was a big risk to have people with high salaries sitting in the cellar for two years, and the only thing we had was belief in the product.”

However, the electronic pipette faced many problems in the market – it did not work well enough initially, and not all customers were ready to exchange their mechanical pipettes for electronic ones right away. Since Biohit needed some cash flow, the company rapidly developed a mechanical pipette, and succeeded in selling it. At the same time, they also managed to get the electronic pipette to work to its full potential. The mechanical pipettes were planned with a disposable tip. Hence, at the end of the 1980s, there arose a need to produce tips for the mechanical pipettes. A factory was established Kajaani, Eastern Finland, in 1990, and the number of employees increased. Product Development Manager Vesanen describes this phase as follows:

“Disposable tips offer a self-growing business: once you sell and deliver them at a reasonable price as agreed, new orders come in every now and then, and the sales grow by themselves.”

As Vesanen sees it, Biohit was launched at a good time, since its three biggest rivals, *Wilson*, *Eppendorf*, and *Labsystems* were well-established companies, and there were good opportunities to attack with clearly-differentiated products. Biohit made things in innovative ways. Since product development was so expensive, the staff of Biohit had to be creative in sales and marketing. For instance, they agreed to customers putting their own labels on the products, and they provided customers with a smaller, but more individualized range of products. Vesanen explains their flexible strategy as follows:

“The second largest pipette house in the world started selling our electronic pipette. We said that it was a better alternative than if they developed one of their own. We didn’t realize it at that point, but it was a great strategy: we got them to concentrate on something else for five years and we had the chance to develop our electronic pipette further.”

Several customers wanted to see their own company’s name at the top of the pipette and Biohit had no problem with this, since the company got the sales it needed. As a second strategy, Biohit replaced existing analyzing systems with tailor-made electronic pipetting systems: customers were given precisely the application they needed. The strategy was highly customer-oriented.

Expansion of Biohit

After developing several successful and innovative products, Biohit embarked on international expansion. Osmo had such strong personal networks from his previous businesses that the establishment of the first foreign subsidiaries happened almost by itself, via previous friends and business partners from abroad. As an example, Regis Carnis set up a French subsidiary in 1991. Osmo describes this as follows:

"We were good friends, I and Regis Carnis. It was very natural that we would start cooperation after I launched my new firm. He wanted to work for me and not for my previous firms, which had been taken over, so he resigned right away when he heard about my new firm. [...] Over all these years, I have got to know him extremely well. We can trust each other 100%, we have respect for each other's opinions, have similar kinds of values in life and are interested in similar kinds of things."

Regis explains his decision to start a subsidiary for Biohit in the following manner:

"They offered me a five-year agreement [in Labsystems] and they offered to double my salary. I said "No, I'm leaving. I have decided I'm leaving." In Biohit, I like it that you have a certain way of doing business, meaning that there is business but there is private life as well, and nature and so on. And that is the main reason why I am still working with him. What makes our relationship unique is the respect we have for each other and the inspiration our field gives us. We seem to see the world in the same way, we share values. He is a true entrepreneur. He doesn't think about money so much, all the other aspects come first. And he also gives total freedom to me. I feel really comfortable with being able to run the French subsidiary in my own way. He always trusts me: if I want to do something, he says, yes, do that, you know what is best for you there."

In 1992, Biohit established subsidiaries in Great Britain and Italy. In these countries, too, Osmo was able to use his existing network ties from previous companies. His truly entrepreneurial philosophy of business made previous partners want to join Biohit, even if they had to start from scratch. The Japanese joint venture was established in 1994, but without previous network ties there – hence a new partner had to be found. Japan has been a difficult market, and altogether there have been four changes in the manager. The German subsidiary was established in 1995. Since then, Biohit has established subsidiaries in the USA (2000), Russia (2000), China (2003; a production subsidiary in 2006), and India (2009). Biohit went public in 1999. In 2005, Biohit had 295 employees worldwide, and in 2009 the number had increased to 370.

INNOVATIONS AND PRODUCT DEVELOPMENT

Biohit and its precursors have been characterized by customer-oriented product development and new inventions, plus a willingness to be different, to move ahead of their competitors, and to seek to improve the health of people around the world. The

first two years of Biohit were spent on product development, with large sums of money being used to develop the first electronic pipette in the world. There was considerable risk as well, but the team did not give so much thought to the risk, believing as they did in their work and inventions. In addition to its innovations, Biohit's competitive advantage was based on the firm's deep knowledge of the products of the industry, an ability to react quickly to customer needs, knowledge of distribution channels, Osmo's reputation, and Osmo's excellent network ties around the world. Indeed, almost all his previous partners and employees from his previous companies wanted to work for him when he launched Biohit.

Product development in Biohit is an ongoing activity: all profits have been spent on it and on the creation of new jobs and exports. As mentioned above, the first innovations were electronic pipette and testing systems, mechanical, personalized pipettes, and disposable tips. These innovations were followed by diagnostic systems. Product development has also been based on doctoral dissertations, the first of these being written in 1992, followed in 1994 by the thesis written by Osmo himself. In 1996, a thesis on diagnostic systems was completed, and this was clearly an important element in the diagnostic systems development of Biohit. Biohit also has university-level research partners in China, the USA, Russia, and Japan. For instance, in the innovation called *GastroPanel*, international cooperation plays a large part. As regards patenting, rivals have copied Biohit's products, legally once the patents have expired, but also illegally:

"Of course all of my innovations have been copied, because they have been such good products. We do not need to imitate anyone. They imitate us, but often they do it very well. It irritates me sometimes that they do it so well, before we have had time to take advantage of our innovations. However, in recent years we have avoided large-scale patenting, since it is extremely expensive. It's only when we invent something significant that we apply for a patent."

Product development does not always mean high technology, as Vesanen, the Product Development Manager, explains:

"Innovation often means simplification. Many products have been over-engineered, and competitors over-engineer them even more by creating five more features than their rivals. Creating a breakthrough product sometimes means that you only use 20% of the existing features. This is similar to the iPod strategy. In the end, people like quite simple things, so long as they have all the necessary features. We have had to think radically, because our competitors follow us."

Since competitors tend to follow the lead of Biohit, Osmo does not regard (for instance) his ex-company, Labsystems, as a true competitor:

"No, Labsystems is not our competitor. They don't do things so well, they cannot beat us. Of course, they are doing well in the sense that they are making a lot of money. It is thanks to my

old inventions that sell so well! But I am satisfied. I am happy for others who have taken advantage of my inventions. But anyway, if the big companies want to complete their diagnostic systems, they always come to us. And overall, it's good to have competitors, after all, we can't take on the whole world."

Currently, Osmo is involved in a product development project with two old friends:

"We call it the 'retirement project,' although I'm not retired yet. We are working on a vertical analyzer. And quite deliberately, we are doing it in such a way that it will be so profitable and multipurpose that it will take markets away from all the others. We expect it to be finished by the end of this year [2010]."

