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Internationalisation of Family Enterprises: The Role of Entrepreneurial Orientation and International Growth Orientation

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Abstract

The determinants of foreign market entry and success among family-controlled small- and medium-sized enterprises (SMEs) have not received much attention in research, and especially the role of strategic orientations noted crucial in international entrepreneurship, is still unclear in the family business context. In this study, we respond to these omissions by examining a sample of 169 family-controlled Finnish SMEs across five industry sectors. The data are analysed via binary logistic and linear regression modelling. The results find that the internationalisation propensity and degree of internationalisation among the family businesses are impacted by higher levels of international growth orientation. Innovativeness explains the likelihood of having international operations, but otherwise, entrepreneurial orientation does not impact the internationalisation outcomes. International growth orientation is found to not determine the international performance of the companies. We discuss the theoretical and managerial implications of the results, which contribute to the literature on family businesses and international entrepreneurship.

Keywords: family business, SME internationalisation, international entrepreneurship, strategic orientation.

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1 Introduction

The objective of this study is to illustrate how strategic orientations influence internationalization of family businesses, specifically internationalization of small- and medium-sized family enterprises. The starts from the recent notion by Arregle et al. (2017) that internationalisation of family businesses is in many ways a phenomenon distinct from the internationalisation of firms in general. Small- and medium-sized family enterprises, in particular, are said to be managed in ways that discourage internationalisation (Hennart et al., 2017). Research on internationalisation of family SMEs is of relatively recent origin: In one of the first studies examining the phenomenon, Fernandez and Nieto (2005) noted that family-SMEs are less likely to internationalise than non-family controlled ones. This may be due to the fact that the internationalisation of family-controlled SMEs may be tempered by their inclination for risk-averseness (Claver et al., 2008; Graves and Thomas, 2008). Recently, the research in international entrepreneurship has started to examine the phenomena surrounding international operations among family firms, including their internationalisation pathways (Kontinen and Ojala, 2010; Kontinen and Ojala, 2012), and the importance of network ties in their internationalisation process (Kontinen and Ojala, 2011; Kampouri et al., 2017). This has been needed since family ownership also directly impacts international entrepreneurship (Sciscia et al., 2012). However, thus far the relationship of strategic orientations in family-SMEs and their internationalisation outcomes has not been clarified. Along with a call for more research on family firms involved in international entrepreneurship (Ratten et al. 2017a), this constitutes a gap in extant research, as strategic orientations do have an impact on business outcomes among family SMEs in general (Aragón-Sánchez and Sánchez-Marín, 2005; Naldi et al., 2007).

Therefore, the main goal of this article is to examine the influence of two strategic orientations central for internationalisation of SMEs in general, and for the field of international entrepreneurship in particular: entrepreneurial orientation (Miller, 1983; Lumpkin and Dess, 1996) and international growth orientation (Nummela, Saarenketo and Puumalainen, 2005) on family SME internationalisation. The former has already been found to have a complex relationship with overall performance among family SMEs (Naldi et al., 2007), but is yet to be examined in relation to their internationalisation process. Especially the implications of entrepreneurial orientation on the performance of family SMEs has received scant research attention until recently (Stenholm et al., 2015).

Similarly, to our knowledge, international growth orientation of family SMEs has not been examined in the context of their internationalisation before. Since the internationalisation of family businesses has been found to be defined by their risk-averseness, both entrepreneurial and international growth orientation could be expected to have distinct impacts on their internationalisation process and outcomes, compared to the internationalisation of SMEs in general. Thus, clarifying their role in internationalisation proclivity and performance for family businesses, in particular, can yield valuable insights on the impact of organizational culture or behaviour on entrepreneurial internationalisation of family businesses.

This study continues as follows: in the next section, we examine the relevant extant literature on the topic in more detail and subsequently establish a set of hypotheses on the strategic orientations and internationalisation outcomes of family-controlled SMEs. Section 3 introduces the applied research methodology, including the data collection process and measure development. The results of the analysis are presented in section 4, and we conclude in section 5 by discussing their implications, while also considering the limitations of our study and potential future research avenues on the topic.

