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Author(s): Metsola, Jaakko; Torkkeli, Lasse; Leppäaho, Tanja; Arenius, Pia; Haapanen, Mika

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Socioemotional Wealth and Networking in the Internationalisation of Family SMEs

Jaakko Metsola

LUT University, Finland

jaakko.metsola@lut.fi

Lasse Torkkeli

LUT University, Finland

Tanja Leppäaho

LUT University, Finland

Pia Arenius

RMIT University, Australia

Mika Haapanen

University of Jyväskylä, Finland

Abstract

In internationalisation processes, international expansion exposes family SMEs to external networking and the risks such expansion entails, and perceived threats to their socioemotional wealth (SEW) might restrain their willingness to take these actions. However, very few studies measure SEW and associate it with internationalisation. Considering SEW preservation's prominence in family SMEs and SMEs' heavy dependence on networking during internationalisation, we hypothesise that SEW preservation has a negative association and networking has a positive association with the family SMEs' degree of internationalisation (DOI). We reconstruct four SEW constructs that carry significance for family SMEs—family-heritage maintenance, family-controlled decision-making, familial relationship-building and emotional decision-making—used in the SEW-related hypotheses and as moderators of networking's effects. A multiple regression analysis of 89 Finnish SMEs (47 of which were family SMEs) suggests that emotional decision-making has a strong negative relationship and networking has a strong positive relationship with DOI. The results extend and clarify the restraining role of SEW through affective preferences and needs in family-SME internationalisation, while also emphasising the economising role of networking in offsetting dysfunctional SEW and related bifurcation bias in the long run.

Keywords: socioemotional wealth, emotional decision-making, bifurcation bias, networking, internationalisation, family SME

Introduction

Family firms constitute the most dominant firm type in the world (European Commission, 2019a; Schulze, Lubatkin, & Dino, 2002; Shanker & Astrachan, 1996). These firms, in which family members control ownership and managerial positions (e.g. Arregle, Naldi, Nordqvist, & Hitt, 2012), differ from nonfamily firms in their tendency to preserve socioemotional wealth (SEW). SEW refers to ‘non-financial aspects of the firm that meet the family’s affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty’ (Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007, p. 106). In family firms, decision-making aimed at increasing and preserving affective endowments may even take priority over rational economic decision-making (e.g. Gomez-Mejia, Cruz, Berrone, & De Castro, 2011). SEW preservation might make family firms bifurcation-biased, i.e. preferring affect-based and dysfunctional family assets over economising and functional nonfamily assets, leading to inefficient decision-making, at least in the short or the medium term (Kano & Verbeke, 2018).

However, we know very little about the role of SEW in family firms’ decision-making and strategies, due to the lack of SEW measurement in family-firm research (Miller & Le Breton-Miller, 2014), despite the availability of alternative SEW measurement scales (e.g. Berrone, Cruz, & Gomez-Mejia, 2012; Debicki, Kellermanns, Chrisman, Pearson, & Spencer, 2016; Hauck, Suess-Reyes, Beck, Prügl, & Frank, 2016). The lack of measurement also concerns the internationalisation of family firms, which, as a research theme per se, has attracted an increasing number of studies over the past two decades (Arregle, Duran, Hitt, & van Essen, 2017). Although SEW is increasingly included in some empirical analyses, primarily yielding findings on its restraining effect on internationalisation propensity and intensity (e.g. Alessandri, Cerrato, & Eddleston, 2018), it mostly appears as a higher-order theoretical

perspective or becomes operationalised through proxies of family control, without any deeper measurement capturing its various dimensions.

In this study, we provide new empirical insights into the relationship of SEW and family-firm internationalisation, considering two key issues concerning SEW. First, in terms of measurement, this study applies the FIBER scale by Berrone et al. (2012) to analysing the association of SEW with the successful international expansion of family firms. Both of the FIBER-related scales that Debicki et al. (2016) and Hauck et al. (2016) developed consist of three SEW dimensions, although they differ in emphasis. Debicki et al.'s SEWi scale focuses on the affective importance of SEW, and Hauck et al.'s REI-scale focuses on the core affective endowments of SEW. Given also that these scales are based on family firms operating from large economies, namely the U.S. (Debicki et al., 2016) and Germany (Hauck et al., 2016), conducting our own factor analysis seemed useful. Based on the FIBER scale and derived from data from the smaller and more internationalisation-dependent economy of Finland, our factor analysis aimed to not only clarify or extend existing scales but also to apply SEW more directly to the context of internationalisation.

Second, we emphasise the relational role of SEW in family firms and in internationalisation. SEW relates to maintaining social relationships and family benefit among the family members inside family firms (Berrone et al., 2012; Zellweger, Chrisman, Chua, & Steier, 2019). The prominent role of SEW *inside* family firms suggests that it is important, yet challenging, to engage in *external* and *international* networking to promote internationalisation. The essentiality of networking particularly concerns family-owned small- and medium-sized enterprises (family SMEs), since SMEs tend to heavily depend on networks that compensate for limited resources and, thus, enable successful internationalisation (e.g. Eberhard & Craig, 2013; Torkkeli, Saarenketo, & Nummela, 2015; Zain & Ng, 2016). Smaller family firms are also more likely than larger family firms to use SEW as a primary reference point in decision-

making (Gomez-Mejia et al., 2011). Therefore, studying whether family SMEs can ‘cut loose’, at least partially, from internal intrafamily social bonding stemming from SEW preservation, and engage in external interfirm networking needed for internationalisation, is relevant.

Thus, we conducted a multiple regression analysis to study whether SEW and family SMEs networking are related to the degree of internationalisation (DOI). The analysis utilises observations from 47 Finnish family SMEs (used in SEW-related factor analysis), together with a reference group of 42 Finnish nonfamily SMEs. The results partially confirmed our hypotheses. Of the four new SEW constructs derived from the factor analysis, emotional decision-making has a statistically significant strong negative relationship with the DOI of family SMEs. On the other hand, the results for the effects of the other three SEW constructs (family-heritage maintenance, family-controlled decision-making, familial relationship-building) were not statistically significant. Networking has a statistically significant strong positive relationship with the DOI of family SMEs. Moderation effects were not statistically significant.

In sum, the results of this study indicate that if family SMEs focus on networking and avoid the tendency to make decisions emotionally, they can reach higher degrees of internationalisation. The study and these results contribute both methodologically and conceptually to the research on family-firm internationalisation. First, the four reconstructed SEW dimensions provide elaborate validation of Gomez-Mejia et al.’s (2007), Debicki et al.’s (2016), and Kano’s, Ciravegna’s, and Rattalino’s (2020) conceptualisations of SEW, as well as an extension of Hauck et al.’s (2016) FIBER-based scale, by underscoring SEW’s role in the ways that family firms make decisions in the long run, using affective and relational needs and preferences. Second, we pinpoint emotional decision-making as a key restrictive SEW factor in the internationalisation of family SMEs. Third, we emphasise the role of networking as a key economic and functional ‘counterforce’ to noneconomically perceived and often dysfunctional

emotional decision-making inherent in family SMEs. Thus, we contribute to understanding the role of bifurcation bias in family firms and their internationalisation (Kano et al., 2020; Kano & Verbeke, 2018).