In the diagnostics of stomach illnesses, Osmo and his colleagues identified a huge unmet need in the 20th century. The diagnostics were poor, and Biohit developed better, easier systems, such as GastroPanel. However, doctors are slow to adapt to new innovations, and for this reason, the sales in diagnostics have proceeded slowly. Jussi Heiniö, who is in charge of administration and legal affairs, sees the matter also as a lack of marketing efforts.

DECISION-MAKING

Erkki Vesanen, the Product Development Manager who has worked for Osmo for about thirty years, sees decision-making in Biohit as based on a clear sense of vision and mission, but also as involving a lot of freedom to make decisions on an ad hoc basis, bearing in mind that many issues cannot be predicted beforehand:

"We have certain broad lines that we follow, an unspoken perspective, and that takes us forward, but we more or less act short-term. I would describe our decision-making system as being the kind where we mainly sit down when we have a problem. Once you are your own boss, there is no sense in having strict frameworks. We do what feels right at a certain moment. If you decide on a strict budget for November of next year during the current October, you are just putting useless pressure on yourself. Of course we have budgets, but we make our decisions for situations as we face them."

Decisions are mainly made in corridors and coffee rooms. In addition, Biohit does of course have an official management group and board meetings, with the administration mainly getting to decide what they are allowed to decide about. Overall, as Osmo sees it, he gives a lot of freedom to his employees, and has done his managing by "walking around":

"My way of doing things is that I let the flowers bloom as long as they stay alive and bloom. My laziness can be seen in the fact that I trust people and let them do things. Most of the time it works. But of course I need to interfere sometimes. Management by walking has been my philosophy, although the current email system has ruined it a bit. In Labsystems, people knew

that I was coming, since I was smoking cigarettes and walking around. But I don't smoke anymore and because of the emails that make me stay in my room, my 'management by walking around' has diminished as well. That's a pity."

Vesanen, too, is of the opinion that in Biohit, people have much more freedom than in many other kinds of firm. The procedures are simple, and some typical phases in other firms, such as planning, documentation, and taking on projects are conspicuous by their absence. Vesanen sees this as a very good strategy if there are good people in the firm, but a risky strategy otherwise. Sometimes people disagree, and then it is Osmo who makes the final decision and shows the future direction. However, overall, the strategies of Biohit are strongly based on the firm's clear sense of vision and mission. One strategic move has been the establishment of a production unit in China. The products with the need for the greatest know-how are still manufactured in Finland, but the simpler products are produced in China, where the employees are very hard-working, and get paid one fifteenth of the salary of a Finnish employee.

In Vesanen's opinion, the entrepreneurialism of Osmo – with his strong belief in his own solutions and his willingness to swim against the tide – may have increased with time:

"When you are 30 or 35, you may be more cautious because of the huge risks and debts. As things begin to go well, you may take bigger risks, because, when you are 66, you don't think so much about what you'll do at the age of 90 – you look more at the potential of something over the next two years. But maybe this is just speculation."

THE FUTURE

At the present time (March 2010), Osmo is 66 years old, but as Vesanen points out, he is "still going strong." However, Biohit is in the throes of various changes, since Osmo does not want the company to be based solely on himself; his intention is to take a less central role in the near future. Osmo also has plans to divide Biohit into two units: *Liquid Handling* and *Diagnostics*. The reasons for this are connected to the differences between the two product lines. Up to now, the liquid handling business has financed the diagnostics business, but there are strong expectations that the diagnostics business may soon become a business of its own. Osmo has hired people who will most probably run these companies; these people are now learning the business and planning the future, together with Osmo and the management of Biohit. However, Osmo believes that he cannot really train future managers. They need to take their places and hold the reins, learning about essential issues themselves. Osmo himself plans to remain a full-time board member in the future and to continue with his dearest hobby, innovation. Regarding the next generation, Osmo has given his three children the freedom to think independently, but none of them are ready to run Biohit, at least at this point:

"Maybe I'm a bit sorry that I never forced the boys to come with me into the business. I should have done that if I had wanted one of them to carry on with the business at this point. But I didn't want to act that way. They have had the freedom to choose, just like my employees. I am not sure about the two youngest boys, what they will do in the future. Both of them work for Biohit part-time as well as studying. But my eldest son became a chiropractor after he graduated in chemistry. There were no interesting tasks for him in Biohit and he changed to chiropractic. He doesn't want to work for Biohit. Of course all my sons own shares in the company. But it doesn't guarantee their happiness, money is spent so quickly. At best, they can create something themselves as well."

The oldest son, Vesa, was involved in running the subsidiary of Biohit in the USA, but left the company quite soon to concentrate on chiropractic. Joel has been involved in running the daily routines of Biohit for some time. Ville has a part-time job in Biohit on the technical side of product development, aside from his studies.

With regard to the next five years, in addition to establishing the two independent companies, there is a plan to start to share profits among shareholders in order to encourage them to remain shareholders in the future. Up to now, shareholders have not received any dividends, since all profits have been utilized for research and development, sales, and marketing. The liquid handling products are the basis of current income, and along with diagnostics, there are high expectations for the coming years. Within the next five to eight years, liquid handling should double the current revenue, and as far as diagnostics is concerned, a breakthrough is expected: this sector should become a firm with revenues of 100 million Euros. The current management would regard it as a real failure if these visions were not fulfilled.

Vesänen believes that the biggest threat in the future will be related to the ownership base:

"I don't see it as any kind of problem if Osmo is no longer an executive. The real problem is related to the ownership base. It really makes a big difference whether or not this is a family-owned company, whether it is owned by financiers, or whether it is a subsidiary owned by a big corporation. I am sure that if our strong innovation orientation came to an end, if people with long-term views were fired, and if expenses were cut to a significant extent, it would be a real threat for most of us. Of course, someone could make a lot of money out of Biohit for several years, but in the end, it would mean something totally different for us."

Osmo believes that the biggest threat in the future is time:

"Time goes so fast and the implementation of the objectives we set gets delayed. Doctors accept innovations slowly. But we'll wait and see. Our expectations are high, anyway. And anyway I have a great belief in my innovations. And in creating something new at the same time as well. I really like the idea of being able to concentrate more on product development in the coming years."

Oili, who has worked in the enterprises throughout her adult life, and who has never had a holiday or been away from work because of illness, summed up their entrepreneurial history in the following terms:

“Entrepreneurship has been great fun and a natural part of our lives. It has been so interesting! It was especially interesting when we launched Biohit, and people were asking how we were doing, and we answered, ‘If you think about the situation in five years, we are doing just fine, but now we just need to survive the next five days.’ Of course Osmo has been away from home a lot, since he has been very involved with his business – the more so the older he has got – but what else should we have done? I must say that I sort of feel that I have had the chance to live many lives during the different stages of our business life. Such an interesting life!”

