The impact of succession on family business internationalisation: The successors’ perspective

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The impact of succession on family business internationalisation
The successors’ perspective
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Abstract
Purpose – The purpose of this paper is to examine the successor’s perceptions of the major objective and subjective factors as well as networks that facilitate or inhibit the process of internationalisation of entrepreneurial family firms.
Design/methodology/approach – Based on a qualitative methodological approach, the current study relies on case study evidence from a sample of six mature entrepreneurial family firms operating in different sectors.
Findings – Relying on data collected, this study found that the perception of foreign market opportunities; international vision; successor’s proactivity; innovative spirit and specific technical knowledge are relevant variables that initiate the process of internationalisation of a family firm within the context of (post-) succession. By contrast, the study did not find high evidence of the importance of speaking a foreign language and educational background. The study also confirmed that a disrupted process, such as succession, may re-position a mature domestic family firm in international markets.
Research limitations/implications – A major limitation of this study relates to the sample size. Interpretation of these findings and their generalisation should therefore, be made with caution.
Originality/value – This study attempts to fill a gap in the literature, and it particularly tries to understand the successors’ perceptions regarding interrelationships between succession and internationalisation. The findings provide valuable insights for policy makers and managers.
Keywords Strategy, Family business, International family owned business
Paper type Research paper

1. Introduction
Over the last three decades, family firm research has reached a respectable position in the general management and entrepreneurship literature. It is generally recognised that family firms constitute the pillar of most economies throughout the world and make significant contributions in terms of employment and economic output (Shepherd and Zacharakis, 2000; Collins and O’Regan, 2010).
It is therefore understandable that this field of study is so attractive for academics and practitioners. The involvement of the family is the key defining issue that differentiates family business from non-family business. According to Collins and O’Regan (2010) family business has been defined in many ways, a point also stressed by Sharma et al. (2012), who recognised the heterogeneity of this type of firm and emphasised that serious efforts had been made to capture and reconcile definitional...
variations. Howorth et al. (2010) acknowledged that there is no consensus surrounding the definition of a family firm, and many definitions have been presented and utilised. For the sake of brevity, the definition proposed by Litz (1995) was adopted in the present study, which views the family firm as a firm controlled by one or more families involved in governance or management or at least holding capital stakes. When the top managers of one firm come from the same family it is expected that they share the same traditions, social values, a common vision and practical priorities. Loyalty is an important ingredient among different top managers and an intangible asset of incalculable value (Ussman, 2004). Regardless of the definition adopted or the geographic scope of investigation, family firms are now viewed as the predominant form of business enterprise in the world (Sharma et al., 2012).

Despite the potential for growth associated with family businesses, these firms also have intrinsic characteristics that imbue them with a high degree of complexity. Family businesses have traditionally acted in domestic markets but increasingly they have been forced to internationalise in order to survive in an ever more competitive market (Kontinen and Ojala, 2010). With the growth of the global economy and the consequent increase in the degree of openness to international activities, cross-border growth and expansion appears, in general, as a good opportunity for family businesses to strategically revitalise (Gallo et al., 2004).

The issue of internationalisation is not new and has been thoroughly analysed by a vast number of researchers (Andersen, 1993; Eriksson et al., 1997; Sanders and Carpenter, 1998; Jones, 1999; Cuervo-Cazurra et al., 2007). Among the list of incidents that are reported in the literature of family firms, the change of management (succession) is usually reported as one of the critical incidents that may change the strategic direction of the firm, leading in some cases to the internationalisation of its activities (Bell et al., 2001; Baldegger and Schueffel, 2010).

To the best of our knowledge with few exceptions, this link has not been properly addressed by relevant literature. For instance, Claver et al. (2009) studied the impact of generational change on the internationalisation process, a topic also examined by Fernández and Nieto (2005), who found that family firms in the second and following generations have a stronger propensity to internationalise. They acknowledged that the next generations following the founders of the firm tend to develop a stronger propensity to choose foreign market entry modes that involve higher levels of control and commitment. However, their findings were inconclusive, and were justified by the fact that the younger generations were too busy with the transfer process and consequently devote little time to international opportunities.

Assuming the topic of succession is one of the most critical challenges in the family business literature, this paper attempts to address the objective and subjective factors that act as driving forces of firm’s internationalisation within the context of (post-) succession. The challenge of succession remains throughout all the generations that pass through a family business.

Although the concepts of “family business”, “born-again global” (BAG) and “succession” have received some attention, most of these have been used independently with little interconnection among them. If, on the one hand, the studies that explore BAG firms identify the temporal sequence as a critical factor, on the other, they do not explore this issue within the transitional stage of management succession. In other words, far less attention has been paid to the link between the firm’s succession and the BAG concept (Bell et al., 2001; Mets, 2009; Claver et al., 2009). That is, few studies have examined the argument that a younger successor can act as an external/internal
actor, with new ideas, education and international vision which are crucial to re-internationalise the firm. In some cases a succession, particularly when a successor is involved, can lead a family business to new markets, new ways of acting and thinking (Ward, 1987; Ibrahim et al., 2001; Menéndez-Requejo, 2005; Graves and Thomas, 2008). Very often, the successor is an important international entrepreneur that drives the firm abroad, although few studies have explored this research line.