Socioemotional Wealth (SEW) and Networking in Family Firm Internationalisation

Socioemotional wealth (SEW) that builds on the triad of family, business and ownership (see Gersick, Davis, Hampton, & Lansberg, 1997) has emerged to explain the uniqueness of family firms in the years since the appearance of the first article to explicitly discuss it, by Gomez-Mejia et al. (2007). The concept of SEW consists of understanding such noneconomic rewards or affective endowments as emotional attachment and family-member involvement, which family members in the organisation seek to preserve and draw from the family business (Gomez-Mejia et al., 2011; Gomez-Mejia et al., 2007). Based on the behavioural agency model (BAM) (Wiseman & Gomez-Mejia, 1998), SEW is important ‘affective wealth-at-risk’ (Gomez-Mejia et al., 2014, p. 1354), the loss of which is avoided even at the risk and expense of financial decisions and wealth (Debicki et al., 2016; Gomez-Mejia et al., 2007). Berrone et al. (2012) suggest five central SEW dimensions that encapsulate the important SEW assemblage that family firms may want to preserve: family control and influence, family members’ identification with the firm, binding social ties, emotional attachment, and renewal of family bonds with the firm through dynastic succession. Thus, SEW broadly covers the family dynamics in the management, ownership and decision-making of family firms.

Gomez-Mejia et al. (2011) argue that ‘socioemotional wealth is the defining feature of a family business [...] central, enduring, and unique to the dominant family owner, influencing everything the firm does’ (p. 692). The fear of losing SEW might lead to decision-making guided by noneconomic and affect-based factors, rather than more rational economic factors,

for instance, manifesting as contractual arrangements benefiting family, reluctance to join cooperatives, or avoidance of diversification (Gomez-Mejia, Makri, & Kintana, 2010; Cruz, Gomez-Mejia, & Becerra, 2010; Gomez-Mejia et al., 2007). The family firm is regarded as an extension of family (including nonfamily employees), and the members of the organisation feel a strong identification with the business, care for the reputation of the firm, and commit to and benefit extended-family members through reciprocal relationships (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010; Miller, Lee, Chang, & Le Breton-Miller, 2009; Miller & Le Breton-Miller, 2005).

SEW preservation, bringing members of a family firm closer in order to pursue collective efforts to maintain noneconomic aspects of the business, has a largely negative image, though in some contexts its image is a positive one in relation to internationalisation. The 'mixed gamble', i.e. the trade-offs between potential SEW gains and losses that figure in making strategic (economic) decisions (Gomez-Mejia et al., 2014; Martin, Gomez-Mejia, & Wiseman, 2013), may result in family firms staying in domestic or nearby markets and not expanding to distant markets that are riskier for the preservation of SEW (Alessandri et al., 2018). The notion of the mixed gamble means that family firms might take the 'gamble' if they deem some strategic and entrepreneurial decisions helpful in accumulating assets for the SEW endowment (Gomez-Mejia, Patel, & Zellweger, 2018); however, the risks of internationalisation might be too great a trade-off to discover. As De Massis, Frattini, Majocchi, and Piscitello (2018) point out, the many aspects of heterogeneity among family firms, such as behavioural propensities and strategic drivers, include weighing family benefits against internationalisation benefits and ultimately preventing family from committing to economically driven internationalisation if it will not benefit family and noneconomic aspects of the business. This could be a generational question; younger generations are less oriented towards preserving

SEW and more oriented towards capitalising on internationalisation than older generations (Fang, Kotlar, Memili, Chrisman, & De Massis, 2018).

One possible reason that SEW preservation may act as a significant deterrent to the internationalisation of family firms is the required formation of external business relationships. With increased access to information and enhanced logistics (Coviello, Kano, & Liesch, 2017; Van Alstyne & Brynjolfsson, 2005), the modern, digitalised global business environment has pushed firms to be proactive, entrepreneurial and networked, to capitalise on opportunities and competitive advantages in business exchanges (Vahlne & Johanson, 2017). SEW dimensions strongly relate to intrafamily social relationships (Zellweger et al., 2019), manifesting in maintenance of family control, emotional attachment, binding social ties, identification and generational continuity (Berrone et al., 2012). ‘Exposure’ to external relationships might appear to threaten family legacy, goals, decision-making and harmony.

The role of SEW in managerial decision-making decreases as the family-firm size increases (Gomez-Mejia et al., 2011). Thus, the threat of losing SEW might pose a big concern, particularly for SME-sized family firms. Their relatively small size might reinforce the effects of various SEW dimensions, e.g. identification with the firm and emotional attachment, in a close community of family-member owners and managers, possibly making them risk-averse to entering the outside world and seeking growth opportunities in international markets. Yet, SMEs engaging in networking to complement their limited resources and internationalise profitably seems particularly important (Buciuni & Mola, 2014). In family SMEs, SEW preservation within the close family and distrust of outsiders negatively influence the formation of international network relationships and the development of resources for shifting from an exporting and domestic focus to joint ventures and more distant markets (Scholes, Mustafa, & Chen, 2016). Family SMEs engage in less interorganisational networking for internationalisation (Eberhard & Craig, 2013). Once they form international network

relationships, they may stick with just a few and miss out on profitable opportunities outside that immediate network (Kontinen & Ojala, 2012). Thus, SEW preservation might restrain not only internationalisation propensity but also internationalisation intensity, stagnating the internationalisation process through limited networks.

However, SEW preservation can also encourage family SMEs to go international. Family-firm members might see internationalisation as a survival strategy that is then persistently executed with strong inherent stewardship and a long-term orientation (Kraus, Mensching, Calabro, Cheng, & Filser, 2016; Munoz-Bullon & Sanchez-Bueno, 2012; Zahra, 2003). From this perspective, family SMEs are not necessarily inward-looking and distrustful of outsiders but, rather, able to extend their strong internal social capital externally to international customers and partner relationships (Cesinger et al., 2016; Graves & Shan, 2014; Tasavori, Zaefarian, & Eng, 2018). Banalieva and Eddleston (2011) argue that family management is beneficial regionally and nonfamily management is beneficial globally. Family-managed firms can more easily leverage and maintain their inherent social capital, long-term orientation and reputation interorganisationally, in nearby locations. Hennart, Majocchi, and Forlani (2019) specifically point to family members' strong identification and emotional attachment to the family SME, showing powerful determination and desire to develop their products and services in the long run for external stakeholders also. They find that family SMEs may have competitive advantages in producing and marketing high-quality products in global niches, where foreign customers and partners require reliable and close relationships and communication with suppliers. If these foreign customers and partners are themselves family firms that possess similar values, mutual trust and long-term orientation, relationships may have even more potential to thrive (Fernandez & Nieto, 2005; Gallo & Pont, 1996; Mitter & Emprechtner, 2016; Swinth & Vinton, 1993). Leppäaho and Metsola (2020) found two types of international networking among family SMEs, which align with the notions above: (i) narrow

network maximisers that mostly rely on network relationships that are few, but strong, and relational embeddedness to drive long-term and sustainable internationalisation regionally or globally, and (ii) broad network enablers that have a more extensive network of relationships of varying strengths globally, enabling widespread growth, mostly in global niches, while maintaining community-level social capital among the network partners. In both networking strategies, family-firm-specific attributes and choices, such as social capital, long-term orientation and choosing similar family firms as foreign partners, are conducive to promoting successful internationalisation with either a narrow or broad scope.

Thus, research indicates that the distinctive organisational culture, SEW preservation and distrust of outsiders, discourages family firms from engaging in relationships with external and nonfamily organisations (Dyer, 1988; Eberhard & Craig, 2013; Roessl, 2005). Nonetheless, family-SME idiosyncrasies and SEW preservation are not automatically negative noneconomic hindrances to internationalisation but can indicate a passion for running an economically sound business and developing superior products and relationships with foreign customers and partners. SEW preservation poses both a challenge and an opportunity for family-SME internationalisation. Specifically, each SEW dimension might encompass two sides of the same coin. For instance, identification, emotional attachment and binding social ties might restrain the formation of external networks and broadening of those networks without too strong a shackle on existing ones. However, these dimensions might also create social capital, both within the family firm and externally, which then creates trustworthy and long-term partner and customer relationships in foreign markets. High levels of family control and renewal of family bonds might restrain acquiring competent nonfamily managers with internationalisation knowledge and contacts, but these dimensions might also enable agility for internationalisation decision-making and effective transfer of accumulated knowledge through generations, for a persistent, long-term and sustainable internationalisation process.