2 Theoretical background

2.1 Entrepreneurial internationalisation and the family business

SMEs that do engage in internationalization activities have in general been only a small subsample of all SMEs globally and regionally (Dana, 2008). Internationalization of SMEs in Finland, the empirical context in which this study is concentrated on, is a relatively recent phenomenon (Miettinen, 2008), and recently the emerging internationalization of family SMEs in particular has been noticed (Kontinen and Ojala, 2010). Recently, studies on family firms' internationalisation have focused on entry mode choice (e.g. Boellis et al., 2016; Chang et al., 2014), owner-related personal characteristics such as international commitment (Castagnoli, 2014) personal network (Zaefarian et al., 2016), or successful leadership practices (Calabro et al., 2015; Chen et al., 2015), and specific institutional environment of transition economies (Ratten et al. 2017b). However, the ownership structure of a firm may be a determining factor in its internationalisation intentions (Dosoglu-Guner, 2001), and may also influence strategic decisions on foreign market operations, such as foreign entry modes (Musteen, Datta and Herrmann, 2009) and the overall internationalisation process (Riahi-Belkaoui, 1996). In family-controlled businesses specifically, this may also determine the internationalisation pathway¹ chosen, these firms also tend to operate on risk-averse decision making, prioritizing survival over growth (Graves and Thomas, 2008), moreover, together with the growth of the family firm's international commitment, the perceived risk about their international operations is higher (Claver et al., 2008). Risk-averseness is in stark contrast to risk-taking enterprises such as born globals (Rennie, 1993; Madsen and Servais, 1997), and the notion has been confirmed by Fernandez and Nieto (2005), who found family-controlled firms less likely to internationalise than other types of businesses.

The effects of management type in family firm in regard of internationalisation shows mixed results in literature with evidence that a non-family leadership is beneficial for the firms with global strategic focus (Banalieva and Eddleston, 2011) for firm's stronger international commitment (Claver et al., 2009), as well as for the level of international sales (Sciascia et al. 2013). However, while in the study of Avruchir et al. (2016) a family firm bankrupted after an intensified internationalisation under the newly appointed non-family management. In the family SMEs context too, non-family members in the management board can increase export intensity (Calabrò and Mussolino, 2011). Family firms are often called owner-centred and unstructured in their approach to internationalisation (Kontinen and Ojala 2010). The taxonomy developed by Swoboda and Olejnik (2013) distinguishes four types of international family firms: Domestic-Focussed Traditionalists, Global Standardisers, Multinational Adapters and Transnational Entrepreneurs with the latter being the top-performers mainly due to the high degree of international orientation, risk orientation and people orientation.

Family-controlled SMEs further present a special context of firm ownership, as they differ from other types of enterprises in various ways. For example, being less likely involved in networks and having a smaller size as compared to non-family, SMEs they often struggle to internationalise their operations (Graves and Thomas, 2004). Besides that, they tend to lack

¹ We use the term 'pathway' to describe "stereotypical" internationalisation processes or patterns of behavior which can be distinguished from each other (cf. e.g. Kuivalainen and Saarenketo, 2012). This can e.g. include differences in when a firm internationalises and to what extent.

managerial capabilities (Graves and Thomas, 2006), tend to face challenges in developing and accessing the capabilities they need to internationalise and tend to engage in less exporting once they do (Fernandez and Nieto, 2005). The type of family ownership is also a concern for SMEs: a fragmented ownership structure leads to traditional internationalisation pathway whereas a concentrated ownership base led to born global or born-again global pathways (Kontinen and Ojala 2012). Furthermore, the impact of organizational culture in family-controlled SMEs tends to exceed that in other types of businesses (Zahra et al., 2004), and thus their organizational behaviours and decision-making styles may also differ from non-family-controlled firms.

This implies that the behaviours that most distinguish them from internationalising SMEs, in general, may be those related to risk-taking. That risk-taking, in turn, may appear more concretely in the willingness of the firm to engage in radical innovating, more aggressive growth seeking and general proactiveness in seizing any market opportunities it may perceive. Seeing from the viewpoint of firm behaviour as a set of strategic orientations, two orientations may thus be of particular importance for family-controlled SMEs: entrepreneurial orientation and international growth orientation.

2.2 Entrepreneurial orientation and the internationalisation of family-SMEs

Entrepreneurial orientation (EO) is a strategic orientation comprising methods, practices and decision-making styles of firms (Covin and Slevin, 1989; Lumpkin and Dess, 1996), and can be understood both as a set of managerial behaviours and/or attitudes (Miller, 2011). EO has usually been agreed to consist of the three dimensions of risk-taking, innovativeness and proactiveness (Miller, 1983; Covin and Slevin, 1990; Wiklund 1999). Proactiveness is understood as the forward-looking willingness to approach market opportunities; innovativeness comprises the tendency to engage in developing novelty and new ideas through experimentation; and risk-taking measures the likelihood of engaging in risky endeavors, e.g., in the form of willingness to incur large debts or resource commitments in the hopes of future success (Lumpkin and Dess, 1996).

While EO and its outcomes have been prominently studied in the context of firms in general (e.g., Wiklund, 1999; Lumpkin and Dess, 2001; Chow, 2006; Rauch et al., 2009, Wach, 2017) and small firms in particular (e.g. Wiklund and Shepherd, 2005), it also lies firmly at the very heart of international entrepreneurship (IE). This impact of EO in IE is captured by the definition of McDougall and Oviatt (2000, p.903) of IE as “*a combination of innovative, proactive and risk-seeking behaviour that crosses national borders and is intended to create value in organizations*”.