Osmo says that he is getting to be an old man, but at the same time he thinks that his business is just getting off the ground:

“This is only the beginning. If I think about the owner and founder of Ikea [a Swedish company selling furniture and household items], he was launching companies at the age of 80. And his companies are doing extremely well around the world and he’s in good shape both mentally and physically. So why not me as well?”

Financial performance

Financially Biohit has performed well over the years (see Exhibit 5). Net sales have increased annually since the founding of the company, signaling a growth in business ventures. In recent years the growth in sales has continued, but there have been years in which profits have been low or when there have been losses. The reasons for the poorer years might be major expenditure in R & D or the marketing of new products. Growth can be seen in terms of the number of employees in the company. Exhibit 5 shows that for the past five years, staff numbers have increased in Biohit. In terms of the share price, the performance of the company has not been outstanding. When Biohit went public in 1999 the share price was €5.20. The share price reached its peak in the early months of 2000 when shares were quoted at €12.20. Since then, the share price has gradually declined, maintaining a price between €2 and €3, with an occasional rise above the €3 mark. In January 2010 the share price went up to €4.41, but it fell back quickly afterwards.

*** INSERT EXHIBIT 5 HERE***

Profitability figures such as return on equity (ROE) and return on investment (ROI) can be found in Biohit’s financial statements. The financial statement for 2009 provides figures from 2005 until 2009. The return on equity has not been particularly strong during those years, but it has seen an increase in 2008 and 2009. From 2005 through 2009, ROE was -1.6%, -6.1%, -11.9%, 7.4%, and 3.1%. Return on investment

follows the same modest pattern. From 2005 through 2009, ROI was 0.5%, 0.0%, -0.6%, 8.2%, and 5.8%.

ⁱ Finnish pronunciation corresponds closely to how the words are written, with all letters pronounced. In everyday English orthography the pronunciation of *Suovaniemi* can be represented as SOO-oh-va-NEE-em-i (with stress on the capitalized elements).

ⁱⁱ In this case study he is referred to by his first name, *Osmo*, to distinguish him from his wife, *Oili* Suovaniemi, who also has an important role in the company.

ⁱⁱⁱ One Euro was worth 5.95 finmarks when Finland joined the Euro in 1999.

^{iv} The inventions were the single- and multichannel, adjustable, mechanical pipettes (Finnpipettes) and vertical light path photometry, together with its instrument applications, e.g. FP-, Multiskan-, Fluoroskan, Luminoreader, Bioscreen-, Auto-EIA analyzers and various immunoassays. These inventions have been utilized so extensively that they can reasonably be called global industrial standards.

References

Biohit, 2002. Aggressive Innovation and Patenting Strategy – the Way to Success and National Well-Being. <http://www.biohit.com/resource/files/media/articles/biohit-innovation-patenting-strategy.pdf>

Exhibit 1. Ownership of Biohit.

Shareholder	Number of A shares	Number of B shares	Number of shares	% of shares	Votes	% of votes
Suovaniemi Osmo Antero	2,265,340	965,207	3,230,547	24.97	46,272,007	66.61
Biocosmos Ltd.		1,142,735	1,142,735	8.83	1,142,735	1.64
Interlab Ltd.		1,021,762	1,021,762	7.9	1,021,762	1.47
Suovaniemi Ville Roi	208,280	371,300	579,580	4.48	4,536,900	6.53
Joel Suovaniemi	208,280	333,000	541,280	4.18	4,498,600	6.48
Suovaniemi Oili	111,600	288,935	400,535	3.1	2,520,935	3.63
Etera Mutual Pension Insurance Company		363,138	363,138	2.81	363,138	0.52
Etra Invest Ab		333,000	333,000	2.57	333,000	0.48
Härkönen Matti	57,200	269,515	326,715	2.53	1,413,515	2.03
Suovaniemi Vesa Jukka Markku	74,800	194,499	269,299	2.08	1,690,499	2.43

Exhibit 2. Electronic pipette *eLine* by Biohit.



Exhibit 3. Service lab by Biohit.



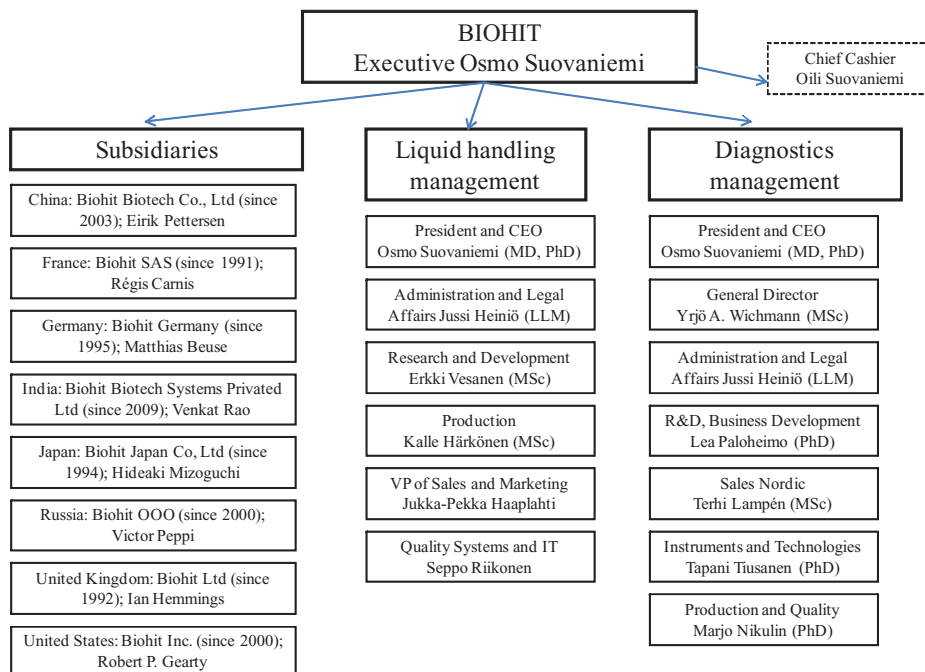
Exhibit 4. Gastro Panel Diagnostics by Biohit.



Exhibit 5. Financial performance of Biohit, 2005–2009.

<i>Unless otherwise stated, figures are presented in millions of euros</i>	2005	2006	2007	2008	2009
Net sales	28.66	31.41	33.01	35.10	35.37
Change in net sales, %	7.3%	9.6%	5.1%	6.3%	0.8%
Operating profit/loss	-33	-143	-197	1.31	1.19
% of net sales	-0.1%	-0.5%	-0.6%	3.7%	3.4%
Profit/loss before extraordinary items and taxes	-256	-607	-1.12	996	669
% of net sales	-0.9%	-1.9%	-3.4%	2.8%	1.9%
Profit/loss before taxes	-256	-607	-1.12	996	669
% of net sales	-0.9%	-1.9%	-3.4%	2.8%	1.9%
Return on equity, %	-1.6%	-6.1%	-11.9%	7.4%	3.1%
Return on investment (ROI), %	0.5%	0.0%	-0.6%	8.2%	5.8%
Equity ratio, %	51.5%	49.4%	43.6%	46.5%	46.8%
Investments in fixed assets	1.99	1.93	2.08	1.21	2.40
% of net sales	6.9%	6.1%	6.3%	3.5%	6.9%
R & D expenditure	1.63	1.69	2.01	2.04	2.41
% of net sales	5.7%	5.4%	6.1%	5.8%	6.8%
Total assets	27.85	27.32	27.34	27.11	27.40
Personnel, average	295	310	352	369	370

Exhibit 6. Company and subsidiary management in March 2010.