Therefore, this study seeks to understand how BAGs firms and succession are connected. Specifically, relying on several successors’ perceptions, this study aims at analysing the following research questions:

**RQ1.** What are the objective and subjective factors that facilitate or inhibit the process of internationalisation?

**RQ2.** What are the major characteristics that the successor must possess to foster a process of internationalisation?

The remainder of the paper is organised as follows: we begin by conducting a literature review; the methodology is then explained and the findings are explored along with a discussion of theoretical and managerial implications. Finally, the limitations of the study and future research direction are discussed.

### 2. Literature review

#### 2.1 The internationalisation of SMEs

One of the most cited models of internationalisation is the Uppsala model, which views internationalisation as an incremental process that depends on the firm’s experiential knowledge of foreign markets (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977). This model assumes that firms first develop their activity in the domestic market, than initiate their internationalisation process by a low commitment strategy. Similarly, the process of international involvement is gradual, mainly depending on the level of knowledge (objective and experiential) that the firm accumulates during different incremental stages (Johanson and Vahlne, 1977).

While the objective knowledge allows access to market opportunities, the experiential knowledge is not easily acquired as it comes from experience. This constitutes the main source of information that enables the firms to identify concrete opportunities. It is the knowledge acquired by operating in a specific market that enables a firm to increase its commitment to that market (Johanson and Vahlne, 1977).

The changes that have occurred in the economic environment since the 1970s and the recognition of some limitations of the Uppsala internationalisation process led Johanson and Vahlne (2009) to review their seminal model, recognising the important role of networks. This approach views the process of knowledge creation as a result of interaction between parties, which leads to the creation of more knowledge (Johanson and Vahlne, 2009).

Consequently, firms currently no longer operate in the same way that they operate in stable markets. Instead of gradual internationalisation, access to foreign markets occurs rapidly, giving rise to a new phenomenon – the born global companies (McKinsey & Co, 1999). A number of factors are associated with the recent phenomenon of born global emergence. The “shortening” of global distances, increasing similarity of the consumption habits, technological changes, liberalisation of markets and rapid access to information are just some of the factors that led to fundamental changes in the international context.
What distinguishes this type of firm (born globals, INVs, start-ups and others) is the fact that from their origin they are global, as they allocate significant resources, material, human, financial and time in more than one country. They also evidence from the beginning a proactive international strategy (Oviatt and McDougall, 1994) and focus their attention on global niche markets from the first day of their internationalisation (Moen et al., 2008). Thus, a characteristic of these firms is the importance of their age rather than their size.

Relevant for this study is the work of Bell et al. (2001) who found that about 30 per cent of the firms analysed had adopted a model of internationalisation that did not fit either the traditional theory or the born global approach. These authors also acknowledged that firms first consolidated their position in their domestic markets, but as a result of a critical incident they went very quickly into international markets. Then, after a while they reduce their international activities and suddenly begin a very rapid process of internationalisation which represents an international rebirth. This type of behaviour is typically based on a response to a critical incident or a specific episode which according to Bell et al. (2001), may include the following events: change of ownership, acquisition by another company, purchase by the administrator, acquisition of a company with international connections, internal technology transfer, distribution rights, following customers to international markets and support of an international customer that has accessed the domestic market.

This position is slightly different from that situation in which firms internationalised soon after their foundation and continued their path in overseas markets in a normal way (Crick, 2009).

Ultimately, the major difference between born global firms and BAG firms is the time of internationalisation. While the former are global from inception, the latter remain focused on their domestic market, then the firm go global, then reduces its activity and after a specific event or critical incident they re-start again their activities in international markets (Mets, 2009).

In line with the work of Bell et al. (2001), several authors have undertaken research on the subject (Baldegger, 2008; Mets, 2009, among others). Baldegger (2008) reinforces the concept, emphasising the need to study the internationalisation activities of all companies, regardless of their age, size or industry, including the activities performed by mature companies which should also be considered in the light of international entrepreneurship.

2.2 Succession – window of opportunity for internationalisation?

The impact of succession on internationalisation has been dealt with by several authors resulting in different viewpoints (Ward, 1987; Fernández and Nieto, 2005; Menéndez-Requejo, 2005; Graves and Thomas, 2008).

Although there is no universal definition of what succession is, the definition proposed by Beckhard and Burke (1983 in Handler, 1994, p. 3) seems quite appropriate, namely: “the passing of the leadership baton from the founder-owner to a successor who will either be a family member or a non-family member; that is, a ‘professional manager’”.

However, succession is not just a step of passing the baton, but instead it is a process that develops over several stages that evolve over time and, in some cases, begin even before the successor enters the business (Handler, 1994). It should be noted that succession should not be viewed as an event that occurs with the sudden death of the founder. In fact, a succession results from effective planning soon after descendants enter the business (Ibrahim et al., 2001). Given the importance of continuity in the
family business, the succession process has drawn the attention of researchers who have tried to identify those variables driving an effective succession.

For instance, Dyer (1986) believes that the role of business, family and administration (and their cultural setting) are critical elements to the succession. The succession process encompasses a number of factors which are usually associated with both the predecessor and successor. Among these factors, quality, harmony of family relations, organisational culture and succession planning have been emphasised in relevant literature. After a qualitative study with 32 family businesses, Handler (1989) found that mutual respect and a common vision between the founder and successor are very important components of an effective succession. Several authors also stress the importance of personal and professional realisation of family members (Dunn, 1995; Basly, 2007).

According to Gomez-Mejia et al. (2011) family firms are based on rich histories, memories and significant emotional connections. This means that it is very important that the manager should understand the complex interconnection between economic and non-economic goals and attitudes. As Holt (2012, p. 1149) noted in general, “individuals tend to be more receptive to requests made by those they like”.