Indeed, Kano et al. (2020) suggest that SEW-related family assets can be transformed into firm-specific advantages (FSAs), namely social capital, long-term orientation and reputation. However, that essentially requires openness to nonfamily and external involvement in management, ownership and network relationships. Building the optimal structure for the organisation to implement a successful internationalisation process, with a view to leveraging internal family-specific factors on the one hand and ‘external exposure’ on the other, challenges family firms. Several studies point to the benefits of diversity and heterogeneity in the management and board of family firms (e.g. D’Angelo, Majocchi, & Buck, 2016; Kraus et al., 2016), but such firms have a tendency to operate under family control over generations (e.g. Pongelli, Caroli, & Cucculelli, 2016; Ray, Mondal, & Ramachandran, 2018).

This tendency of family-firm owners and managers to treat family assets and nonfamily assets differently, regardless of their actual contribution to value creation within particular bounds of rationality and reliability, is ‘bifurcation bias’ (Verbeke & Kano, 2012). Kano and Verbeke (2018) argue that bifurcation bias can inhabit the decision-making and goal orientations of family firms during their internationalisation processes and international operations in the short or medium run, but more efficient economising practices and routines can replace them in the long-run. In practice, this can happen by appointing managers for their cross-border operational merits, providing international education to family members, and making internationalisation-related decision-making and performance-measurement processes more structured, rigorous and transparent. However, given that bifurcation bias is ‘the de facto preferential treatment of assets that hold a special emotional meaning for the family’ (Kano et al., 2020, p. 2), family firms might have difficulty altering decision-making by resorting less to family-priorities and including less emotional, nonfamily considerations.

Overall, the family-firm-internationalisation research has mostly considered factors specific to family firms as negative factors for internationalisation (e.g. Fernandez & Nieto,

2006; Monreal-Perez & Sanchez-Marin, 2017), although other studies perceive some benefits for internationalisation resulting from factors specific to family firms (e.g. Munoz-Bullon & Sanchez-Bueno, 2012; Zahra, 2003). One possible reason for not reaching a widespread consensus in this regard might be that the models describing family-firm internationalisation often do not include SEW or its dimensions as independent variables. SEW captures the distinctive essence of family firms and their strategic decision-making, especially in family SMEs. By balancing the positive and negative sides of SEW based on the existing literature discussed above, we hypothesise that its effect is inversely related to the degree of internationalisation.

H1: The higher the priority on SEW in family SMEs is, the less is their degree of internationalisation.

As the international expansion of SMEs depends heavily on their networks (Eberhard & Craig, 2013; Musteen, Datta, & Butts, 2014; Zain & Ng, 2016) and capabilities for developing networks with other individuals and firms (Mort & Weerawardena, 2006; Torkkeli et al., 2015; Zhou, Wu, & Luo, 2007), we would expect a similar tendency in family SMEs. Internationalisation depends largely on the ability to avoid ‘liability of outsidership’, through involvement in and learning from network relationships (Johanson & Vahlne, 2009) that provide new and complementary resources, capabilities and knowledge that facilitate and speed up foreign-market entries and expansions (Agndal, Chetty, & Wilson, 2008; Arenius, 2005; Chetty & Holm, 2000; Yli-Renko, Autio, & Tontti, 2002). Chetty and Holm (2000) define a network as ‘a set of two or more connected business relationships, in which each exchange relation is between business firms that are conceptualized as collective actors’ (p. 79). Thus, networks or network relationships, ranging from buyer to supplier relationships, are strategic environments in which SMEs can cooperate, gain benefits and even develop competitive advantages for internationalisation (Coviello & Munro, 1995). The existence of networks per

se may not yield benefits and profitable internationalisation, but the activity and extent to which SMEs use these networks, receive support from them, and collaborate through them (i.e. engage in *networking* activities) are important for internationalisation (Dimitratos, Amoros, Etchebarne, & Felzensztein, 2014; Johanson & Mattsson, 1988).

Obviously, family SMEs are no exception, and networking benefits can apply to them as they do to nonfamily SMEs. For instance, family SMEs can obtain crucial knowledge for internationalisation by intense collaboration with and trust in network partners (Cesinger et al., 2016). Making intense networking activity even more important for family SMEs is the simultaneous preservation of SEW, as the closer and longer relationship-building process with these partners supports family SMEs' accumulating international market knowledge and trust in the improbability that these partners will jeopardise SEW (Cesinger et al., 2016). Kraus et al. (2016) suggest that the higher the level of SEW endowment, the greater the need for external involvement in management and ownership, as well as the family firm's involvement in international networks, to achieve successful internationalisation. These economising and functional activities can then mitigate bifurcation bias and equip family SMEs with the necessary resources and capabilities that serve internationalisation operations in the long run (Kano et al., 2020).

However, as discussed earlier, SEW can also negatively affect the development of international network relationships in family SMEs (Scholes et al., 2016). Strong desire to maintain intrafamily social relationships, family harmony and decision-making under family control could result in a desire to preserve SEW (Berrone et al., 2012; Zellweger et al., 2019), to which engagements in external relationships pose a considerable threat. Thus, following the network view of internationalisation that Johanson and Vahlne (2009) present could raise the question of whether family firms nurture 'insidership' excessively within the close circle around the family, rather than promote it for opportunities outside the close family. The tendency to

preserve SEW might be one of the reasons behind family SMEs' reluctance to engage in interorganisational networking in the first place (Eberhard & Craig, 2013) and expand networks as the internationalisation process progresses (Kontinen & Ojala, 2012). However, besides the studies by Cesinger et al. (2016) and Scholes et al. (2016), no studies explicitly consider SEW as an antecedent, moderator or outcome of international networking within family SMEs.

Thus, we posit that to the extent a family SME does engage in networking, those networks can help offset the negative impact of SEW on international expansion hypothesised in H1 above. However, based on the prominent role of SEW as a relational construct, we also expect it to negatively moderate the effect of networking on the internationalisation of family SMEs. Therefore, we hypothesise:

H2: The more that family SMEs engage in networking, the higher is their DOI.

H3: In family SMEs, SEW negatively moderates the relationship between networking and DOI.

Data and Methods

Data collection and sample selection

The data used to test the hypotheses were collected from Finnish family and nonfamily SMEs that had been identified in 2012 in a similar internationalisation-related data collection but without SEW-related questions. At that time, we identified 4,343 exporting SMEs (using a Finnish credit-information organisation, Asiakastieto Ltd, and Finnish Customs), of whom 734 (17%) responded to our survey. Respondents were deliberately chosen senior managers (in most cases, CEOs), the most informed about the firm strategy and, thus, in the best position to respond knowledgeably. Following the European Commission (2019b), we defined SMEs as firms that employ less than 250 employees and whose turnover is under 50 million euro. In 2017, we contacted all these respondents and additional firms again for a survey that included

similar internationalisation-related questions but also SEW-related questions. Requests were sent to 908 SMEs by email. An additional 830 respondents were contacted by phone, of whom 384 promised to answer the survey. Eventually, after sending reminders to those who had promised to take part but did not respond in time, we received 187 survey responses. As a result, the response rate in relation to the e-mail requests sent was 20%. Most of the respondents answered the questionnaire in full and included both family and nonfamily SMEs.

The survey questions focused on family ownership, networking, SEW and the internationalisation and international activities of the firms. In addition to more general family-specific questions (e.g. the presence of family members in management and different generations), we aimed to obtain information about SEW dimensions by using the questionnaire that Berrone et al. (2012) suggested. When studying SEW, one should distinguish between family-controlled and family-influenced firms. Family-controlled firms—in which family members own at least 50% of the shares and constitute a presence in management and governance (e.g. Arregle et al., 2012)—may have stronger SEW-preservation tendencies than firms that are merely family-influenced, with less control and decision-making power in family-member hands (Arregle et al., 2012; Berrone et al., 2012; Gomez-Mejia et al., 2007; Zellweger, Kellermanns, Chrisman, & Chua, 2012). The degree of family control per se has been used as a proxy for SEW (Kotlar, Signori, De Massis, & Vismara, 2018; Zellweger et al., 2012). Therefore, we selected from the sample only family-controlled SMEs meeting the definition above. We also selected nonfamily SMEs (0% family ownership) to act as a reference group for selected family SMEs.