It is no surprise, then, that EO has often been found to impact international new ventures. Internationalising small firms in knowledge-intensive industry sectors such as the software industry tend to be both innovative (McAuley, 1999) as well as proactive in seeking international business opportunities (Zahra, 2005). EO as a quantifiable construct has also been found to influence the scale and scope of internationalisation (Ripollés-Meliá et al., 2007; Javalgi and Todd, 2011) and international performance of SMEs (Jantunen et al., 2005; Mostafa et al., 2006). The impact of EO on the latter may also vary depending on the dimension of EO (Frishammar and Andersson, 2009), and innovativeness may be linked to rapid internationalisation (Knight and Cavusgil, 2004; Jones and Coviello, 2005).

EO may have a strong impact in family-controlled firms as well: Family-SMEs tend to be particularly risk-averse in their operations (Naldi et al., 2007; Claver et al., 2008), and risk-taking may lead to worse performance outcomes for them (Naldi et al., 2007). The relationship between EO and the growth of family-controlled SMEs is particularly complex and may depend on such factors as the generational dynamics of the family management (Cruz and Nordqvist, 2012) or dynamism and hostility of the environment in which the business operates (Casillas et al., 2010). EO, as opposed to paternalism, decreases the family inertia, which constrains the development of dynamic capabilities in family firms (Chirico and Nordqvist, 2010), and assumed to have a positive impact on the firm success (Kellermanns and Eddleston, 2006).

EO may also be more or less of importance for family-SMEs, depending on how long-lived they are (Zellweger and Sieger, 2012), and on how long-term oriented their behaviour is (Lumpkin et al., 2010). It thus stands to say the impact of EO on internationalisation may also differ between family- and non-family-controlled SMEs. As family-SMEs overall tend to be more risk-averse than other types of SMEs (Claver et al., 2008), their likelihood to internationalise and their willingness to expand their foreign operations may be lower (Graves and Thomas, 2008).

Thus, the decision of a domestically operating family-SME to commence their first foreign market entry may come to depend largely on the extent how entrepreneurially oriented their managerial culture is. The more innovative firms may both find increased market potential for their products beyond their domestic market, thus lessening the perceived risk in relation to expected profits; those SMEs exhibiting proactiveness may be comparatively more eager to grasp that opportunity before having to do so by reacting to changes in their market environment; and risk-taking family-SMEs may be more willing to internationalise without as much guarantee of success. Therefore, we hypothesize that:

- H1: The higher the entrepreneurial orientation of a family-controlled SME, the more likely it is to operate internationally.
 - H1a: The higher the innovativeness dimension of the entrepreneurial orientation of a family-controlled SME, the more likely it is to operate internationally.
 - H1b: The higher the proactiveness dimension of the entrepreneurial orientation of a family-controlled SME, the more likely it is to operate internationally.
 - H1c: The higher the risk-taking dimension of the entrepreneurial orientation of a family-controlled SME, the more likely it is to operate internationally.

Subsequently, these dynamics could also extend beyond the first foreign market entry of the firm: They could be expected to be more likely to widen the scale and scope of their foreign operations, based on how innovative, proactive and willing to take risks they are:

- H2: The higher the entrepreneurial orientation of a family-controlled SME, the higher its degree of internationalisation.
 - H2a: The higher the innovativeness dimension of the entrepreneurial orientation of a family-controlled SME, the higher its degree of internationalisation.
 - H2b: The higher the proactiveness dimension of the entrepreneurial orientation of a family-controlled SME, the higher its degree of internationalisation.
 - H2c: The higher the risk-taking dimension of the entrepreneurial orientation of a family-controlled SME, the higher its degree of internationalisation.

Finally, the relatively higher risk-averseness of the family-controlled SMEs may lead them to approach their internationalisation process with more careful planning, with the setting of

realistic goals and milestones, and with keeping track of the overall process more closely. This, in turn, may result in more realistic risk-taking among the family-SMEs, and proactive planning may lead them to adhere to increasingly realistic strategic objectives. Thus, we might expect higher levels of EO in family-controlled SMEs to lead to them experiencing more satisfactory results in relation to their set strategic goals. We refer to the extent to which the firms reach those goals as “subjective international performance”, and further hypothesize that:

- H3: The higher the entrepreneurial orientation of a family-controlled SME, the higher its subjective international performance.
 - H3a: The higher the innovativeness dimension of the entrepreneurial orientation of a family-controlled SME, the higher its subjective international performance.
 - H3b: The higher the proactiveness dimension of the entrepreneurial orientation of a family-controlled SME, the higher its subjective international performance.
 - H3c: The higher the risk-taking dimension of the entrepreneurial orientation of a family-controlled SME, the higher its subjective international performance.

2.3 International growth orientation and internationalisation of family-SMEs

Growth orientation is an essential precedent for growing the firm through foreign operations (Yli-Renko et al., 2002). In a context of family business, the findings linking long-term orientation of family firms and its effect on internationalisation are scarce and inconclusive (Pukall and Callabro, 2014) with the study by Claver (2008) showing family firm’s long-term vision has a positive effect on the choice of entry modes involving a stronger international commitment.