With regard to internal issues, there are some benefits associated with different generations, particularly regarding the flow of decision making. According to Gallo and García-Pont (1996) the second generation has more information and is usually better prepared and, as a consequence of this, they have a better predisposition towards internationalisation. At the same time, when compared to an external manager the successors (son, daughter, nephew, grandson) are more linked with the business, sharing the same values, emotional connections and social norms as the family. So they are probably seen as less manipulative, opportunistic and self-serving. So it is easier for successors to propose new ideas and implement them.

As a result of that, succession may be considered an important critical incident in a sense that the family businesses may become a BAG firm (Graves and Thomas, 2008). A successful succession opens up an important window of opportunity for the firm which may increase its international commitment (Ward, 1987; Menéndez-Requejo, 2005). The link between both fields of study “succession” and “internationalisation” address the objective, subjective factors and network factors regarding the successor.

### 2.3 Objective, subjective and network factors regarding the successor

Following the same trend as other business firms, family businesses need to consider the possibility of internationalizing in order to survive. The decision to internationalise, as a strategic decision, can be associated to the need to ensure the firm’s growth and survival and subsequently to keep the company within family control. Therefore, to better understand the driving process of internationalisation, it is relevant to take into account several barriers and drivers (facilitators) that influence a family firm's internationalisation.

Concerning the major barriers, relevant literature holds that family businesses are commonly described as having a lower propensity to internationalise due to their intrinsic features (Gallo and Sveen, 1991; Gallo and García-Pont, 1996; Gallo et al., 2004; Graves and Thomas, 2004, 2006; Fernández and Nieto, 2005). For instance, Gallo and Sveen (1991) emphasised the importance of organisational factors as major barriers. Similarly, these authors also refer to other barriers such as the family members’ reluctance to accept external knowledge; difficulties in hiring new managers with
international responsibility; fear of loss of control and the existence of insufficient control systems. In a later work Gallo et al. (2004) emphasised the following barriers: the concentration of the power of decision in the hands of a single entrepreneur (or small group), the deferrals in the process of succession and their typical aversion to internationalisation. As they noted, the major obstacles are not associated with the characteristics of the firm but rather with the degree of commitment of the major decision maker, whose major interest is the long-term survival (Gallo et al., 2004).

It is also relevant to note that the lower propensity to develop business networks with other actors, both internal or external to the domestic market associated with the lack of resources is often referred to as an important obstacle (Fernández and Nieto, 2005; Graves and Thomas, 2004), as well as psycho-sociological, cultural and political problems (Fernández and Nieto, 2005).

According to Fernández and Nieto (2005) access to outside resources can be made possible by developing partnerships (or networks) with other firms, a point also stressed by other authors (Gallo and García-Pont, 1996; Gallo et al., 2004). At the same time, these strategic partnerships not only contribute to reduce fixed costs (Fernández and Nieto, 2005) but also allow access to useful information about business opportunities, market characteristics, reduced perceived risk and reduced potential barriers to face certain foreign markets, among others (Bonaccorsi, 1992). So, the capacity to establish bridges through networking is very important and can act as an internationalisation driver.

Baldegger (2008) identified two major factors that explain why firms become BAG. First, the external environment, including the small size of the internal market, which may contribute to these firms exploring new foreign markets. Second, the proactivity of the entrepreneur who has numerous business relationships, and who has an active posture in searching for new opportunities.

Accordingly, the international process depends largely on the characteristics of the entrepreneurs who have initiated it, and are responsible for the mode, direction and speed with which the firm progresses along different international stages (Leonidou et al., 1998). Consistent with Miesenbock (1988), the key dimension in small business internationalisation is the decision maker of the firm. Basically, he/she is the one to decide to start, to increase and to end the international involvement of the company. The discussion about the decision maker could be organised around two sets of managerial factors, specifically objective and subjective factors (Leonidou et al., 1998; Hutchinson et al., 2006).

2.3.1 Objective factors. Among the objective factors particular emphasis has been placed on the age group, educational background, specific technical knowledge, professional experience (internal to the company), foreign language proficiency, time spent abroad and international experience of management.

Concerning the age group of the decision makers, although studies addressing this variable evidenced inconsistent findings, several authors suggest that younger individuals have a higher propensity to internationalise (Andersson et al., 2004). With regard to educational background, several authors have hypothesised that better-educated decision makers are expected to be more open-minded and interested in foreign affairs, thus being more willing to assess the benefits and disadvantages of an international strategy (Garnier, 1982).

Specific technical knowledge, management knowledge and international knowledge are also considered significant explanatory variables that act as important drivers for SME internationalisation (Casson, 1982; Ronstadt, 1988; Chandler, 1996;
Westhead et al., 2001). For example, Westhead et al. (2001) developed a study that provides evidence that entrepreneurs who have specific knowledge of the industry are likely to have higher propensity to internationalise. Nohria (1992) points out that past international experience provides more awareness and confidence to go abroad, facilitating the process of internationalisation, a point also stressed by Reuber and Fischer (1997), who acknowledged that performing different executive tasks abroad can help the new manager to understand new realities and contexts and, as a result of that, can accelerate the internationalisation of some companies. Thus, prior employment involving export-related activities may also reinforce the perception of relevance of foreign markets by decision makers.