Board of Directors

Chairman

Mr Reijo Luostarinen, DSc (Econ.), Professor

Members

Mr Jukka Anti-Wuorinen, BSc (Econ)

Mr Kalle Kettunen, MSc (Eng), MBA

Mr Eero Lehti, MSc (SocSc)

Mr Mikko Salaspuro, MD, PhD, Professor

Mr Osmo Suovaniemi, MD, PhD, Professor

Ms Ainomaija Haarla, DSc (Tech), MBA

Exhibit 7. History of Biohit (source: www.biohit.com).

Year	Events	Net sales EUR million
1988	Establishment of Biohit Ltd. Electronic pipette development begins Establishment of Locus genex Ltd., the current diagnostics division of the Biohit Group	0.49
1989	TEKES[1] funding received for the electronic and mechanical pipettes, pipette tips, and microplates	0.12
1990	Worldwide introduction of the first ergonomically designed electronic pipette, the Proline Assembling of pipettes and injection molding begins in Kajaani, Finland Introduction of first monoclonal antibodies	0.49
1991	TEKES funding for the development of mechanical pipettes Establishment of the first Biohit subsidiary, in France Introduction of new monoclonal antibodies	2.1
1992	Launch of the Proline mechanical pipette Launch of the multichannel Proline electronic pipette Establishment of subsidiaries in Italy and the UK PhD Thesis of Tapani Tiusanen: An application invention of vertical measurement; the self-correcting, multiparameter measuring instrument	4.2
1993	Launch of the multichannel Proline mechanical pipette Co-operation regarding liquid handling products begins with Eppendorf and bioMérieux	6.4
1994	Development of the renewed electronic pipette Co-operation with Ortho Diagnostic Systems of Johnson & Johnson begins Establishment of joint venture in Japan PhD Thesis of Osmo Suovaniemi: The vertical measurement invention, its applications and the invention of electronic liquid handling devices	8.4
1995	Launch of several new liquid handling products Establishment of a Biohit subsidiary in Germany Co-operation with Eastman Kodak Co. Clinical Diagnostic Systems (later acquired by Johnson & Johnson) begins	10.5
1996	Reinforcement of international sales and marketing The GastroPanel program begins PhD Thesis of Sari Ylätopa: An application invention of vertical measurement and immunoassays; the determination of cFn from blood samples and its importance in cancer diagnostics	12.6
1997	Move into new facilities in Helsinki ISO 9001 quality system certification Co-operation with Becton Dickinson and 3M begins Given EUREKA[2] status, on the basis of which TEKES funding is received for the GastroPanel program	14.4
1998	Pipettes assembly and injection molding begins in Helsinki Locus genex Ltd. and Biohit Systems, Inc. become Biohit Group companies External evaluation of the first test kit (Pepsinogen I) of the GastroPanel program PhD Thesis of Auli Linnala: Basic research on Biohit's monoclonal antibodies (cFn and tenascin), which are related to cancer diagnostics	16.8
1999	Listing on Helsinki Exchanges (New Market list) Continuation of aggressive patenting policy	20.5

2000	Completion of new production premises in Kajaani Accreditation of Biohit's pipette calibration laboratory in Finland Preparation to commence global marketing and sales of diagnostic tests and analyzing systems Commencement of sales of instruments Reinforcement of international collaboration and customer service organization through acquisitions in the US and Russia	24.2
2001	Marketing of the GastroPanel begun for research use; several clinical evaluations under way Development of test kit for cellular fibronectin (cFn) Completion of new production premises for diagnostics in Helsinki, Finland Service laboratory operations start	25.5
2002	Launch of the new mLINE mechanical pipette range Enlargement of the electronic eLINE pipette product range Continuation of automatization at the production premises in Kajaani Biohit opens a subsidiary in Russia	25.3
2003	Launch of multichannel electronic eLINE pipettes Establishment of Biohit's representative office in China Further development of production at the Kajaani plant Diagnostics business receives ISO 13485 certification and CE/IVD compliance	26.2
2004	Launch of multichannel mechanical mLINE pipettes Launch of quick tests for diagnosis of <i>Helicobacter pylori</i> infection and lactose intolerance US Food and Drug Administration (FDA) approval for the GastroPanel test kit's serum-based <i>H. pylori</i> test Prize awarded to Biohit by VWR USA, one of the largest global distributors of liquid handling products	26.7
2005	China's State Food and Drug Administration (SFDA) grants Biohit marketing authorization for the Pepsinogen I & II and Gastrin-17 tests included in the GastroPanel examination New contracts help to strengthen the company's OEM business	28.7
2006	Liquid Handling business receives ISO 13485 certification (CE/IVD compliance) Biohit opens subsidiary and starts pipette assembly in China Launch of the electronic eLINE Dispenser for multiple dispensing Chinese scientists recommend GastroPanel for use in Chinese health care Biohit announces new products that reduce carcinogenic acetaldehyde in the mouth and stomach Launch of the <i>Helicobacter pylori</i> IgA/IgG ELISA test	31.4
2007	Launch of the new Proline Plus mechanical pipette range Launch of GastroView (3-in-1 Indigestion Test) in the UK Agreement with VWR concerning liquid handling product sales in Europe	33
2008	20th Anniversary of Biohit Launch of ColonView faecal occult blood test Launch of new filter tips Accreditation of Biohit's calibration laboratory in Germany	35.1
2009	Establishment of Biohit subsidiary in India Launch of Pipetting Academy Launch of SafetySpace™ Filter Tips Renewal of product packages Accreditation of Biohit's pipette calibration laboratory in Russia	35.4
2010	Launch of the Acetium capsule to reduce carcinogenic acetaldehyde in anacidic stomach Establishment of a representative office in Singapore	

[1] TEKES = The National Technology Agency of Finland.

[2] EUREKA = Europe-Wide Network for Industrial R & D. A framework through which industry and research institutes from 26 European countries and the European Union develop and exploit technologies crucial to global competitiveness and a better quality of life.