Internationalising SMEs are noted to possess not only general but also international growth orientation (IGO) that is distinguishable from general proclivity towards growth-oriented strategy (Nummela et al., 2005). Therefore, IGO is an antecedent to the actual growth strategy pursued by SMEs in an international context (Yli-Renko et al., 2002). The IGO in SME has an effect on its internationalisation pathways increasing the likelihood of adoption a born-global or born-regional internationalization patterns that employ a large international market exposure soon after the firm’s establishment (Baum et al., 2015). IGO also tends to impact geographical diversification as SMEs enters new markets (Tuppura et al., 2008). Previous research confirms that IGO significantly drives the internationalisation of small firms (Nummela et al., 2005). However, earlier studies (e.g. Liao and Welsch, 2003; Davidsson, 1989) also suggest that SMEs are not a uniform growth-oriented crowd and in fact, the majority of the firms are neither entrepreneurial nor growth-oriented. Researchers aiming to illuminate firm growth have often started with the assumption that the will to grow exists and only external factors stop that from happening (Yli-Renko et al., 2002; Autio et al., 2000).

Stemming from their general proclivity towards risk-aversion, there is a reason to believe that family-controlled SMEs are generally even less oriented towards searching growth from international markets than other firms. However, the extant literature generally suggests that internationalisation-seeking culture is also linked to internationalisation-seeking behaviour, and thus we posit that:

- H4: The higher the international growth orientation of a family-controlled SME, the more likely it is to operate internationally.
- H5: The higher the international growth orientation of a family-controlled SME, the higher its degree of internationalisation.
- H6: The higher the international growth orientation of a family-controlled SME, the higher its subjective international performance.

3 Methodology

3.1 Data collection

We collected the empirical data through a cross-sectional survey of Finnish SMEs. Finland is particularly suitable for an empirical context for this type of study, due to the fact that entrepreneurship has long been among the top priorities on the Finnish government's agenda and focus in the national educational system (Dana, 2006). Over 99% of Finnish firms are SMEs (Miettinen, 2008), with family-owned and controlled firms comprising a substantial majority in the country, and more than half of all SMEs in the country see internationalization as their main growth strategy (Kuismanen et al., 2017). Distinct to the Finnish context is also the fact that recently founded Finnish SMEs are not very internationally oriented (Suomalainen et al., 2016), yet due to the small domestic market and the relative geographical isolation of the country tends to lead the internationalizing SMEs originating from the country to seek a large variety of international entrepreneurship strategies (Kuivalainen et al., 2015). For these reasons, we see Finland as a fitting empirical context in which to conduct the empirical part of this study.

The initial list of firms was drawn up from the Amadeus online database, with the limitation that only firms with less than 500 employees were included in the initial sample. Micro-enterprises, i.e., firms with less than 10 employees were also excluded from the search. The list of firms was drawn up from across five industry sectors: metal, food, furniture and software industry, and from knowledge-intensive business services. These industry sectors were selected in order to both acquire a sample representative of different types of manufacturing and service-centric industries and in order to be able to compare the responses across the different industries. The goal with these particular five industry sectors was to acquire data comprising of both knowledge-intensive and more traditional manufacturing sectors.

The search resulted in total to a list of 1147 firms, which were then first contacted by phone. During the phone call, the researcher and the firm contact decided upon the most suitable respondent within the company, in most cases the CEO and/or the owner. Those who agreed to participate in the survey were then sent an e-mail with a link to the online survey, and non-respondents were subsequently contacted with additional two reminder e-mails in two-week intervals. The survey itself was developed by a group of researchers, and it was first pre-tested with managers from two different fields. In accordance with their comments, some minor modifications were made and the survey was then translated to Finnish. A professional language editor then provided a subsequent back-translation, in order to ensure that the original meaning of the survey items was retained throughout the translation process. The survey was then uploaded to the Webropol online survey system to be distributed to the respondents.

Over the data collection period, a total of 298 responses were received, for a response rate of 26%. Of these 298, 169 identified themselves as family-controlled, with 61 internationally operating and 108 domestic firms. These firms, constituting the final sample in this study, were on average 29 years of age and had on average 47 employees. The internationally operating firms had done so on for 20 years on average. As expected, most of the respondents from family-controlled firms were either managing directors (98) or the principal owners (46), with 23 respondents identifying themselves as "other key persons". We subsequently applied one-way ANOVA tests for the key variables to ensure that the respondent type did not have a critical influence on the responses themselves.