As far as foreign language proficiency is concerned, Leonidou et al. (1998) acknowledged that there is a positive correlation between this variable and the internationalisation of the firm since this skill may help to establish social and business contacts abroad as well as to improve communication and interaction with potential intermediaries and clients. As these authors noted, foreign language proficiency may also assist the manager in understanding foreign business practices. The exposure of the manager to foreign cultures through living, working, or studying abroad, which allows accumulation of greater experiential knowledge of international markets, may contribute to build this vision (Leonidou et al., 1998).

As previously mentioned, Johanson and Vahlne (1977) considered market knowledge and experiential knowledge as important drivers of internationalisation. These two dimensions are still relevant today although the market environment is less predictable. From the point of view of the successor, if he/she has international vision, has spent some time abroad, has international experience and has lived (or worked) abroad, it is expected that he/she will have accumulated relevant knowledge that can be very useful to anticipate unpredictable events in the international context (Cavusgil et al., 1993; Barach et al., 1988; Morris et al., 1997; Lambrecht, 2005). Working outside of the family firm, and preferably having an executive role, will also contribute not only to individual development and experience but also to the implementation of new business practices (Segaro, 2010).

The improvement of business skills (formal education, training and experience), associated with the internalisation of cultural specificities of a foreign country, are very important factors for successors. Hall and Nordqvist (2008) emphasised that formal education is not enough to interiorise the complexity of management functions. This should be complemented with a deep knowledge of specific cultural competences. This knowledge and experience are recognised as important drivers, particularly if the experience achieved is subsequently applied in the family business context (Netlon, 1986; Danco, 1982). Concerning the aforementioned arguments, this study proposes the following proposition:

\[ P_1 \text{. Based on the perceptions of several successors there are a number of objective factors associated with the characteristics of the main decision maker (entrepreneur) that facilitate the process of internationalisation.} \]

2.3.2 Subjective factors. With regard to the category of subjective factors it addresses mainly to the attitudes and behaviours of decision makers (Leonidou et al., 1998). It is generally recognised that the decision maker exhibits some characteristics that favour greater influence in promoting a successful international strategy. Subjective factors may include an international vision, an innovative spirit, a proactive attitude
and an attraction to risk (Leonidou et al., 1998; Lumpkin and Dess, 1996; Dess et al., 1997; Harveston et al., 2000; Knight, 2001).

While the international vision is usually associated with future outcomes and desired marketplace position, the innovative spirit is the ability to innovate consistently. In other words, it is the ability to extend the entrepreneurial spirit along a period of time that makes the organisation viable in the present and in the future (Zahra and George, 2002). As these authors pointed out, international entrepreneurship is a “process of creatively discovering and exploiting opportunities that lie outside a firm’s domestic markets in pursuit of competitive advantage” (Zahra and George, 2002, p. 261).

Also, there are a growing number of firms looking for that competitive advantage through innovation based entrepreneurship (Simon, 1996). In turn, proactive decision makers have the ability to stimulate the company to innovate, to recognise new market opportunities and to exploit them. A proactive attitude is the major motive to do well and to achieve a goal regarding a set of standards. The introduction of the term “competitive advantage” indicates the importance that should be attributed to this issue. The better the company's ability to innovate, to recognise new market opportunities and to exploit these, the greater tends to be their success. Internationalising to a foreign country is a risky operation although this variable is highly dependent on both the perception of the situation and the perception by decision makers of themselves as experts in the field (Heath and Tversky, 1991). Given the above:

**P2.** Based on the perceptions of several successors there are a number of subjective factors associated with the characteristics of the main decision maker (entrepreneur) that facilitate the process of internationalisation.

### 2.3.3 Social networks

Closely related to the aforementioned objective and subjective factors is another characteristic which may be referred to as connections and networks. Basically, there is some evidence that decision makers whose contacts are internationally spread have a greater propensity to exploit international market opportunities than those who do not possess such contacts or social networks.

Although social networks allow a manager who is well positioned in the social web to access potential market opportunities more quickly, not all individuals have the ability to recognize them as such. Thus, understanding the extent to which social networks can be transposed to the reality of BAG family firms is one of the goals of this paper. External links connect family businesses to diverse networks and make it possible to access resources from other firms (Arregle et al., 2007).

Although there is some evidence that the family involvement in the internationalisation process is generally viewed as favouring an incremental approach (Uppsala theory), the re-emergence of a new successor with specific characteristics and privileged connections may speed up the process of internationalisation. Concerning the above discussion, the following proposition is presented:

**P3.** Based on the perceptions of several successors the role of social networks may facilitate the process of internationalisation.

### 3. Methodology

Given the fact that that the objectives of this study were more related to understanding than measuring, the succession process was analysed from a qualitative approach.
As the moment of succession represents a significant transition in the life of the firm the justification for a qualitative approach is the fact that we are dealing with a very sensitive and complex topic. The logic behind this approach is to place emphasis on theory as a process and not to test pre-defined hypotheses. Due to the degree of complexity of the topic under study a qualitative approach was adopted (Yin, 1981). Systematic combining (Dubois and Gadde, 2002) is a qualitative methodology, based on an abductive approach, where the research question, the empirical data and the theoretical concepts are permanently challenged. This process is particularly relevant to the development of theories and to the emergence of new insights.

