FAMILY OWNERSHIP AND INVOLVEMENT: EXPLORING NONLINEAR EFFECTS ON INTERNATIONALIZATION (SUMMARY)

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SUMMARY

FAMILY OWNERSHIP AND INVOLVEMENT: EXPLORING NONLINEAR EFFECTS ON INTERNATIONALIZATION

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Principal Topic

To date, relatively few studies have empirically investigated the effects of family ownership (FO) and family involvement (FI) on internationalization (INT). Moreover, findings are inconsistent. This paper aims to solve these conflicts by proposing and investigating the presence of nonlinear relationships. Drawing on two opposite theoretical perspectives, i.e. stewardship and stagnation, we derived two hypotheses: a hypothesis on an inverted U-shaped relationship between FO and INT and a hypothesis on an inverted U-shaped relationship between FI and INT.

Method

Data were collected from 1,035 family businesses in the United States by an independent survey firm in 2007. We measured INT by the percentage of sales generated from international markets in 2006. More precisely, we used an ordinal measure of foreign sales, adopted by the survey company that collected data. FO was measured using the percent of the firm’s equity held by the owning family in 2006. FI was measured in two ways: the percentage of directors belonging to the controlling family and the percentage of employees belonging to the controlling family. To analyze the data, we ran ordinal regression analyses.

Results and Implications

As expected, we find an inverted-U shaped relationship between FO and INT: the advantages of FO for INT are higher than the disadvantages until an intermediate level of FO is reached. Beyond this point, which we identified at 60%, the disadvantages of FO prevail over the advantages.

The relationship between FI and INT can be graphed instead as a U shaped curve, meaning that the disadvantages of FI for INT are higher than the advantages until an intermediate level of FI is reached. Beyond this point, that is 50% in the case of family participation in employment and 70% in the case of family participation in the board of directors, the advantages of FI prevail over the disadvantages.

The identified curves represent a point of reference for family owners, managers and consultants: on the basis of the FO and FI level registered in the company, they could use the lever of opening the equity or the participation to non-family members.

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