3.2 Scale development

The survey included an item asking the respondent to identify whether their firm was family-controlled or not, and that information was then used to divide the sample to family-controlled and non-family-controlled firms. Similarly, a dichotomous variable was created between internationally operating firms (1) and the domestic ones (0). For the variables on strategic orientations, we used adapted scales from extant studies as follows: For EO, we used items adapted from Naman and Slevin (1993), and Lumpkin and Dess (2001). The results of the principal component factor analysis can be seen in table 1. As seen in the table, the communalities ranged from 0.60 to 0.76, indicating a sufficient fit. The individual factor loadings were relatively high, with the exception of one item in the proactiveness dimension (0.45). However, the resulting three-factor solution combined to explain 70% of the total variation, the KMO value was sufficient (0.72) and Bartlett's test of sphericity again statistically significant at the 0.01 risk level. Thus, we deemed the three-dimensional construct for the purposes of our hypotheses testing.

(Take in table 1)

For measuring the IGO of the SMEs, we applied Nummela et al.'s (2005) six-item measure with a seven-point Likert scale. Two items were dropped from the final measure through the factor and reliability analysis. The following four items combined to explain 85.6% of the total variation within a single factor, with a Cronbach's alpha value of 0.94. These items were as follows:

- "Internationalisation is the only way to achieve our growth objectives."
- "It is important for our company to internationalise rapidly."
- "We will have to internationalise in order to succeed in the future."
- "The growth we are aiming at can be achieved mainly through internationalisation."

The degree of internationalisation of the SMEs was measured through a scale and scope dimensions (the share of turnover from foreign markets in percentages, and the number of countries the firm was operating in, respectively). We calculated a sum scale for DOI, by standardizing these items and creating a composite scale. To assess the subjective international performance, the survey included a set of items inquiring upon the level of strategic and financial success that the firm had achieved with its internationalisation. These 7-point Likert-scale items were as follows:

- "Generally speaking, we are satisfied with our success in the international markets."
- "We have achieved the turnover objectives we set for internationalisation."
- "We have achieved the market share objectives we set for internationalisation."
- "Internationalisation has had a positive effect on our company's profitability."
- "Internationalisation has had a positive effect on our company's image."
- "Internationalisation has had a positive effect on the development of our company's expertise."
- "The investments we have made in internationalisation have paid themselves back well."

Cronbach's alpha value for these items was 0.91, and inter-item and item-to-total-correlations all exceeded the values of 0.30 and 0.50, respectively. Thus, we deemed the measure adequately reliable to be used in the analysis. Finally, in the analysis, we also controlled for firm age (years since foundation), firm size (the number of employees) and for the industry sector. With the last, we created a dichotomous variable between the knowledge-intensive

firms (software and knowledge-intensive business services) and the more traditional manufacturing industries (food, furniture and metal industries). The descriptives and inter-correlations between the variables in the sample are illustrated in table 2.

(Take in table 2)

As seen in the table above, all of the EO dimensions were significantly correlated with IGO: risk-taking with 0.47 (sig.<0.01), Innovativeness with 0.48 (sig.<0.01), and proactiveness with 0.43 (sig.<0.01). This was not surprising, as risk-taking companies might be expected to seek growth and proactive ways to achieve it, and being innovative may help open up new potential markets both home and abroad. Similarly, internationally operating SMEs were more entrepreneurially oriented and exhibited higher levels of IGO, as might be expected.

Innovativeness- and proactiveness-type EO was more prevalent in larger SMEs (0.17, sig.<0.05 and 0.22, sig.<0.01, respectively), as was IGO (0.31, sig.<0.01). Firms with higher levels of IGO also exhibited higher degrees of internationalisation (0.47, sig.<0.01) and subjective international performance (0.34, sig.<0.01), and were more prevalent in the group of internationally operating firms.

4 Results

In order to test for the differences in internationalisation propensity (H1 and H4), we first conducted binary logistic regression analysis. We ran two models, one for EO and IGO each. In the former (model 1), we checked ex-ante that there were no issues with multicollinearity with including the different dimensions of EO within a single regression. As the variance inflation factor values were all well below 3.0, and no critical tolerance values were found, we included all of the three EO dimensions in a single model in our analysis. The results, seen in table 3, indicate partial support for the pre-assumptions that the likelihood of a family-SME operating outside its domestic markets would be explained by higher levels of EO and IGO.

(Take in table 3)

As seen in table 3 above, the overall model for EO (model 1) was significant (Chi-square=15.23, $p<0.01$), and when looking at the individual coefficients, the innovativeness dimension of EO was a positive and significant predictor of the SMEs first foreign market entry ($B=0.56$, $p<0.05$). Of the control variables, firm size ($B=1.61$, sig.<0.01, and the knowledge-intensiveness of the industry ($B=0.94$, sig.<0.05) had an effect on the relationship. As could be expected, the likelihood of internationalisation was higher for larger firms within knowledge-intensive industry sectors. Thus, H1a (innovativeness dimension) received support from the analysis, while H1b (proactiveness dimension) and H1c (risk-taking dimension) did not.