- 1 LAINE, JUHANI, Toimialareseptin ja yritysparadigman muutos sekä sen vaikutus strategiseen muutokseen. Laadullinen ja historiallinen case-tutkimus perheyriksen siirtymisestä monialayhtymän osaksi. - Change in industry recipe and company paradigm and its impact on strategic change. A qualitative and longitudinal case study on a one-family owned company which moved into the context of a multi-business company. 252 p. Summary 12 p. 2000.
- 2 WAHLGRÉN, ASTA, Mastery and slavery. Triangulatory views on owner-managers' managerial work. - Isäntä ja renki. Trianguloituja näkökulmia omistajaohitajien johtamistyöhön. 138 p. Yhteenveto 4 p. 2000.
- 3 SEPPÄ, MARKO, Strategy logic of the venture capitalist. Understanding vature capitalism - the businesses within - by exploring linkages between ownership and strategy of venture capital companies, over time, in America and Europe. 321 p. Yhteenveto 9 p. 2000.
- 4 PEKKALA, SARI, Regional convergence and migration in Finland, 1960-95. 121 p. Yhteenveto 1 p. 2000.
- 5 KORHONEN, JOUNI, Industrial ecosystem. Using the material and energy flow model of an ecosystem in an industriarian system. - Teollinen ekosysteemi - Ekosysteemin materiaali- ja energiavirtamallin soveltaminen teollisessa systeemissä. 131 p. Tiivistelmä 1 p. 2000.
- 6 KARVONEN, MINNA-MAARI, An industry in transition. Environmental significance of strategic reaction and proaction mechanisms of the Finnish pulp and paper industry. 146 p. Yhteenveto 2 p. 2000.
- 7 RITSILÄ, JARI, Studies on the spatial concentration of human capital. 140 p. Yhteenveto 1 p. 2001.
- 8 LITTUNEN, HANNU, The birth and success of new firms in a changing environment. 261 p. Yhteenveto 2 p. 2001.
- 9 MATTILA, MINNA, Essays on customers in the dawn of interactive banking. - Asiakkaat interaktiivisen pankkiliiketoiminnan aamunkoitossa. 154 p. Yhteenveto 3 p. 2001.
- 10 HYRSKY, KIMMO, Reflections on the advent of a more enterprising culture in Finland: an exploratory study. 244 p. Tiivistelmä 4 p. 2001.
- 11 KUJALA, JOHANNA, Liiketoiminnan moraalialia etsimässä. Suomalaisten teollisuusjohtajien sidosryhmänäkemykset ja moraalinen päätöksenteko. - Searching for business morality. Finnish industrial managers' stakeholder perceptions and moral decision-making. 217 p. Summary 4 p. 2001.
- 12 LÄMSÄ, ANNA-MAIJA, Organizational downsizing and the Finnish manager from an ethical perspective. - Organisaation kutistaminen ja suomalainen liikkeenjohto eettisestä näkökulmasta tarkasteltuna 61 p. (115 p.) Summary 5 p. 2001.
- 13 GRONOW, TITO, Material flow models in environmental policy planning. Case: pulp and paper industry. - Materiaalivirtamallit ympäristöpolitiikan ja -toimintatapojen suunnittelussa. Case: Massa- ja paperiteollisuus. 103 p. (144 p.) Yhteenveto 1 p. 2001.
- 14 MOILANEN, RAILI, A learning organization: machine or human? - Oppiva organisaatio: kone vai oppivien ihmisten yhteisö? 55 p. (162 p.) Yhteenveto 7 p. 2001.
- 15 HOKKANEN, SIMO, Innovatiivisen oppimisyhteisön profiili. Ammattikorkeakoulujen tekniikan ja liikenteen koulutusalan näkökulmasta tarkasteltuna. - The factors contributing to the profile of an innovative learning community. 242 p. Summary 10 p. 2001.
- 16 PAAJANEN, PEKKA, Yrittäjyyskasvattaja. Ammattikorkeakoulun hallinnon ja kaupan alan opettajien näkemykset itsestään ja työstään yrittäjyyskasvattajana. - An entrepreneurship educator. Teachers' views of themselves and their work as an entrepreneurship educator at the polytechnic level, in the field of business and administration. 276 p. Summary 9 p. 2001.
- 17 MANGELOJA, ESA, Nordic stock market integration. - Pohjoismaisten osakemarkkinoiden integraatio. 164 p. Yhteenveto 2 p. 2001.
- 18 KARJALUOTO, HEIKKI, Electronic banking in Finland. Consumer beliefs, attitudes, intentions, and behaviors. - Elektroninen pankkitoiminta Suomessa. Kuluttajien uskomukset, asenteet, aikomukset ja käyttäytyminen. 195 p. Yhteenveto 3 p. 2002.
- 19 VIRTANEN, AILA, Laskentatoimi ja moraalialia. Laskenta-ammattilaisten käsityksiä hyvästä kirjanpitolavasta, hyväksyttävästä verosuunnittelusta ja hyvästä tilintarkastavasta. 184 p. Summary 4 p. 2002.
- 20 TENHUNEN, MARJA-LIISA, The professional growth of an accounting agency entrepreneur. - Tilitoimistoyrittäjän ammatillinen kasvu. 121 p. (359) Yhteenveto 7 p. 2002.
- 21 ALANKO, JUHA, Siipien alla ilmaa. Liikenneilmailun lentotoiminnan johtaminen liikenneiläntäjien miehistönkäytön tehokkuudella ja kustannuksilla mitattu. Empiirisenä kohteena Finnair Oy 1980- ja 1990-luvuilla. - Air under wings. 240 p. Summary 2 p. 2002.
- 22 NIEMELÄ, TARJA, Inter-Firm Co-operation Capability. - A Processual Empirical Study on Networking Family Firms. 204 p. Yhteenveto 1 p. 2003.
- 23 SAJASALO, PASI, Strategies in transition - the internationalization of Finnish forest industry companies. 223 p. Yhteenveto 8 p. 2003.
- 24 NEVANPERÄ, ERKKI, Yrittäjyys Suupohjan opiskelijanuorten ajattelussa. Tutkimus Suupohjan seudun nuorisoasteen opiskelijoiden yrittäjyysnäkemysistä sekä yrittäjyysopetuksen opetussuunnitelman kehittämisspyrkimyksistä. - How the young residents in Suupohja region see entrepreneurship: study of students' opinions