Consistent with Eisenhardt and Graebner (2007) samples based on particularly interesting cases can offer new insights regarding the research question. With this goal in mind, the sample cases selection is based on the potential contribution to the development of the theory of each rather than its uniqueness (Yin, 2009). The data were collected through recorded semi-structured interviews that were conducted with one successor for each of the six firms. Each interview lasted approximately 1.5 hours, although that time was occasionally exceeded. It is relevant to note that the interview data were complemented with other sources of information. Thorough research was undertaken for each firm by obtaining archival data that consisted in planning documents, internal reports, newspapers and other relevant records. Later, the data collected through these means was compared with the primary data collected through the interviews. The interviews were always carried out on the firm’s premises with the major decision maker who is responsible for the decisions related to the international involvement of the firm (they took place from July to September 2011). The complete case reports were sent back to the interviewees and any inconsistencies they identified were immediately corrected. When any doubt subsisted, the authors e-mailed the person interviewed to clarify these doubts.

Interviews were conducted face-to-face, according to the standardised format of a set of open-ended questions, which allowed the interviewee some flexibility to introduce unexpected and relevant topics about succession in a family business.

A general set of questions was asked addressing: the objective characteristics of the successors (educational background, successor’s age, professional experience; specific technical knowledge, time spent abroad, international experience outside of the firm and business skills); the subjective characteristics of the successors (international vision, successor’s proactivity, innovative spirit, risk attraction); and other factors, such as the relevance of social networks and social capital.

This study adopted a theoretical sampling in order to gain a deeper understanding of the succession process in the internationalisation of the firm. Specifically, this sampling proceeds “not in terms of a sample of a specific group of individuals, units of time, and so on, but in terms of concepts, their properties, dimensions and variations” (Strauss and Corbin, 1990, p. 420).

For the purpose of this research, we adopted a multiple-case study with six family firms operating in different sectors. We decided to stop at the sixth interview because we felt that we had reached data saturation, the point at which nothing new is being added (Bowen, 2008). Qualitative samples are typically small in size. This is due to the fact that: first, if the data are properly analysed, the researcher come to a point where very little evidence is added from each additional case; second, statements about incidence or predominance are not a concern of qualitative research; and third, the nature of information obtained through qualitative approaches is rich in detail and
diversity (Ritchie et al., 2003). In the present study, the Eisenhardt (1989) guidelines were followed in a sense that a selection of four and ten cases is recommended.

3.1 Case selection
As previously mentioned, this study aims to analyse both the successor’s perceptions about the factors that facilitate or inhibit the process of internationalisation and the specific characteristics that the successor must possess to foster internationalisation. Concerning selection of firms, the following criteria were adopted: the firms have been active for at least five years prior to internationalisation; the family controls the largest block of shares or votes; one (or more) of its members is responsible for key management positions; the firms have gone through a process of succession; and the successor is a family member. Basically, the first criterion ensures that the company is a BAG; the second and third criteria fit the notion of family business; and the two last criteria ensure that a business succession process has already occurred and that this succession occurred within the family and not via the choice of an external agent. Table I lists the profile of the six firms selected for the sample and their major characteristics.

3.2 Firm A (www.freituck.com/)
Founded in 1961, during the last 30 years Firm A, under the administration of the parents of the current owner (ASeS), specialised its production in the manufacturing of a traditional regional bread for local sales. In 1991, the current owner was concluding his course in Economics and in the same year his father’s illness led him to work for the firm. At this time, ASeS accumulated deep knowledge of the business by helping his parents in different areas of the business. When he assumed control of the firm he introduced thorough strategic re-orientation. These changes resulted from his participation in national and international trade shows which facilitated not only networking but also sound knowledge of the best practices in the sector. The paradigm change relied mainly on the diversification of products (and frozen products), in the area of bakery. At this time, the decision to create a single international-sounding brand “Frei Tuck” was made because the owner believed this strategy would make the process of internationalisation easier. In 2001 the firm separated from a large national client on which it had been strongly dependent. Subsequently, the firm started to expand their exports to several EU and non-EU markets.

<table>
<thead>
<tr>
<th>Confectionary Firm A</th>
<th>Carpentry Firm B</th>
<th>Biscuit and chocolate factory Firm C</th>
<th>Textile factory Firm D</th>
<th>Button factory Firm E</th>
<th>Shoe factory Firm F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year of creation</td>
<td>1961</td>
<td>1968</td>
<td>1943</td>
<td>1975</td>
<td>1966</td>
</tr>
<tr>
<td>Business vol. (2010)</td>
<td>1 M€</td>
<td>750 k€</td>
<td>26.5 M€</td>
<td>1.8 M€</td>
<td>13 M€</td>
</tr>
<tr>
<td>No of workers (2010)</td>
<td>18</td>
<td>25</td>
<td>193</td>
<td>105</td>
<td>189</td>
</tr>
<tr>
<td>Dimension</td>
<td>Small</td>
<td>Small</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Exports (2010)</td>
<td>70%</td>
<td>12%</td>
<td>50%</td>
<td>80%</td>
<td>80%</td>
</tr>
</tbody>
</table>

Notes: aM, million; b1, thousand
Source: The authors
3.3 Firm B (http://rochacarpintaria.com/)
Founded in 1968, the “Rocha” carpentry started from a small business. Since this period the firm has been growing and is currently in the second generation. ER the son of the owner started to work early on with his father and after nine years he decided to emigrate to Canada, working in the same business area. In 1994, the founder, feeling exhausted, decided to sell the firm. His son, unhappy with this option, decided to return from Canada and assumed control of the firm, making sure that it continued connected to the family. In 2000, a relative living in France gave them an important order which was the first international experience of the firm. We might say that an informal link with a close relative triggered the process of internationalisation. At a later stage, the firm was approached by two agents (one Italian and one Portuguese) who proposed a partnership with the company. These contacts lead ER to believe that the international markets were an important source of opportunities. Now the firm has a significant presence in the French market.