Model 2 (table 3) was for IGO (H4). As seen in the table, the model was highly significant (Chi-square=56.10, sig.<0.01) and it was in large part due to higher levels of IGO of the sample firms ($B=0.77$, sig.<0.01). A similar effect was found on the knowledge-intensiveness control variable as before ($B=0.99$, sig.<0.05). Overall, the model clearly provided support for H4, indicating that the IGO of the family-SMEs was a significant predictor of their likelihood to have internationalised.

Next, we conducted a series of linear regression models to examine the impact of EO and IGO on the degree of internationalisation and subjective international performance. The results of the former are illustrated in table 4.

(Take in table 4)

The model for EO (table 4, model 1) was statistically non-significant (adj. $R^2=-0.00$, $F=0.97$), and none of the individual coefficients in the model was statistically significant at the 0.05 risk level. Thus, H2 was not supported by the analysis. Model 2 (table 4) however, was statistically significant (adj. $R^2=0.21$, $F=2.38$, sig.<0.05). When examining the individual coefficients in the model, we can see that IGO had a positive and significant ($\beta=0.49$, sig.<0.01) impact on higher degrees of internationalisation. Of the control variables, firm age ($\beta=0.38$, $p<0.05$) also played a role. That is to say that the number of countries the firm operated in and its foreign share of turnover were impacted by higher levels of IGO among the management, and thus H5 was supported by the analysis.

Next, we ran linear regression models to test for the effects of EO and IGO on the subjective international performance of the companies. The results of the analysis can be seen in table 5, and indicate overall that the impact was non-existent. As seen in the table, the model for EO was overall non-significant at the 5% risk level ($F=2.24$). While the coefficient for proactiveness dimension was both positive and significant ($\beta=0.48$, $p<0.05$), the relative non-significance on the model indicated that H3 did not receive sufficient support to be confirmed. In other words, EO was not found to have impacted the subjective international performance among the family-SMEs significantly.

(Take in table 5)

Finally, we deemed it necessary to not only examine the impact of strategic orientations on family-SME internationalisation but also to explore whether that impact was different from those found in other types of internationalising SMEs. Thus, we conducted an additional comparative analysis on the non-family-controlled SMEs in our data, by constructing models similar to those used in hypotheses testing. The overall results can be found in appendix 1, and point towards several differences. Namely, whereas the innovativeness dimension of EO was found to explain the likelihood of a family-SME having become international, for non-family SMEs the significant factor was the proactiveness dimension. This difference may imply, for instance, that developing an innovative managerial culture may have been a particularly crucial factor in the internationalisation decisions in family-SMEs.

Second, the risk-taking dimension of EO was found to be positively associated with the likelihood of the non-family-controlled SMEs to have internationalised. However, we note that due to the small sample size in that particular subset ($N=33$), including the similar control variables as in our hypotheses testing was not feasible in that case. Consequently, this particular result may not be comparable to that gained with the family-controlled firms. The regression models with non-family firms reached a conclusion similar to that with family-controlled ones: that EO and IGO did not have a statistically significant impact on the subjective international performance of the SMEs.

5 Discussion and conclusions

The two focal strategic orientations in our study, EO and IGO have been found to impact internationalisation process and performance of SMEs (cf. e.g. Knight and Cavusgil, 2004;

Nummela et al., 2005; Kuivalainen et al., 2007). This study has sought to extend the knowledge on that impact on the research on family business internationalisation, by examining how EO and IGO impact internationalisation outcomes of Finnish family-SMEs. The results highlight the importance of innovativeness among family-controlled SMEs as a significant driver of internationalisation instead of risk-taking and proactiveness are not. The latter two may indeed play a smaller role among the family-owned SMEs. However, new innovations may lead a firm to search for new markets from foreign markets. In this sense, our results support the important role of innovation culture as a basis for international new ventures (e.g. Knight and Cavusgil, 2004). The results also support the idea of multidimensional EO measurement (e.g. Lumpkin and Dess, 1996; Kreiser et al., 2002); this stemming from the surprise in relation to the lack of support for many dimensions of EO in our study.

The non-significant results of the EO dimensions on DOI or international performance might stem from the characteristics of the family firms in general – they have been found to be more risk averse, due to the desire of family members to maintain total control over the operations of the firm, manifesting for instance in general reluctance for taking on loans or outside equity (Graves and Thomas, 2008; Hennart et al., 2017; McConaughy et al., 2001). This eventually supports the need for IGO if the family-controlled SMEs are really aiming for major international growth. This strategic orientation had a significant effect on both the initiation of the internationalisation (i.e. the first step in the internationalisation process), as well as on the increase in the involvement in the internationalisation (i.e. the growth of the DOI of the firm) leading to the positive performance consequences (i.e. the outcome of the internationalisation pathway). As pointed out earlier (and cf. also Nummela et al., 2005) not all SMEs want to grow internationally. Consequently, from the public policy perspective, it is of uttermost importance to consider how to make the family-controlled SMEs become internationally growth oriented. This could mean specific support programmes for family entrepreneurs, for example.