- about entrepreneurship in juvenile degree schools and the efforts in developing the curriculum of entrepreneurship education. 210 p. Summary 2 p. 2003.
- 25 JOUTSEN-ONNELA, MERJA, Turvallisuuutta ja sopusointua vai jännitystä ja valtaa. Tutkimus sairaanhoitaja- ja terveydenhoitajaopiskelijoiden yrittäjyys- ja muista arvoista. - Security and harmony or thrills power. 229 p. Summary 3 p. 2003.
- 26 RAJOITTE, ALAIN, Knowledge and decisions in environmental contexts. A case study of the pulp and paper industry. 190 p. 2003.
- 27 HAAPANEN, MIKA, Studies on the Determinants of Migration and the Spatial Concentration of Labour. 127 p. Yhteenveto 1 p. 2003.
- 28 SUORANTA, MARI, Adoption of mobile banking in Finland. - Mobiilipankkipalveluiden adoptio Suomessa. 79 p. (167 p.) Yhteenveto 3 p. 2003.
- 29 MATTILA, ANSSI, Understanding seamless mobile service interface between customer and technology: An empirical study 62 p. (170 p.) Yhteenveto 3 p. 2003.
- 30 HALTUNEN, JUSSI, Teollisten perheyriyten kasvudynamiikan systeemiteoreettinen tarkastelu. - The growth dynamics of industrial family-owned firms – a systems theory approach. 302 p. Summary 8 p. 2004.
- 31 MADUREIRA, RICARDO, The role of personal contacts of foreign subsidiary managers in the coordination of industrial multinationals: the case of Finnish subsidiaries in Portugal. 186 p. - Ulkomaisten tytäryhtiöiden johtajien henkilökohtaisten kontaktien rooli koordinoinnissa monikansallisissa teollisuusyrityksissä. Case: Suomalaiset tytäryhtiöt Portugalissa. Yhteenveto 1 p. 2004.
- 32 KOIVUNEN, MAURI, Osaamisperustaisen kilpailukyvyn ja yrittäjyyden edistäminen. Tutkimustapauksena Raahan tietotekniikan muun- tokoulutusohjelma insinööreille. - Enhancing competence-based competitiveness and entrepreneurship. Research case: Professional degree upgrading in information technology for engineers in Raah. 216 p. Summary 3 p. 2004.
- 33 KANSIKAS, JUHA, Myyjiä, tuotekehittäjiä ja tuotejohtajia. Tuotepäälliköiden tehtävä- rakenteen heijastuminen tuotekehitys- projektissa sisäiseen yrittäjyyteen ja intuitiiviseen päätöksentekotyylin kuuluviin tekijöihin. - Sales people, product developers and product champions – product managers' responsibilities and job roles in a product development project and their reflection to intrapreneurship and intuitive decision making style. 258 p. Summary 6 p. 2004.
- 34 MUNNUKKA, JUHA, Perception-based pricing strategies for mobile services in customer marketing context. 65 p. (151 p.) Yhteenveto 1 p. 2004.
- 35 PALOVIITA, ARI, Matrix Sustainability: Applying input-output analysis to environmental and economic sustainability indicators. Case: Finnish forest sector. - Matriisikestävyys: Panos-tuotosanalyysin soveltaminen ekologisen ja taloudellisen kestävyuden indikaattoreihin. Case: Suomen metsäsektori. 216 p. Yhteenveto 2 p. 2004.
- 36 HANZELKOVA, ALENA, Re-establishing traditional Czech family businesses. A multiple case study on the present challenges. 306 p. Tiivistelmä 1 p. 2004.
- 37 TUUNANEN, MIKA, Essays on franchising in Finland – Empirical findings on franchisors and franchisees, and their relationships. 143 p. (252 p.) 2005.
- 38 AHLFORS, ULLA, Successful interactive business: Integration of strategy and IT. - Menestyksellinen vuorovaikutteinen e-liiketoiminta: Strategian ja informaatioteknologian integrointia. 353 p. Yhteenveto 2 p. 2005.
- 39 NIEMI, LIISA, The father, the son and the refreshed spirit. Strategic renewal after family business succession in the context of the textile, clothing, leather and footwear industry. - Isä, poika ja yritys yhä hengissä. Perheyriyksen strateginen uudistuminen sukupolvenvaihdoksen jälkeen – tapaus- tutkimus tekstiili-, vaatetus, nahka- ja kenkä- teollisuudessa. 219 p. Summary 2 p. 2005.
- 40 LASSILA, HILKKA, Matkailutilan sukupolven- vaihdos talonpoikaisten arvojen ohjaamana prosessina. - Traditional values affecting succession in farm tourism businesses. 206 p. Summary 12 p. 2005.
- 41 TURJANMAA, PIRKKO, Laadun oppiminen pienissä yrityksissä. Mallin konstruointi ja kehittäminen. - Learning of quality in small companies. Construction and Development of a model. 204 p. Summary 6 p. 2005.
- 42 YLÄOUTINEN, SAMI, Development and functioning of fiscal frameworks in the Central and Eastern European countries. - Finassipolitiikan kehikkojen kehittyminen ja toiminta Keski- ja Itä-Euroopan maissa. 220 p. Yhteenveto 4 p. 2005.
- 43 TÖRMÄKANGAS, RAILI, Perheyriittäjyyden arjen kulttuuri. Kolmen sukupolven sahatoimintaa. - The everyday culture of entrepreneurship over three generations in a saw mill. 203 p. Summary 3 p. 2005.
- 44 TUNKKARI-ESKELINEN, MINNA, Mentored to feel free. Exploring family business next generation members' experiences of non-family mentoring. - Mentoroinnilla vapauden- tunteeseen: Kartoittava tutkimus perheyriyten seuraajasukupolven mentoroinnista saamistaan kokemuksista. 233 p. Yhteenveto 3 p. 2005.