Furthermore, we noticed that despite the initial identification of exporters, some firms in the sample had importing or wholesale business as a main source of revenue. Since we examined external and international networking, we wanted exporters that had personally manufactured products for sale abroad and would require a search for partners and customers

‘from scratch’. Eventually, after selecting family-controlled and nonfamily SMEs by product manufactured and removing those with missing values for key variables and clear outliers, the final sample comprised 89 firms, of which 47 were family SMEs and 42 were nonfamily SMEs.

Dependent variable

To capture the degree of internationalisation (hereafter DOI), we used the ratio of foreign sales to total sales (cf. Arregle et al., 2012; Fernhaber & McDougall-Covin, 2009; Gomez-Mejia et al., 2010; Zahra, Ireland, & Hitt, 2000). The SME-internationalisation literature broadly uses this ratio as an indicator of DOI (e.g. Graves & Shan, 2014; Lu & Beamish, 2001). The DOI data is based on the 2017 survey.

Independent variables

We adopted measures for the central constructs from the literature. We included in the questionnaire the list of survey items (27 questions/claims) that Berrone et al. (2012) suggest to capture each SEW dimension (i.e. FIBER scale). For each item, we used a seven-point Likert scale ranging from ‘strongly disagree’ to ‘strongly agree’. In the context of internationalisation, the FIBER scale (Berrone et al., 2012) has seldom been used (e.g. Kraus et al., 2016). Furthermore, the five SEW dimensions overlap to some extent (e.g. family control and renewal of family bonds through dynastic succession, identification and emotional attachment), which encourages reassessing and identifying potential new constructs that contain items from different SEW dimensions.

One such option could have been relating the REI scale by Hauck et al. (2016) to the FIBER scale. It encompasses three dimensions of the FIBER scale (i.e. renewal of family bonds through dynastic succession, emotional attachment of family members, identification of family members with the firm) with a focus on nine key affective items of these dimensions. Thus, the REI scale encapsulates the affective endowments of SEW very narrowly, and we deemed it a

possible alternative reconstruction of the FIBER scale. Another option for measuring SEW through different dimensions would have been using the SEWi scale that Debicki et al. (2016) suggest. They developed their scale with a focus on *importance* rather than on the *level* of SEW in family firms (cf. Berrone et al., 2012). We wanted to use the scale by Berrone et al. (2012), the most often referenced conceptualisation of SEW through different dimensions, despite the fact that it lacks empirical evidence as a measured variable in the extant research. Moreover, two of the three dimensions by Debicki et al. (2016), *family continuity* and *family prominence* (the third is *family enrichment*) overlap with some dimensions of the FIBER scale. Contextually, a new assessment of the FIBER scale using family SMEs from Finland, a smaller economy than Germany's (used for the REI scale by Hauck et al., 2016) and the U.S. (used for the SEWi scale by Debicki et al., 2016), could provide interesting comparative SEW dimensions. Firms from a small and open economy like Finland's also must internationalise more, as the domestic markets may not provide enough demand for the firm to compete and survive (Bell, 1995; Torkkeli, Kuivalainen, Saarenketo, & Puumalainen, 2016). Obtaining views on SEW from family owners and managers of Finnish family SMEs could facilitate identifying associations of SEW with internationalisation.

We conducted a principal component analysis (PCA) to further explore and extract the latent constituents of SEW. As a result of the analysis, four SEW-related factors (average summated scales) emerged, with the latent root criterion and eigenvalue more than 1 (advised for use with 20-50 measures) specified in Table 1. The first, called '*family-heritage maintenance*', consists of six measures that primarily indicate the tendency of family firms to preserve and maintain family business and related heritage. Accordingly, most measures loaded to it came from the SEW dimension of renewal of family bonds through dynastic succession, but it also involved items from family control and identification (Berrone et al., 2012). Despite different original associations, they could be linked together, e.g. in terms of long-term

orientation and pride and value in having family in the business. Hence, we decided to include all of them under the label of ‘family-heritage maintenance’ as one construct. Using Debicki et al.’s (2016) categorisation, family-heritage maintenance reflected both family prominence and family continuity.

The second factor was named ‘*family-controlled decision-making*’ because it consisted of five measures indicating the role of family in management and governance as well as family-member influence in strategic and investment decisions. The third factor was named ‘*emotional decision-making*’ and comprised four measures revolving around decision-making, as in the second factor, but emphasising the role of emotions. While these four measures belonged to the SEW dimension labelled ‘emotional attachment’ by Berrone et al. (2012), the two more general items about warmth between family members and self-concept were excluded (cf. Hauck et al.’s 2016 E-dimension with these excluded items, labelled the same as the original dimension in Berrone et al.’s 2012 scale). Thus, labelling the factor as ‘emotional attachment’, as in the original dimension, would not have clarified it to the extent that refining it to encompass ‘emotional decision-making’ did, based on the new assemblage of items. The warmth and self-concept items, together with items on regarding nonfamily employees as part of the family and the importance of strong relationships with other stakeholders, were loaded into the fourth factor, named ‘*familial relationship-building*’, due to the combination of emotional and relational measures.

In addition to the link to Debicki et al.’s (2016) categorisation, the reconstructed four SEW factors (especially family-heritage maintenance) can be linked to the suggestion by Kano et al. (2020) that SEW can materialise in three major resource inputs for family firms: social capital, long-term orientation and reputation. The item contents in all the factors also tapped mostly into the call by Debicki et al. (2016) for measuring the importance of SEW (e.g. ‘are important’; ‘is critical’; ‘helps define’), despite the usage of Berrone et al.’s (2012) level-

oriented items, as well as the behavioural role of SEW called for by such researchers as Miller and Le Breton-Miller (2014) (e.g. ‘would be unlikely to consider’; ‘exert control over’; ‘often affect decision-making’; see Table 1 for detailed information). Thus, we were confident that these four factors were valid and reliable for encapsulating and measuring SEW for Hypotheses 1 and 3. In summary, the factors referred to the affective preferences or needs in family firms’ decision-making and relationships, thus reflecting both the pioneering conceptualisation of SEW by Gomez-Mejia et al. (2007), emphasising the affective side of SEW and the recent elaborations that focus on the relational side of SEW (e.g. Zellweger et al., 2019).

We conducted the necessary diagnostics to ensure the quality of the developed SEW factors. The communalities of the measures were all over 0.50, implying good internal consistency. The four factors explained 56% of the total variance. The Kaiser’s measure of sampling adequacy (MSA) value was 0.82, and the Cronbach’s alphas ranged from 0.78 to 0.91, exceeding the threshold of 0.70 suggested for adapted scales (Hair, Black, Babin, & Anderson, 2009). Thus, we considered this four-factor solution adequate for hypotheses testing.

Table 1. The results of the PCA for the SEW-related factors.