Internationalisation of family businesses is a distinct phenomenon, especially due to their relative risk-averseness that can deter their internationalisation decisions (Arregle et al., 2017; Hennart et al., 2017), and family-controlled SMEs have been found to be particularly averse to take on international expansion (Fernandez and Nieto, 2005). Thus, illustrating the determinants of their internationalisation decisions and outcomes is warranted and, due to the importance of strategic orientations on family SMEs management (Aragón-Sánchez and Sánchez-Marín, 2005; Naldi et al., 2007), this study helps extend the view to the international management of family SMEs as well. By linking entrepreneurial orientation and international growth orientation to internationalisation likelihood, degree of international operations and international performance of family SMEs, this study contributes by enriching the knowledge on strategic orientations and family business research in the context of internationalising SMEs, thus also linking it to the international entrepreneurship (IE) field by adding to the knowledge on distinctiveness that family ownership brings to IE research (cf. Sciascia et al., 2012).

As Cuero Acosta et al. (2017, p. 24) have noted, the ability of entrepreneurs to search, identify and exploit opportunities is linked both to their personality traits and framework conditions, thus "it is important to understand which approach entrepreneurs follow in order to exploit an opportunity". The results of the present study respond in part to this call, by finding that a specific type of entrepreneurial orientation is needed in order to make use of international opportunities in particular.

We also note several limitations in our present study. Naturally, the cross-sectional nature of the survey did not allow us to examine any longitudinal aspects of the relationship between

strategic orientations and family-SME internationalisation. It may be possible that the effects of strategic orientations on internationalisation of such firms are dynamic over time, as those dynamics are complex in family-SMEs in general (Naldi et al., 2007; Cruz and Nordqvist, 2012). The country context in our study was also limited to a single country, and as the traditional culture and cultural family values differ between countries, the country context may have a crucial influence on the relationships with family-controlled firms in particular. Therefore, while expanding upon the time and geographic aspects are often suggested as potential future research avenues, we do consider them to have potentially a notable role in the case of family-SMEs in particular.

It may be that in the context of family-controlled SMEs the effect of EO is less than clear. Based on this we believe that the interplay between different strategic orientations, e.g. between EO and IGO, and their consequences require more research. Finally, we believe our findings need to be corroborated with some more fine-grained measures. For example, Kontinen (2011) points out that 'familiness' can have either positive or negative effects on internationalisation, depending on the degree of involvement of the family in the international expansion. In our study, we were unfortunately not able to capture this degree of familiness.

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Table 1. The results of the PCA for the entrepreneurial orientation scale.

Items	Risk-taking	Innovativeness	Proactiveness	Communality
A strong proclivity for high risk projects (with chances of very high returns)	0.84			0.76
When confronted with decisions involving uncertainty, my firm typically adopts a bold posture in order to maximize the probability of exploiting opportunities	0.83			0.80
Owing to the nature of the operational environment, bold and wide-ranging acts are necessary to achieve the firm's objectives	0.82			0.65
We have very many new lines of products/services (marketed in the past 5 years)		0.75		0.66
In general, the top managers of my firm favor a strong emphasis on RandD, technological leadership, and innovations		0.72		0.64
Changes in product or service lines have usually been quite dramatic		0.72		0.60
In general, the top managers of my firm have a strong tendency to be ahead of others in introducing novel ideas or products.		0.64		0.75
In dealing with its competitors, my firm typically initiates actions which competitors then respond to.			0.45	0.74
In dealing with its competitors, my firm is very often the first business to introduce new products/services, administrative techniques, operating technologies, etc.			0.87	0.70

The values in the dimensions indicate factor loadings. Kaiser-Meyer-Olkin measure of sampling adequacy .719. Bartlett's test of sphericity sig. .000

Table 2. The descriptives and intercorrelations of the variables used in hypotheses testing.

	Mean	Std.d.	1	2	3	4	5	6	7	8	9	10
1 Risk-taking (EO)	3.17	1.26	1									
2 Innovativeness (EO)	3.84	1.28	0.64**	1								
3 Proactiveness (EO)	4.12	1.44	0.48**	0.72**	1							
4 International growth orientation	3.17	1.99	0.47**	0.48**	0.43**	1						
5 Number of employees	46.93	156.63	0.05	0.17*	0.22**	0.31**	1					
6 Firm age	28.69	22.41	-0.14	0.02	0.02	-0.10	0.38**	1				
7 Industry (1=knowledge-intensive, 0=other)	0.28	0.45	0.10	0.13	0.09	0.05	-0.15	-0.29**	1			
8 Degree of internationalisation	0.36	1.77	0.18	0.16	0.21	0.47**	0.16	0.17	0.11	1		
9 Subjective international performance	4.45	1.62	-0.05	0.14	0.29*	0.34*	0.00	0.10	-0.16	0.41**	1	
10 Firm type (1=international, 0=domestic)	0.36	0.48	0.22**	0.31**	0.24**	0.59**	0.31**	-0.00	-0.15	-	-	1

(*p<0.05, **p<0.01)

Table 3. Results of the binary logistic regression analysis, testing for internationalisation propensity of family-controlled SMEs.