- 45 LINTULA, PAAVO, Maakuntalehden toimittajan toimintatila teknis-rationaalisessa ajassa. - The action scope of a journalist in a regional newspaper under pressure of a technical-rational discourse. 321 p. Summary 3 p. 2005.
- 46 HEIKKILÄ, MAURI, Minäkäsitys, itsetunto ja elämänhallinnan tunne sisäisen yrittäjyyden determinanteina. - The self-concept, the self-esteem and the sense of life control as the determinants of the intrapreneurship. 209 p. Summary 5p. 2006.
- 47 SYRJÄLÄ, JARI, Valoon piirrettyjä kuvia. Tarinoita ja tulkintoja sähköalan murroksesta hyvinvoinnin ja henkilöstöstrategian näkökulmasta. - Pictures in Light. Narratives and interpretations of changes in the energy sector from the point of view of welfare and personnel strategy. 333 p. 2006.
- 48 NIEMELÄ, MARGIT, Pitkäikäisten perheyritysten arvoprofiili. Pitkäikäisten perheyritysten arvojen ja jatkuvuuden kuvaus Bronfenbrennerin ekologisen teorian avulla. - The value profile of long-lived family firms. The description of the values and the continuity of long-lived family firms as seen through Bronfenbrenner's ecological theory. 187 p. Summary 2 p. 2006.
- 49 KAKKONEN, MARJA-LIISA, Intuition and entrepreneurs. A Phenomenological Study of managerial intuition of Finnish family entrepreneurs. 176 p. Tiivistelmä 2 p. 2006.
- 50 LAHTONEN, JUUKA, Matching heterogeneous job seekers and vacancies. Empirical studies using Finnish data. 110. p. Yhteenveto 2 p. 2006.
- 51 OLLIKAINEN, VIRVE, Gender Differences in Unemployment in Finland. 157. p. Yhteenveto 1 p. 2006.
- 52 PURONAHO, KARI, Liikuntaseurojen lasten ja nuorten liikunnan markkinointi - Tutkimus lasten ja nuorten liikunnan tuotantoprosessista, resursseista ja kustannuksista. - Sport marketing by sport clubs for children and youngsters - Exploring the production process, resources and costs of children's and youngsters' sport activities. 236 p. Summary 3 p. 2006.
- 53 POIKKIMÄKI, SANNA, Look closer to see further. Exploring definitions, goals and activities of environmental life cycle management 153. p. Yhteenveto 1 p. 2006.
- 54 SILJANEN, TUULA, Narratives of expatriates in the Middle East. Adaptation, identity and learning in non-profit organizations. 250 p. Tiivistelmä 2p. 2007.
- 55 WESTERHOLM, HELY, Tutkimusmatka pienyrityksen työvalmiuksien ytimeen. Kirjallisuuteen ja DACUM-analyysiin perustuva kartoitus. - A journey into the core of the occupational competence and attitudes of small business entrepreneurs. 221 p. Summary 5 p. 2007.
- 56 HYNINEN, SANNA-MARI, Matching in local labour markets: Empirical studies from Finland. 100 p. Summary 2 p. 2007.
- 57 TOHMO, TIMO, Regional economic structures in Finland: Analyses of location and regional economic impact. 53 p. (273 p.) Tiivistelmä 2 p. 2007.
- 58 HIIRONEN, MARJA-LIISA, Hoivayritykset kotona asuvien ikääntyvien toimintakyvyn tukena. Ikääntyvien kuntapäätäjien ja hoivayrittäjien näkökulma. - Care enterprises and the functionality of elderly people living at home. The perspectives of aging people, municipal decision-makers and care entrepreneurs. 153 p. Summary 2 p. 2007.
- 59 ARHIO, KAIJA, Luova laatu ja arvoinnovaatiot oppivan verkoston tuottamina. Tapaus-tutkimus rakennuspuutuoteollisuuden verkostosta. - Creative quality and value innovations created by a learning network. Case-study within a building components manufacturing network. 191 p. Summary 10 p. 2007.
- 60 HEIKKINEN, EILA, Yrittäjän persoonallisuus ja sen yhteys yrityksen kasvuun BigFive-teorian mukaan tarkasteltuna. - An entrepreneur's personality and its impact on the firm's growth: An analysis through the Big Five Theory. 139 p. Summary 5 p. 2007.
- 61 ELO-PÄRSSINEN, KRISTA, Arvot ja yhteiskunta-vastuullinen toiminta suurissa suomalaisissa perheyrityksissä. Omistajan näkökulma. - Values and corporate social performance in large Finnish family firms. Owners view. 188 p. Summary 2 p. 2007.
- 62 NYSSÖLÄ, HANNU, Omistajaohjaus, sisäinen yrittäjyys ja tuloksellisuus ammattikorkeakouluissa. - Corporate governance, intrapreneurship and effectiveness in the Universities of Applied Sciences. 361 p. Summary 9 p. 2008.
- 63 KAUKO-VALLI, SOFIA, Subjective well-being as an individually constructed phenomenon. 179 p. Summary 1 p. 2008.
- 64 SINTONEN, TEPPO, Diversiteetti ja narratiivisuus. Tutkielmia diskursiivisesta organisaatiotodellisuudesta. - Diversity and Narrative. Discursive approaches to organizational reality. 59 p (123 p.) Summary 2 p. 2008.
- 65 KOOSKORA, MARI, Understanding corporate moral development in the context of rapid and radical changes. The case of Estonia. 105 p. (198 p.) Tiivistelmä 9 p. 2008.
- 66 TAKANEN-KÖRPERICH, PIIRJO, Sama koulutus - eri urat. Tutkimus Mainzin yliopistossa soveltaa kielitiedettä vuosina 1965-2001 opiskelleiden suomalaisten urakehityksestä palkkatyöhön, freelancereiksi ja yrittäjiksi. - Same Education - Different Careers. The study of the Finnish nationals who have studied applied linguistics in the University of Mainz, Germany, during the years 1965-