Measure*	Family-heritage maintenance	Family-controlled decision-making	Familial relationship-building	Emotional decision-making	Communality
Preservation of family control and independence are important goals for my family business (family control)	0.72				0.68
Being a member of the family business helps define who we are (identification)	0.63	0.86			0.63
		0.72			
Family members are proud to tell others that we are part of the family business (identification)	0.52				0.66

Continuing the family legacy and tradition is an important goal for my family business (renewal of family bonds through dynastic succession)	0.82	0.79
Family members would be unlikely to consider selling the family business (renewal of family bonds through dynastic succession)	0.91	0.74
Successful business transfer to the next generation is an important goal for family members (renewal of family bonds through dynastic succession)	0.80	0.77
In my family business, family members exert control over the company's strategic decisions (family control).	0.76	0.58
In my family business, most executive positions are occupied by family members (family control).	0.54	0.69
In my family business, nonfamily managers and directors are named by family members (family control).	0.85	0.71
The board of directors is mainly composed of family members (family control).	0.69	0.70
Family owners are less likely to evaluate their investment on a short-term basis (renewal of family bonds through dynastic succession)	0.66	0.69
In my family business, nonfamily employees are treated as part of the family (binding social ties)	0.53	0.88
Building strong relationships with other institutions (i.e., other companies, professional associations, government agents, etc.) is important for my family business (binding social ties)	0.67	0.84
Strong emotional ties among family members help us maintain a positive self-concept (emotional attachment)	0.71	0.80

In my family business, family members feel warmth for each other (emotional attachment)	0.77	0.69		
Emotions and sentiments often affect decision-making processes in my family business (emotional attachment)	0.79	0.85		
Protecting the welfare of family members is critical to us (emotional attachment)	0.68	0.80		
In my family business, the emotional bonds among family members are very strong (emotional attachment)	0.62	0.68		
In my family business, affective considerations are often as important as economic considerations (emotional attachment)	0.78	0.63		
Cronbach's alpha	0.91	0.83	0.83	0.78

Notes: The text in parentheses after each SEW measure indicates the measure's original inclusion of some of the five SEW dimensions of Berrone et al. (2012). The values under each factor indicate the factor loadings of certain SEW measures. The MSA overall (Kaiser's measure of sampling adequacy) is 0.82.

*Question format in the survey: Assess on a scale from 1 to 7 from 'strongly disagree' to 'strongly agree' how well the following statements apply to you...

Since network ties and networking in the SME context have been studied relatively more than family-firm-specific SEW, with largely consensual findings on the resources, capabilities and knowledge gained from networks, we decided not to employ exploratory PCA for identifying key constructs. The networking measures were derived from the literature on SMEs, especially manufacturing SMEs, and their managers' use of interpersonal and interorganisational network ties, including industry authorities and trade fairs, for identifying international opportunities, increasing DOI and enhancing exporting and firm performance (e.g. Al-Hyari, Al-Weshah, & Alnsour, 2012; Fernhaber, McDougall-Covin, & Shepherd, 2009; Kontinen & Ojala, 2011; Musteen, Francis, & Datta, 2010; Nordman & Melen, 2008; Peng & Luo, 2000; Senik, Scott-Ladd, Entekin, & Adham, 2011). We created a summated scale that included measures of the importance of prior international experience, trade-fair participation

and existing business partners in international opportunity identification, and of the extent to which firms have utilised personal ties, networks and connections with foreign buyers, foreign suppliers and industry authorities for internationalisation during the previous three years. Thus, the scale was a combination of use and importance considerations. We followed Dimitratos et al. (2014) by naming this factor ‘*networking*’ since the measures capture the extent to which collaboration with and support from external stakeholders are used for SME internationalisation. Despite looking like a conceptual outlier, we included prior international experience that may indirectly encompass the involvement of such foreign stakeholders as customers and partners in accumulating knowledge gained from experiential learning. Engaging in networking as such encompasses learning opportunities and increased knowledge for SME internationalisation (e.g. Prashantham & Dhanaraj, 2010; Zahra & Hayton, 2008).

Control variables

We controlled the variables that earlier literature found to affect the international networking and internationalisation of family SMEs, namely, firm age and family ownership (e.g. Eberhard & Craig, 2013). Firm age in years was the difference between the year of the firm’s establishment and the year 2017, when survey responses were produced. Family ownership was calculated as the share of family-member ownership in the firm (*a priori* controlling was already considered by selecting only family-controlled firms with more than 50% family ownership; the average family ownership in the family-SME sample was a high 92 %).

Correlations

Table 2 below presents the descriptive statistics and between-item correlations of the variables used in the analysis. Since all the correlations, except for the correlation between emotional decision-making and familial relationship-building with a slightly exceeding 0.60,

are below 0.56, the maximum value for testing multicollinearity (e.g. Leiblein, Reuer, & Dalsace, 2002), the data did not exhibit correlations between the items that would have caused clear multicollinearity concern. The statistically significant correlations existed between the independent and dependent variables, thus providing preliminary and reasonable evidence that networking and emotional decision-making, the second SEW factor constructed, can affect DOI.

Table 2. Correlations of dependent, independent and control variables within family SMEs (scores within nonfamily SMEs in parentheses).

	Mean	Std. Dev.	1	2	3	4	5	6	7	8
1. Degree of internationalization (DOI)	44.34 (50.62)	30.53 (31.07)	1							
2. Family-heritage maintenance	4.49	1.57	-0.11	1						
3. Family-controlled decision-making	5.18	1.64	-0.16	0.42**	1					
4. Familial relationship-building	4.76	1.21	-0.11	0.52**	0.55**	1				
5. Emotional decision-making	4.22	1.21	-0.34*	0.44**	0.47**	0.60**	1			
6. Networking	4.74 (4.68)	0.80 (0.97)	0.43**	-0.22	-0.15	-0.01	-0.08	1		
7. Family ownership	92	16.64	0.04	0.11	0.24	0.27 [†]	0.20	0.13	1	
8. Firm age	37.04 (38.67)	17.09 (25.75)	0.05	0.23	0.06	0.06	-0.03	-0.04	0.22	1

Notes: **p<0.01, *p<0.05, [†]p<0.1

Common Method Bias

In cross-sectional survey settings with single respondents and similarly constructed (usually Likert-scale) measures, common method bias can be an issue, and mitigating it requires ex-ante procedures in data collection (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003; Podsakoff, MacKenzie, & Podsakoff, 2012), as well as preferable ex-post statistical tests, such

as Harman's single-factor test (Podsakoff & Organ, 1986). As Chang, van Witteloostuijn, and Eden (2010) point out, the international-business research domain is no stranger to such issues. Therefore, we took a few precautions in collecting the data to counter any potential common method bias issues.

First, the focal items were placed in different parts of the questionnaire, and negatively worded items were included to minimise any halo effects. Second, the focal measures were made to seem like part of a larger survey covering a range of issues for SMEs, beyond internationalisation. As Chang et al. (2010) note, 'respondents are unlikely to be guided by a cognitive map that includes difficult-to-visualise interaction and non-visual effects' (p. 179). Besides, we conducted two ex-post tests to check for any common method bias issues. First, we conducted Harman's single-factor test, and the results indicated that total variance was less than 50% for all the single factors. Thus, we concluded that no single factors that could have caused a concern in the empirical analysis underlie the data. Second, as Harman's test can be criticised (e.g. Podsakoff et al., 2003), it was complemented by applying the marker variable technique (cf. Lindell & Whitney, 2001). We chose the measure of the number of people listed in upper management as the marker variable, since the literature on family-firm internationalisation does not indicate that variable is directly and highly dependent on SEW or networking. We observed that the marker variable had nonsignificant correlations with the theoretically relevant predictors and criterion variables, and there were no major changes in the magnitude or significance of the correlations between the independent and dependent variables when controlling for the marker variable in partial correlation analysis. Since both the ex-ante and ex-post precautions taken to mitigate common method bias indicated no issues in this regard, the data were considered suitable for proceeding to hypotheses testing.

Results

We first ran linear regressions for each independent variable separately (see Table 3), which suggested that networking has a strong positive relationship with DOI in family SMEs ($\beta=0.43$, $p<0.01$). A statistically weaker indication of positive relationship was also found in nonfamily SMEs ($\beta=0.26$, $p<0.1$). Emotional decision-making in family SMEs has a strong negative relationship with DOI ($\beta=-0.34$, $p<0.05$). To further check multicollinearity and having multiple variables in a model, we verified the variance inflation factor (VIF). The VIF scores range from 1.11 to 2.06, considerably lower than 10, and as a result, we can employ models involving multiple variables. We also ran the Breusch-Pagan/Cook-Weisberg test, which yielded a p-value above 0.05, suggesting that there is no heteroskedasticity issue.