3.4 Empresa C (www.vieiradecastro.pt/)
Firm C has been around on the market for almost 70 years, establishing itself as a sustainable, competitive brand which is committed to quality and innovation, endowing it with unrivalled know-how in the production of biscuits, almonds and boiled sweets. In 1985 after the death of its founder the control of the firm was assumed by his three sons. In 1998, the youngest son took control of the firm. The succession led the firm to a new stage in terms of its international presence. Basically, there was a concern by the administration to be present in the most important international trade shows of the sector as well as various industry events. So, potential contacts were taking place in a natural order. The beginning of the internationalisation process of the company started was in 1992 after Portugal joined the European Community. Major competition was anticipated and so the firm started to make large investments in its manufacturing sector to face this fierce competition. Japan was the first market chosen, because there was the conviction that if the firm was successful in that market then they would be prepared for any other market. In order to reach this objective the firm participated in an international trade show in Tokyo, where two major suppliers showed interest and one of them started to cooperate with Firm C. After the fall of the Soviet regime, the Russian market also interested the firm. Currently, Firm C is the largest Portuguese manufacturer in the biscuits sector. Their rule for success is to fully satisfy clients and reward employees for excellence. Currently, the firm is present in nearly 45 countries with nearly 100 partners.

3.5 Firm D (Corte Belo, Lda)
Firm D was founded in 1975 and operates in the area of textiles. Since her youth ON the younger daughter of the founder of Firm D, was linked to the family business in particular during the holidays when she worked in her parents’ firm. After concluding her course in Economics, she started to work in the area of accounting. A few months later she was made responsible for the Commercial department. In her youth, for three years she did several summer courses in England. This international experience was relevant because it gave her an international vision of other markets and social contexts. However, the process of internationalisation took place as a result of chance. The firm was approached by an international agent who was quite surprised by its organisation and decided to make a contract and started to negotiate directly with the firm. This experience alerted ON to the potential
of internationalisation and the firm currently exports 80 per cent of the total sales for international markets.

3.6 Firm E (www.louropel.pt/)
Since its foundation in 1966, Firm E has been dedicated to the production and sale of buttons, and from its beginnings the firm invested in the entrepreneur’s experience and knowledge by using innovative technology.

Succession took place naturally with the sons of the founder gradually assuming control of the firm. AR, one of the founder’s sons, was the first to internationalise the firm. Before entering the firm he had a strong international experience outside the firm. He worked in Brazil, Italy, Spain and France. However, it was the networking facilitated by international trade shows that enabled the successor to design and implement an international strategy. This was complemented with the visit of their clients to their premises which culminated with the recognition of the quality of their products. Currently, the firm is present in vast international markets such as France, Spain, Switzerland and many others. Currently, Firm E is considered one of the major firms of the world in this specific area of activity.

3.7 Firm F (www.lojaluisonofre.com/)
Founded in 1939 by the grandmother of the current owner, Firm F is currently viewed as a very successful firm in the area of shoes. The son of the founder maintained the legacy of the firm by transferring to his son (LO) the expertise accumulated by the firm. In 1993, LO finished his course in design and received the award for “the best designer” from an Italian magazine. After entering the firm he started to develop collections for major international brands such as Kenzo, Cacharel and Daniel Hechter. Simultaneously, he started to participate in international fashion shows in Paris, Madrid and Barcelona. The first collection of shoes had 40 different models, and now the collection has more than 400. The fact that Letizia (future queen of Spain), Paris Hilton and even the actress Naomi Watts have worn their shoes contributed strongly to reinforce the brand image in the global market. Today the fact that the firm exports 93 per cent of its production reveals the degree of internationalisation of the firm. Basically, the success of this firm is associated with the creativity and inspiration of his successor.

Table II illustrates the successors’ profile in the six firms considered in the present study.

4. Data analysis
After the interviews with each respondent was conducted and transcribed, the case descriptions of considered firms was written. A key issue of this step was the development of a chronology of events. The use of interview recordings was particularly relevant to guarantee that none of the contextual information was lost in the transcription. After this stage, several gaps were identified and subsequently clarified. Then, a within-case analysis was carried out in an attempt to perceive case-specific patterns before proceeding to the cross-case patterns and differences.

To analyse the qualitative data NVIVO 9 software was used. It basically relies mainly on “nodes”, which represent a variable identified in the literature or a new one identified in data. In the case of this study it relates to the successor that facilitates the process of internationalisation. Throughout this process a total of 17 “nodes” were identified.
### Table II.
The profile of successors

<table>
<thead>
<tr>
<th>Nature of the link with the main founder</th>
<th>Confectionary</th>
<th>Carpentry</th>
<th>Biscuit and chocolate factory</th>
<th>Textile factory</th>
<th>Button factory</th>
<th>Shoe factory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Son</td>
<td>Son</td>
<td>Son</td>
<td>Daughter</td>
<td>Son</td>
<td>Son</td>
<td>Grandson</td>
</tr>
<tr>
<td>Motivation</td>
<td>Free will</td>
<td>Generational obligation</td>
<td>Genentional obligation</td>
<td>To get experience</td>
<td>Genentional obligation + free will</td>
<td>Generational obligation + free will</td>
</tr>
<tr>
<td>Formal education</td>
<td>Management degree</td>
<td>Secondary school</td>
<td>Primary school</td>
<td>Economics degree</td>
<td>Secondary School</td>
<td>Secondary School</td>
</tr>
<tr>
<td>First position in the company</td>
<td>Manager</td>
<td>Responsible</td>
<td>Logistics</td>
<td>Employee</td>
<td>Manager</td>
<td>Designer, commercial manager</td>
</tr>
<tr>
<td>Current position in the company</td>
<td>Manager</td>
<td>Partner-manager</td>
<td>CEO</td>
<td>Commercial director</td>
<td>Partner-manager</td>
<td>commercial manager</td>
</tr>
</tbody>
</table>