- 2001, and their working development as employees, freelancers and entrepreneurs. 203 p. Summary 2 p. Zusammenfassung 3 p. 2008.
- 67 RANKINEN, ARJA, Kulttuurinen osaaminen Etelä- ja Itä-Kiinassa toimittaessa. Illustraationa eräs tulkinta suomalaisjohtajien Kiina-kokemuksista. - Cultural competence when operating in Southern and Eastern China. An interpretation of some Finnish business managers' experiences in China as an illustration. 294 p. Summary 4 p. 2008.
- 68 KOTAJA, SARI MAARIT SUSANNA, Keskipohjalaisyriykset toimintaympäristönsä ja sen hyvinvoinnin rakentajina. Diskurssianalyttinen näkökulma. - Central Ostrobothnian SMEs as constructors of their operating environment and regional welfare. Discourse analytic research. 209 p. Summary 3 p. 2008.
- 69 TEITTINEN, HENRI, Näkymätön ERP. Taloudellisen toiminnanohjauksen rakentuminen. - Invisible ERP. Construction of enterprise resource planning. 206 p. Summary 2 p. 2008.
- 70 LUOTO, JANI, Bayesian applications in dynamic econometric models. - Bayesilaisia sovelluksia dynaamisissa ekonometrisissa malleissa. 148 p. Tiivistelmä 3 p. 2009.
- 71 TOURUNEN, KALEVI, Perheyriykset kansantalouden resurssina. Keski suurten ja suurten yritysten omistajuus, toiminnan laajuus ja kannattavuus Suomessa 2000–2005. - Family businesses as an economic resource. Ownership, scale and profitability of middle-sized and large-sized businesses in Finland in 2000–2005. 174 p. Summary 3 p. 2009.
- 72 NIEMELÄ-NYRHINEN, JENNI, Factors affecting acceptance of mobile content services among mature consumers. - Mobiilien sisältöpalveluiden omaksumiseen vaikuttavat tekijät ikääntyvien kuluttajien keskuudessa. 148 p. Yhteenveto 3 p. 2009.
- 73 LAURONEN, MIRJA, Yrittäjämäinen elinkeinopolitiikka. Kolmevaiheinen, diskurssianalyttinen tarkastelu kunnan elinkeinopolitiikan roolista ja tehtävistä. - Entrepreneurial economic policy. A three-phase discourse-analytical study of the roles and functions of municipal economic policy. 193 p. Summary 4 p. 2009.
- 74 KOSKINEN, MARKETTA, Omistajuus erilaisten yrittäjien käsityksinä ja tulkintoina. Fenomenografinen tutkimus. - Ownership as understood and interpreted by various entrepreneur types. A phenomenographic study. 227 p. Summary 2 p. 2009.
- 75 FRANTSI, TAPANI, Ikääntyvä johtaja tienhaaras. Ikääntyvien johtajien kertomukset johtajuuden ja identiteetin rakentajana. - Stories as identity construction of ageing leaders at the career crossroads. 247 p. 2009.
- 76 ONKILA, TIINA, Environmental rhetoric in Finnish business. Environmental values and stakeholder relations in the corporate argumentation of acceptable environmental management. 200 p. Yhteenveto 1 p. 2009.
- 77 HARTIKAINEN, PERTTI, "Tätä peliä ei hävitä" Abduktiivinen tutkimus Halton-konsernin oppimishistoriasta 1968–2006. - "We won't lose this game." Abductive research on learning history of Halton Group 1968–2006. 190 p. Summary 4 p. 2009.
- 78 KERTTULA, KARI, Valta ja muutos. Ylimmän johdon tulkinta vallan ilmenemisestä organisaation strategisessa muutosprosessissa. - Power and change. Interpretation of the top management about the power arising from a strategic change process: qualitative case study within a forest industry organization. 206 p. Summary 3 p. 2009.
- 79 ANTTONEN, RITVA, »Manne takaraivossa». Ennakkoluulot ja syrjintä suomalaisten romaniyrittäjien kokemana. Fenomenografinen tutkimus. - Experiences of prejudice and discrimination of Roma entrepreneurs in Finland. A phenomenographic study. 199 p. Summary 3 p. 2009.
- 80 SALVADOR, PABLO F., Labour market dynamics in the Nordic countries according to the chain reaction theory. 148 p. 2009.
- 81 PELLINEN, ANTTI, Sijoitusrahastoasiakkaiden taloudellinen kyvykkyys ja tulevat lisäsijoituspäätökset. - Financial capability of mutual fund clients and additional investment decisions. 196 p. 2009.
- 82 KALLIOMAA, SAMI, Sisäinen markkinointi johtamisena. Tapaustutkimus konepajateollisuuden projektiorganisaatiosta. - Internal marketing as management – case study: project organisation within the engineering industry. 232 p. Summary 8 p. 2009.
- 83 VON BONSDORFF, MONIKA E., Intentions of early retirement and continuing to work among middle-aged and older employees. - Keski-ikäisten ja ikääntyneiden työntekijöiden eläke- ja työssä jatkamisaikheet. 86 p. (194 p.) Yhteenveto 3 p. 2009.
- 84 LAAKKONEN, HELINÄ, Essays on the asymmetric news effects on exchange rate volatility. - Esseitä makrotalouden uutisten vaikutuksista valuuttakurssien volatilitettiin. 124 p. Yhteenveto 4 p. 2009.
- 85 LAPPALAINEN, MINNA, Entrepreneurial orientation at the level of dyad relationships in supply chains and networks. 138 p. Yhteenveto 3 p. 2009.
- 86 SILTAOJA, MARJO, Discarding the mirror - The importance of intangible social resources to responsibility in business in a Finnish context. - Peiliä hylkäämässä. Aineettomien sosiaalisten resurssien merkitys liiketoiminnan vastuulle. 204 p. Yhteenveto 3 p. 2010.

- 87 OVASKAINEN, MARKO, Qualification requirements of SMEs in Internet-based electronic commerce. - Findings from Finland. - Pk-yritysten kvalifikaatiovaatimukset Internet-pohjaisessa elektronisessa kaupankäynnissä – löydöksiä Suomesta. 273 p. Yhteenveto 6 p. 2010.
- 88 KUIVANIEMI, LENI, Evaluation and reasoning in the entrepreneurial opportunity process: Narratives from sex industry entrepreneurs. - Arviointi ja päättely liiketoimintamahdollisuuksien tunnistamisprosessissa. Yrittäjien tarinoita seksiteollisuudesta. 216 p. 2010.
- 89 STORHAMMAR, ESA, Toimintaympäristö ja PK-yritykset. Havaintoja yritysten toimintaan vaikuttavista tekijöistä. - Local environment and the small and medium sized enterprises. Observations of the factors which affect the operations of firms. 188 p. Summary 3 p. 2010.
- 90 KOSKINEN, HANNU, Studies on money and labour market dynamics and goods market imperfections. - Tutkimuksia raha- ja työmarkkinadynamiikasta ja hyödyke-markkinoiden epätäydellisyyksistä. 106 p. Yhteenveto 2 p. 2010.
- 91 HÄMÄLÄINEN, ILKKA, Suunnittelijat innovaatio-toiminnan ja kasvun ytimessä. - Architects and consulting engineers in the core of innovation and growth. 270 p. Summary 2 p. 2010.
- 92 KETOLA, HANNU U., Tulokkaasta tuottavaksi asiantuntijaksi. Perehdyttäminen kehittämisen välineenä eräissä suomalaisissa tietualan yrityksissä. - Transformation from a recruit (newcomer) into a productive expert. The job orientation process as a tool for personnel development in Finnish ICT companies. 212 p. 2010.
- 93 RAUTIAINEN, ANTTI, Conflicting legitimations and pressures in performance measurement adoption, use and change in Finnish municipalities. - Ristiriitaiset legitimaatiot ja paineet suoritustietojen käyttöönotossa, käytössä ja muutoksessa Suomen kunnissa. 52 p. (109 p.) Summary 4p. 2010.
- 94 JAUHAINEN, SIGNE, Studies on human capital flows and spatial labour markets. - Tutkimuksia inhimillisen pääoman virroista ja alueellisista työmarkkinoista Suomessa. 98 p. Summary 1p. 2010.
- 95 KORSUNOVA, ANGELINA, Encouraging energy conservation with 'no hard feelings': a two-part analysis of communication between energy companies and Finnish households. 213 p. 2010.
- 96 NOKSO-KOIVISTO, PEKKA, Verkostoaktivaattorien roolit yritysten verkostoituessa. - Roles of Network Activators in Business Networking Process. 262 p. Summary 6 p. 2010.
- 97 AALTONEN, HELI, Co-creation of value in advertising. An interpretive study from the consumers' perspective. - Yhteinen arvonluonti mainonnassa. Kuluttajakeskainen tulkitseva tutkimus. 186 p. Yhteenveto 2 p. 2010.
- 98 YLINEN, AULIS, Opettajien yrittäjyyskasvatusvalmiudet Etelä-Pohjanmaan lukioissa. - Teachers' readiness for entrepreneurship education at Southern Ostrobothnia upper secondary schools. 221 p. Summary 8 p. 2011.
- 99 MUKKALA, KIRSI, Essays on regional development and labor mobility in a knowledge-based economy. - Alueellinen kehitys ja työvoiman liikkuvuus maantieteellisen keskittymisen ja osaamisintensiivisten alojen näkökulmasta. 127 p. Yhteenveto 2 p. 2011.
- 100 KONTINEN, TANJA, Internationalization pathways of family SMEs. - PK-perheyriyten kansainvälistymispolkuja. 98 p (243 p). Yhteenveto 1 p. 2011.