Table 3. Results of the linear regression for each independent variable separately with the dependent variable DOI.

Independent variable	Parameter estimate
Sample: Non-family SMEs	
Firm age	0.05 (0.19)
Networking	0.26 [†] (4.88)
Sample: Family SMEs	
Firm age	0.05 (0.26)
Family ownership	0.04 (0.27)
Networking	0.43** (5.12)
Family-heritage maintenance	-0.11 (2.88)
Emotional decision-making	-0.34* (3.53)
Family-controlled decision-making	-0.16 (2.74)

Notes: Each line reports an estimate from separate linear regression on DOI (a constant term is not reported).
** $p < 0.01$, * $p < 0.05$, † $p < 0.1$; standard errors in parentheses

We then ran four models to examine the hypotheses, first focusing on networking and then adding SEW-related factors, complemented by control variables. Table 4 presents each model's results. Model 1 involves only nonfamily SMEs ($n=42$) and the association of networking with DOI among them. The following models involve only family SMEs ($n=47$), the first with only networking as the independent variable, the second also with all the SEW factors, and the third also with interaction effect between emotional decision-making and networking, since it was the only SEW factor with statistically significant results in relation to DOI and, thus, could also initially indicate significance in interaction with networking. Networking is positively associated with DOI in Models 2 and 3 ($\beta=0.44$ in Model 2 and $\beta=0.42$ in Model 3, $p < 0.01$). Model 1 and the effect of networking for nonfamily SMEs are not statistically significant. Regarding SEW-related factors, only emotional decision-making has a statistically significant and strong negative association with DOI (Model 3, $\beta=-0.40$, $p < 0.01$). However, the moderating effect of emotional decision-making on the effect of networking was not statistically significant. We also ran post-hoc analyses on the moderation effect of the other three SEW factors but did not obtain statistically significant results.

Consequently, H1 is partially supported, H2 is supported, and H3 is not supported. Regarding H1, the results suggest that the higher the level of emotional decision-making is, the lower is the DOI in family SMEs. A one-standard-deviation increase in emotional decision-making leads to a 0.42-standard-deviation decrease in predicted DOI, with the other variables held constant. Regarding H2, the results suggest that networking indeed has a positive association with DOI. A one-standard-deviation increase in networking leads to a 0.40-standard-deviation increase in predicted DOI, with the other variables held constant.

Table 4. Results of the multiple linear regression models with the dependent variable DOI.

Variables	Model 1		Model 2		Model 3		Model 4	
	β	Std. err.	β	Std. err.	β	Std. err.	β	Std. err.
Firm age	0.07	0.19	0.08	0.25	0.02	0.26	0.01	0.25
Family ownership			-0.04	0.26	0.03	0.27	0.04	0.27
Networking	0.26	4.94	0.44**	5.28	0.42**	5.38	-0.36	21.61
Family-heritage maintenance					0.12	3.33	0.10	3.29
Family-controlled decision-making					-0.01	3.14	0.05	3.18
Familial relationship-building					0.07	4.86	0.04	4.83
Emotional decision-making					-0.40*	4.43	-1.76	24.50
Emotional decision-making x Networking							1.53	5.06
<i>Diagnostics</i>								
Adj. R ²		0.02		0.14		0.17		0.20
F-value		1.48		3.43*		2.38*		2.39*

Notes: **p<0.01, *p<0.05

The results in Model 1 further support these conclusions and indicate a weaker positive association of networking with DOI, without statistical significance, in the context of nonfamily SMEs. Networking seems particularly important for the internationalisation of family SMEs that must deal with the inherent inclination towards emotional decision-making inside the firm and avoid its potential negative hindrance to initiating and intensifying internationalisation. The

components of emotional decision-making capture the role of emotions among family members, decision-making, protection of family welfare and their coordinate status with financial aspects and goals of the business. The networking construct components stress the role of prior international experience, trade-fair participation, existing business partners and using personal ties, networks and connections to foreign buyers, suppliers and industry authorities. These represent the opposite of emotional decision-making, namely, the willingness and actions of family SMEs to engage in external relationships for the benefit of internationalisation and not merely to settle for internal family relationships. Our findings show that those family SMEs that concentrate more on networking and, hence, achieve a higher DOI may have more focus on economic, growth-related orientations than family SMEs with lower levels of networking and, thus, lower DOI, as well as a greater tendency to value noneconomic and emotional aspects of the family firm and stability.

The average DOI of the 42 nonfamily SMEs in our sample was 50.6% (44.3% in family SMEs) and the average networking score was 4.68 (4.74 in family SMEs). These figures suggest that emotional decision-making in family SMEs, stemming from high levels of family ownership and involvement and not directly comparable to the potential emotional decision-making in nonfamily SMEs, plays a significant role in restraining family SMEs' internationalisation. As the descriptive statistics show, both family and nonfamily SMEs may engage in networking per se. In fact, family SMEs are slightly more engaged in networking than non-family SMEs. Accordingly, emotional-decision-making is a key distinguishing socioemotional factor that can challenge family SMEs in the context of internationalisation.

The insignificant result regarding the interaction between emotional decision-making and networking in relation to DOI suggests that each independent variable has either a positive or negative influence on DOI—i.e. neither one increases or decreases the other's effect in the internationalisation process. This further emphasises the Model 3 results, indicating that just

increasing networking activity *or* decreasing emotional decision-making may not be enough to influence the effect of the other. Rather, *both* increasing networking *and* decreasing emotional decision-making are needed to have best possible overall effect on DOI.

Discussion

Our results largely align with existing literature on the association of SEW with internationalisation. Scholes et al. (2016) found that SEW preservation reinforces the maintenance of family harmony and distrust of outsiders, restraining external network formation and the necessary resources and capabilities to advance the internationalisation process. SEW preservation and related risk aversion negatively affect both export propensity and intensity, but especially propensity (Monreal-Perez & Sanchez-Marin, 2017; Yang, Stanley, Kellermanns, & Li, 2020).

However, our results also partly diverge and provide a more specific explanation of the association. The concept of family harmony that Scholes et al. (2016) describe can be partially associated with our emotional decision-making construct, but otherwise, existing research has not explicitly specified certain SEW dimensions related to the internationalisation of family SMEs. The role of emotional decision-making stood out in our analysis, suggesting that at least emotional decision-making is a significant SEW-related factor in family SMEs' internationalisation. According to our construct, emotional decision-making relates to the strategic role of emotions and family benefit in family SMEs' decision-making. Internationalisation itself is a strategic decision, influenced by such internal family business characteristics as the desire to maintain control and influence (Gallo, Tapiés, & Cappuyns, 2004). Thus, our results suggest that emotional decision-making plays a key role as a restraint (noneconomic decision) on family SMEs intensifying internationalisation, rather than a driver (economic decision) to do so.

Emotions form an inseparable part of every organisation (Ashforth & Humphrey, 1995), but especially of family firms (Eddleston & Kellermanns, 2007), where shared history and knowledge shape and intertwine social relationships (Berrone et al., 2012; Kets de Vries, 1996; Zellweger et al., 2019), blurring the boundaries among family, business and ownership (Baron, 2008; Berrone et al., 2010; Gersick et al., 1997). The relatively small sizes of family SMEs make more difficult the ‘artificial’ avoidance and decrease of emotional decision-making because the intermingling of relationships becomes stronger in a tight community with close interactions and knowledge sharing. Not surprisingly, explicitly emotional aspects arise from all the SEW items, showing their importance in family-SME decision-making and internationalisation. Gomez-Mejia et al. (2011) emphasise a strong ‘emotional overtone’ as one of the three key factors that distinguish family firms (p. 964). Family members at high levels of family control tend to bring emotions into business activities (Baron, 2008), which might cause them to neglect market forces and rational, economically sound business (Ward, 2004). This strong emotional overtone and blindness to sound, globally competitive business might exist in some of family SMEs with strong inclinations towards emotional decision-making. Networking embodies readiness to pursue international market opportunities and seize them, even at the expense of emotional attachment to the family business.