**Source:** Authors
Using this process of coding it was possible to develop concepts, categories and properties that were emerging from the data analysis. The data analysis of the interviews was carried out progressively, leading to new variables. However, as we moved to another interview the marginal gain (represented here to identify a new variable) became smaller. A comparison was made between the existing literature and the theory that emerged from the analysis of the existing data.

The analysis of each firm enabled us to identify a number of variables that act as driving factors for entering new international markets (Table III).

With regard to the most important objective factors such as educational background, successor’s age, professional experience, international experience outside of the family and ability to speak a foreign language they had little impact on the initiation of the process of internationalisation in the sampled firms. Therefore, more research should be undertaken to validate these results.

As far as the subjective factors that facilitate internationalisation within the process of succession, particular emphasis should be placed on those variables that cut across all case studies, which were international vision, successor’s proactivity and the innovative spirit of the successor. Of these factors, international vision was indeed the most important, and was referred to at least 11 times by different interviewees. Although it was identified in all cases, the successor’s proactivity was mentioned ten times while innovative spirit was referred to nine times.

<table>
<thead>
<tr>
<th>Managerial factors</th>
<th>Bakery Factory</th>
<th>Carpentery Factory</th>
<th>Garment Factory</th>
<th>Button Factory</th>
<th>Shoe Factory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theoretically grounded</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Objective characteristics</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational background</td>
<td>☐</td>
<td></td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Successor’s age</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Professional experience</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Specific technical knowledge</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Time spent abroad</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>International experience outside of the company</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Business skills</td>
<td>☐</td>
<td></td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Ability to speak a foreign language</td>
<td>☐</td>
<td></td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Subjective characteristics</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International vision</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Successor’s pro-activity</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Innovative spirit</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Risk attraction</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Social network and social capital</td>
<td>☐</td>
<td></td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Empirically grounded</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significant international involvement with the firm before the succession</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Perception of foreign market</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Opportunities (external factors)</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Personal motivation</td>
<td>☐</td>
<td></td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Internal career path</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

Note: Boxes represent the occurrences for each attribute

Source: The authors

Table III
Results from NVIVO
Conversely, the “social networks and social capital” variable seems to have little influence in the initiation of the process of internationalisation. This partly contradicts relevant literature and therefore, more research is needed in relation to this particular issue.

It is interesting to note that the analysis of interviews led us to identify new relevant factors, such as significant involvement with the firm before the succession (six sources; nine references); perception of foreign market opportunities (external factors) (five sources; 12 references); personal motivation (one source; one reference) and internal career path (five sources; seven references).

5. Discussion of the findings
This study aims to examine a number of factors (characteristics of the successor; social networks) that foster the firm’s internationalisation process within the context of (post-) succession. It is relevant because the existing literature on the subject is still very limited and remains somewhat inconclusive, particularly concerning the involvement of the new generations with regard to the internationalisation process of mature family firms.

Concerning the objective characteristics only specific technical knowledge has an important impact in the cases analysed. If the successors have detailed knowledge of the product and the production process, they know what the firm’s strengths and weaknesses are, and they have more trust in their products and in their capacities. This was the most frequently mentioned factor in the interviews, which is in line with several authors (Casson, 1982; Ronstadt, 1988; Chandler, 1996; Westhead et al., 2001). According to these authors, specific technical knowledge, management knowledge and international knowledge are considered important variables to explain internationalisation. Westhead et al. (2001) developed a study that provides evidence that entrepreneurs who have specific knowledge of the industry are likely to have higher propensity to internationalise, and this is wholly reflected in our cases.

Although international experience outside of the firm, business skills, educational background, ability to speak a foreign language, age and social networks had moderate importance in the present study, this study partially agrees with P1.

Similarly, concerning the subjective factors, the successors revealed a unique capability to maximise those opportunities that occur in the external environment of the firm, particularly by recognising foreign market opportunities, international vision, proactivity, innovative spirit and risk attraction. Based on interviews, it can be concluded that this study is in complete accordance with P2.

This study also assumed that social networks allow a successor who is well positioned in the social web to access potential market opportunities more quickly. Based on interviews, it can be concluded that this study only partially agrees with P3.

This study identified a number of new relevant factors, which vary in importance. Among these, particular emphasis goes to the perception (by the successor) of foreign market opportunities; significant international involvement with the firm before the succession, personal motivation and internal career path.

It has important implications for research, for practices and even for society. As far as theoretical implication are concerned, several studies have examined the importance of external factors in the process of internationalisation but no direct connection has been made to the role of the successor in the recognition of foreign market opportunities. This topic has been mainly addressed by the literature on international entrepreneurship. As Ardichvili et al. (2003) observed, considering the fact that
international opportunities are to be found throughout the world and available to all, it is true that only few entrepreneurs take advantage of them. However, only few can assume the risks and take advantage of these opportunities. From time to time certain overseas markets grow spectacularly, providing tempting opportunities for expansion-minded firms. Therefore, two incidents need to occur simultaneously; first, a proactive entrepreneur with international vision (like the successors seem to be); second, a trigger situation.