We note that the mean of emotional decision-making among family SMEs in our data was 4.22 (with individual values ranging from 1.25 to 7.00). Accordingly, emotional decision-making is present to some extent in all family SMEs and, in most, above the scale median of 4.00. As the networking construct implicitly indicates the intensity and importance of close foreign network relationships for internationalisation, those family SMEs with high levels of networking may use their emotional decision-making to convince foreign partners and customers to trust active relationship-building as well as their manufactured products. Given the slightly higher mean for networking than in nonfamily SMEs, this suggestion would align

with Cesinger et al.'s (2016) finding that family SMEs can obtain crucial knowledge for internationalisation and preserve SEW at the same time, through collaboration intensity and network trust of network partners. Similarly, Hennart et al. (2019) mention emotional attachment as an affective attribute of family SMEs for building long-term, trustworthy business relationships with foreign partners and customers and gaining competitive advantage. The association of emotions with positive feelings towards an object can manifest in family SMEs as 'rational pride' in the products and firm history, rather than 'irrational sensitivity' towards maintaining family benefit and status in the firm at any cost.

Indeed, a SEW dimension can lead to both positive and negative performance outcomes. Gomez-Mejia et al. (2011) suggest the possibility that 'positives neutralize the negatives and vice versa'—for instance, regarding 'affective commitment versus more time spent handling emotions or long-term orientation versus entrenchment' (p. 691). However, our study more clearly indicates that family SMEs should prioritise economically driven networking and avoid noneconomically driven emotional decision-making if they want to increase DOI. Family SMEs cannot ignore the widespread conclusions from the general SME literature that their limited resources often force them to use foreign and other partners to provide necessary resources and knowledge, with a view to expanding abroad (Agndal et al., 2008; Arenius, 2005; Chetty & Holm, 2000; Yli-Renko et al., 2002). Our results partially diverge from those of Eberhard and Craig (2013), who found that high levels of family ownership negatively moderate the effect of interorganisational networking on internationalisation, leading to less export intensity for family SMEs than for nonfamily SMEs. According to our study, family SMEs' networking activity and importance resemble or even exceed those of nonfamily SMEs, and networking is a key factor for the successful internationalisation of family SMEs. However, emotional decision-making, derived from high levels of family ownership, acts as a negative antecedent, rather than a moderator that restrains internationalisation and, thus, associated

networking in the first place. Moreover, all the family SMEs in our sample had over 50% family ownership (mean = 92 %), with an average age of 37 years. In addition, 39 firms had a family CEO and only 8 had a nonfamily CEO. Thus, many of these family SMEs seem less than eager to shake up their family ownership and involvement in management to include a greater nonfamily presence and ‘internally external readiness’ to intensify internationalisation.

One reason for lack of support for the role of family-heritage maintenance in affecting the DOI of family SMEs might reside in its looser connection to decision-making than that of emotional decision-making. Family-heritage maintenance encompasses maintaining family business and related heritage with a more explicit orientation towards long-term preservation over generations, while the affective items of emotional decision-making more explicitly relate to operational and shorter-term decision-making. Thus, SEW preservation channelled through family-heritage maintenance can provide both positive long-term orientation/stability in the execution of internationalisation strategies (e.g. Mitter & Emprechtinger, 2016; Kraus, Mitter, Eggers, & Stieg, 2017) and negative risk aversion and conservativeness in restraining internationalisation efforts (e.g. Monreal-Perez & Sanchez-Marin, 2017; Olivares-Mesa & Cabrera-Suarez, 2006). However, it might not be closely present in shorter-term decision-making dealing with upcoming foreign market entries, expansions and overall internationalisation management at a grass-roots level. For instance, the items of emotional decision-making reflect emotional bonds and protection of family welfare among family members on one hand and, on the other hand, the role of emotional/affective considerations in decision-making on an equal footing with economic considerations. Thus, strong emotional decision-making could manifest in family SMEs’ tendency to have incompetent family members in charge of key managerial positions, which could inhibit internationalisation if its opportunities are not recognised or assessed objectively.

Family-controlled decision-making could have been expected to be significant for the internationalisation of family SMEs, as earlier research finds that the controlling role of family members in their firms' decision-making, through ownership and managerial roles, influences internationalisation. On the positive side, intertwined family ownership and management enable family members to be both agile and long-term-oriented in decision-making (Gallo & Pont, 1996). For instance, such efficient decision-making can facilitate joint product and international diversification and, thereby, both the firm's and the family's success and survival in the long run (Munoz-Bullon & Sanchez-Bueno, 2012). On the other hand, as discussed earlier, the strong role of family members in managerial decision-making and ownership can restrain internationalisation, due to dysfunctional SEW preservation and risk aversion (e.g. Alessandri et al., 2018). Despite the more explicit reflection of decision-making, family-controlled decision-making resembles family-heritage maintenance as a construct in its orientation towards long-term, rather than shorter-term decision-making. As such, it can be relevant for internationalisation, providing consistency and 'main lines' for internationalisation strategy and execution. However, one reason for the insignificance of the factor in our study could reside in its remoteness from internationalisation decisions at the operational level and in the short term. Moreover, family SMEs generally may have shorter decision-making horizons than larger firms, as their limited resources force them to follow effectual reasoning (i.e. the means, resources and stakeholders available at hand) to seize international opportunities, rather than careful causation logic with predetermined goals and decision-making processes (Sarasvathy, Kumar, York, & Bhagavatula, 2014). In such a situation, emotions rather than sanity can easily—and insidiously—guide firm decision-making.

Familial relationship-building was also of promising significance for internationalisation, comprising interorganisational and social relationship-building and potentially reflecting their relational importance in the internationalisation of family SMEs

operating with limited resources and capabilities. Like emotional decision-making, but without decision-making, this factor (including aspects of warmth between family members and familial inclusion of nonfamily employees in the firm) is probably too loosely connected to the internationalisation of family SMEs, lacking enough substance for relevance to strategic and challenging internationalisation.

Overall, our findings align with the bifurcation-bias theory of Kano and Verbeke (2018), who suggest that family firms tend to make dysfunctional SEW-related internationalisation decisions in the short and medium run, ignoring functional economising practices (e.g. cross-border operational meritocracy in human resources and rigorous data-driven decision-making) for assessing and planning internationalisation performance. The insignificant results for all the other three SEW factors, except emotional decision-making, suggest the difficulty that family owners and family-SME managers have in transforming family and SEW-related resources to firm-level and international firm-specific advantages (FSAs)—i.e. social capital, long-term orientation and reputation (Kano et al., 2020)—which can clearly manifest themselves in high DOI or their lack in low DOI. The three insignificant factors, reflecting the importance of strong relationships and long-term-oriented decision-making, could be conducive to the SEW-related FSAs per se but remain inconclusive. One condition for productive deployment is the access of nonfamily/external managers and owners to these resources (Kano et al., 2020). In that light, our data regarding family control in both management and ownership indicate that family SMEs in this study are not ready for this interaction from the outset. Yet, at the same time, the visibly dysfunctional emotional decision-making and visibly functional networking ‘fill the void’ emphatically in family SMEs’ internationalisation, steered either by bifurcation-biased decision-making with emotional overtones or economising decision-making with adoption of active networking.

Accordingly, bifurcation-bias theorising also supports the strong positive impact of networking on the internationalisation of family SMEs. Networking with existing business partners, industry authorities, foreign suppliers and buyers, with trade-fair participation and accumulated international experience gained in networking activities, can bring functional economising practices, resources and capabilities to family SMEs. These relational and periodic activities, conducted with shorter- and longer-term horizons, may equip owning and managing family members with not only new knowledge and skills but also a new mindset and attitude towards regarding internationalisation as a strategy for ensuring long-term growth of the business and, thereby, the survival and stability of the family firm. Thus, networking may actually help to preserve SEW dimensions perceived as important in the long-term, provided that at least in the short and medium term, dysfunctional and family-centred liabilities, such as emotional decision-making, do not overpower the crucial importance of networking for international opportunity recognition and establishing an efficient value chain and contact base. In the long run, aspects of emotional decision-making might become attributes through pride and ‘softer’ values in decision-making, which yield trust and reciprocity in international network relationships. Contacts and profitable business relationships gained through active networking are strengthened and long-term competitive advantages achieved (Hennart et al., 2019).

Earlier research provides evidence that the main concern regarding the internationalisation of family firms is indeed internationalisation propensity and promotion in the early phases of the process. Moreover, indications for success in the later phases are similar to or even better than those for nonfamily firms (Evert, Sears, Martin, & Payne, 2018; Graves & Thomas, 2004; Monreal-Perez & Sanchez-Marin, 2017; Yang et al., 2020). Based on the large-scale literature review, Metsola, Leppäaho, Paavilainen-Mäntymäki, and Plakoyiannaki (2020) encapsulate the dominance of ‘liabilities’, including SEW-related factors, in the early

phases of internationalisation and the increasing potential for ‘capabilities’, including networking-related factors, which can offset the initial restraints of liabilities in the long run, in line with bifurcation-bias theory. Not finding support for the moderating effect of emotional decision-making or other SEW factors of this study on the effect of networking in relation to DOI, which reflects internationalisation intensity rather than propensity, further suggests that noneconomically driven SEW, through emotional decision-making, may not have enough ‘power’ to mitigate the positive economic effect of networking on increasing international growth of family SMEs. However, in turn, networking might not have enough power to mitigate the negative effect of emotional decision-making if it is deeply rooted in family-SME practices, with no signs of change under strong family control. Accordingly, the results of this study elaborate such studies as Metsola et al. (2020) that capabilities (networking) and liabilities (emotional decision-making), both with high impacts, may not be able to co-exist in family-SME internationalisation processes. Nonetheless, there must be enough ‘room’ for mitigating possible emotional decision-making and increasing networking in the long run. Given the high number of family CEOs (and not nonfamily CEOs) and the high average of family ownership in the family-SMEs sample, the circumstances have most likely been conducive in all family SMEs for emotional decision-making and bifurcation bias from the beginning. However, some family SMEs have been more able or willing to adopt economising such practices and capabilities as networking, resulting in higher DOI, while others have been more inclined towards emotional decision-making and other family-related liabilities, resulting in lower DOI. Noting that bifurcation bias essentially revolves around emotional aspects of family firms (Kano et al., 2020), emotional decision-making—and *only* that, among all the SEW-related factors—can be expected to affect internationalisation negatively and is difficult for some family SMEs to avoid. These conclusions will obviously require further longitudinal data and future analysis for more validation.

Conclusions

Using cross-sectional survey data on 89 Finnish SMEs from 2017 and conducting multiple linear regression analyses, we found that those family SMEs that actively network and consider it important, have a higher degree of internationalisation than those with strong inclinations towards emotional decision-making. Family SMEs engaged in high levels of networking might have greater economic motivation to seek growth through exports and international networks, while family SMEs characterised by strong emotional decision-making might have a more noneconomic and risk-averse motivation to maintain domestic and family-centred business focus.

The contributions of this study relate to illustrating how SEW, specifically through affective preferences and needs in decision-making, and family-SME networking connect to firm internationalisation. Thus, the study extends the literature on both family-firm internationalisation (e.g. Fernandez & Nieto, 2006; Kontinen & Ojala, 2012; Torkkeli, Uzhegova, Kuivalainen, Saarenketo, & Puumalainen, forthcoming) and the role of SEW in family firms (e.g. Gomez-Mejia et al., 2011; Berrone et al., 2012; Miller & Breton-Miller, 2014) and their internationalisation (e.g. Kraus et al., 2016; Scholes et al., 2016), as well as the role of networking in SME internationalisation (e.g. Eberhard & Craig, 2013; Torkkeli et al., 2015; Zain & Ng, 2016). Specifically, we contribute to demonstrating the lack and ambiguity of validating the role of SEW in family-firm internationalisation, for which varying SEW-measurement scales have been offered (Berrone et al., 2012; Debicki et al., 2016; Hauck et al., 2016), most without applying those scales to analysis (e.g. Alessandri et al., 2018; Stieg, Cesinger, Apfelthaler, Kraus, & Cheng, 2018). We aimed at elaborating the role of SEW in the internationalisation of family SMEs through rigorous PCA, using items from the seminal

FIBER scale (Berrone et al., 2012). Then, for use in further internationalisation-related analyses, we reconstructed four SEW constructs significant to family SMEs: family-heritage maintenance, family-controlled decision-making, familial relationship-building and emotional decision-making. The further significance of emotional decision-making for the internationalisation of family SMEs suggests that affective preferences and needs, manifesting in shorter-term and more operational decision-making than those more general and long-term aspects of family-heritage maintenance and family-controlled decision-making, are SEW-related factors that can closely influence the family firm's strategic behaviour. Thus, in the context of internationalisation, this study and its results contribute to the strong need in family-firm research to identify specific SEW dimensions that manifest in firm behaviour (Chrisman & Patel, 2012; Debicki et al., 2016; Miller & Le Breton-Miller, 2014). High levels of family control per se or SEW as a whole might not be enough to clarify the role of SEW in family firms' behaviour. Most family SMEs in this study were highly family-controlled, yet showed varying levels of emotional decision-making and corresponding levels of internationalisation.

In addition, our research contributes to studies discussing bifurcation bias (Kano et al., 2020; Kano & Verbeke, 2018; Verbeke & Kano, 2012) in the family-business context, suggesting that too-strong emotional decision-making deeply rooted in family SMEs may fuel bifurcation bias and restrain family SMEs from gaining economically sound external involvement for internationalisation, inside and outside of the firm. However, that early, strong focus on networking can mitigate bifurcation bias and increase the degree of internationalisation in the long run. Family SMEs provide a specific context for highlighting bifurcation bias, as they have truly been under the strong influence of family members through ownership and management positions, thereby growing the breeding ground for emotional decision-making over years and generations. Our results contribute to the literature on family-firm internationalisation, indicating that some family SMEs have avoided the potential restraining

effect on internationalisation of strong family involvement by capitalising on networking. But, for some family SMEs, strong family involvement has presumably kept the firm in the realm of strong emotional decision-making and at a lower level of internationalisation.

Although we contribute to SEW measurement in family-firm research (Miller & Le Breton-Miller, 2014) by conducting PCA and suggesting emotional decision-making as a key SEW-related construct in the internationalisation of family SMEs, we acknowledge the limited sample size and specific single-country context for our SEW analysis. Thus, we encourage future studies to continue validating and elaborating Berrone et al.'s (2012) underutilised FIBER scale and use our four-dimension SEW structure in different country contexts, hoping that we can approach a more consensual agreement on the much-debated SEW as such and its connection to internationalisation.

The cross-sectional nature of the study also calls for future research applying longitudinal panel data and for cross-cultural studies with lagged and control variables to test causalities. Qualitative approaches to describing the development and impact of SEW on international expansion and strategy of family firms longitudinally may also yield richer descriptions of the specific nature of the dynamics between SEW and networking, unravelling how noneconomic/affective and economic/rational decision-making and goals manifest in practice.

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