Another important factor arising from the present study relates to the degree of involvement in the company before succession, which was referred to by all companies analysed. This degree of involvement can be influenced by a number of variables, whose importance can vary according to each case. However, out of the cases analysed, the fact that successors are closely involved in the daily problems of the firm before taking over the leadership assumed particular importance. This degree of involvement has been mentioned in the literature in terms of a good or bad succession (Handler, 1989; Davis, 1968). Mitchell et al. (2009) for instance contend the need for further investigation into the cause-effect of the previous degree of involvement of the successor in the effectiveness of succession. According to our results, the early involvement of the successor is very important in the future development of the company, because the sooner the successor begins his/her connection with the firm, the higher his/her self-confidence in his/her own abilities and the firm’s knowledge of its resources and competencies to internationalise. Baldegger (2008) has identified that the proactivity of the entrepreneur is an important factor and explains partly why firms become B2B. He also connected this proactivity with numerous business relationships and with an active posture in searching for new opportunities. In the present study the former was not present but the latter was clearly found as a relevant factor. As ON (Firm D) observed, “she stayed weeks in London knocking on the doors of their potential clients”.

Another factor that arose from the interviews was the fact that willingness to succeed to the firm is another catalyst for internationalisation. A further factor was the importance of the internal career path followed by the successor within the company. Five cases referred to this topic seven times. In a number of interviews it was clear that several successors performed extremely well before assuming the leadership of the firm. This may be associated to the fact that the successor performed a variety of tasks within the firm, which provided the successor with a number of capabilities to deal with the daily problems. This global perspective of the firm could be an important factor in the process of internationalisation. This issue was also raised in the literature by Handler (1989), who argued that a rich and diverse experience in the firm is a pre-condition for a successful succession. On the other hand, a long internal career provides the successors with full knowledge of the entire operation of the firm, its distinctive features and capabilities enabling him/her to recognise where the firm has relevant competitive advantages.

Several studies propose that risk-taking is highly dependent on both the perception of the situation and the perception by decision makers of themselves as experts in the field (Heath and Tversky, 1991). Internationalising to a foreign country is a risky operation, so it can be expected that a successor with a long internal career has a clearer perception of the situation and about himself and this is an important catalyst for internationalisation.

Other authors recognised the importance of active learning within the company for a good succession (Barach and Ganitsky, 1995; Chrisman et al., 1998; Morris et al., 1997;
However, these authors did not consider how the performance of certain tasks before assuming the direction of the firm impacts on the internationalisation process. The recognition of the importance of the successor’s path career inside the firm can be understood as a practical implication. The way in which the successor is integrated in the company limits the way he knows and interconnects with all departments and markets and at the same time changes the way he is recognised by all the other partners. If, at the same time, he/she has an international vision and an active posture, he/she will certainly have a global vision (global in the sense he/she has good knowledge of the company and the world) and will have a positive impact on the firm’s internationalisation. Here there is also an implication for society concerning the way that entrepreneurs educate their children.

6. Contributions, limitations and recommendations

In terms of contribution, this study aims at understanding the major objective, subjective and social network-related factors that facilitate the process of internationalisation of a family firm within the context of a (post-) succession. Based on the qualitative study, there are (clearly) a number of relevant factors that were identified; in particular, significant involvement with the company before the succession, international vision, proactivity, innovative spirit and specific technical knowledge. By contrast, factors such as speaking a foreign language, business skills and educational background turned out to be less important, perhaps because some of these factors should be assumed a priori as being part of the internationalisation process. In any case, more research should be undertaken in this particular respect. The role of social capital did not reveal itself to be very important although it is undeniable that the potential of social networks could provide better access to market opportunities and thereby improve the processes of internationalisation. Another possible explanation relates to the fact that most successors were too young when they assumed the control of the firm, and at the moment of internationalisation, they had not developed an efficient networking system.

Understanding the objective and subjective factors that facilitate the process of internationalisation is important for both academics and managers. From an academic perspective, this study reinforced the idea that succession is one of the family firm’s biggest challenges. An effective succession can give a new impulse to the firm by providing it with a higher level of ambition, which may involve an international strategy. Based on several successors’ perceptions, this study went a step further by uncovering a number of new managerial factors within the context of (post-) succession, such as significant international involvement with the firm before the succession, the perception of foreign market opportunities, personal motivation and internal career path. This may include knowledge of potential customers or market opportunities not accessed by other companies. From a managerial perspective, this study may help governments to design appropriate and relevant export promotion programmes based on the specific needs of SMEs.

From a methodological perspective, a major limitation of this study relates to the sample size associated to the fact that the participating firms are geographically restricted to the north of Portugal. The question of generalisation inevitably arises due to the use of a small number of cases. This study could be complemented by a quantitative approach, whose main objective should be to analyse different measurement scales and to discover possible causal relationships among different
psychographic variables and a greater (or lesser) propensity of mature firms with new successors to internationalise.

In terms of further recommendations, an area that deserves particular attention in future studies relates to the development and transfer of social capital within family firms. The way knowledge is transferred from one generation to another is important, particularly if the firm has already been involved in international markets.

It is generally accepted that family firms account for a significant amount of economic activity and it is therefore crucial, for their growth and survival, to understand the ways in which the next generations, in particular, view the process of internationalisation. Only by following this pathway, can family firms leverage their capabilities and resources.

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