Dependent variable: Internationalisation propensity (1=internationally operating, 0=domestic)	Model 1 (Entrepreneurial orientation)		Model 2 (International growth orientation)	
	B	Wald	B	Wald
Independent variables:				
Risk-taking (EO)	0.06	0.10		
Innovativeness (EO)	0.56	5.02*		
Proactiveness (EO)	-0.00	0.00		
International growth orientation			0.77	29,99**
Firm size (number of employees)	1.61	7.28**	0.82	1.47
Industry (knowledge-intensive=1, other=0)	0.94	4.64*	0.99	3.79*
Firm age (years since foundation)	-1.03	1.85	0.05	0.00
	Model info: N=162, df = 6, Chi-sq.= 15.34** , -2 log likelihood = 179.54, Cox and Snell = 0.17, Nagelkerke = 0.23, 69% correctly classified		Model info: N=161, df = 4, Chi-sq.= 56.10** , -2 log likelihood = 140.14, Cox and Snell = 0.35, Nagelkerke = 0.48, 80% correctly classified	

(*p<0.05, **p<0.01)

Table 4. Results of the linear regression analysis, testing for the degree of internationalisation of the family-controlled SMEs.

Independent variables:	Model 1 (Entrepreneurial orientation)		Model 2 (International growth orientation)	
	β	t-value	β	t-value
Risk-taking (EO)	0.09	0.42		
Innovativeness (EO)	-0.15	-0.55		
Proactiveness (EO)	0.33	1.39		
International growth orientation			0.49	3.27**
Firm size (number of employees)	-0.11	-0.58	-0.19	-1.21
Industry (knowledge-intensive=1, other=0)	0.13	0.75	0.13	0.91
Firm age (years since foundation)	0.32	1.77	0.38	2.41*
adj. R ²		-0.00		0.21
F		0.97		2.38*

(*p<0.05, **p<0.01)

Table 5. Results of the linear regression analysis, testing for the subjective international performance of the family-controlled SMEs.

Independent variables:	Model 1 (Entrepreneurial orientation)		Model 2 (International growth orientation)	
	β	t-value	β	t-value
Risk-taking (EO)	-0.35	-1.98		
Innovativeness (EO)	0.05	0.23		
Proactiveness (EO)	0.48	2.47*		
International growth orientation			0.33	2.23*
Firm size (number of employees)	-0.15	-0.99	-0.26	-1.71
Industry (knowledge-intensive=1, other=0)	-0.14	-1.03	-0.12	-0.86
Firm age (years since foundation)	0.13	0.88	0.15	0.94
adj. R ²		0.13		0.07
F		2.24		1.93

(*p<0.05, **p<0.01)

Appendix 1. Comparative analysis of the results between family-controlled and other types of firms.

Table 6. Results of the binary logistic regression analysis, testing for internationalisation propensity of non-family-controlled SMEs. (*p<0.05, **p<0.01)

Dependent variable: Internationalisation propensity (1=internationally operating, 0=domestic)	Model 1 (Entrepreneurial orientation)		Model 2 (International growth orientation)	
	B	Wald	B	Wald
Independent variables:				
Risk-taking (EO)	-0.02	0.09		
Innovativeness (EO)	0.34	1.55		
Proactiveness (EO)	0.50	5.81**		
International growth orientation			0.13	16.01**
Firm size (number of employees)	1.31	3.28	0.99	1.65
Industry (knowledge-intensive=1, other=0)	1.97	13.37**	1.51	8.59**
Firm age (years since foundation)	-0.94	1.16	0.05	0.00
	Model info: N=111, df = 6, Chi-sq.= 33.36** , -2 log likelihood = 117.91, Cox and Snell = 0.26, Nagelkerke = 0.35, 69% correctly classified		Model info: N=112, df = 4, Chi-sq.= 37.65** , -2 log likelihood = 114.71, Cox and Snell = 0.29, Nagelkerke = 0.38, 76% correctly classified	

Table 7. Results of the linear regression analysis, testing for the degree of internationalisation of the non-family-controlled SMEs.

Independent variables:	Model 1 (Entrepreneurial orientation)		Model 2 (International growth orientation)	
	β	t-value	β	t-value
Risk-taking (EO)	0.62	3.38**		
Innovativeness (EO)	-0.23	-1.11		
Proactiveness (EO)	-0.37	-2.09		
International growth orientation			0.45	3.48**
Firm size (number of employees)			-0.40	-3.00**
Industry (knowledge-intensive=1, other=0)			-0.56	-4.31**
Firm age (years since foundation)			-0.19	-1.40
adj. R ²		0.28		0.52
F		6.28**		9.58**

(*p<0.05, **p<0.01)

Table 8 Results of the linear regression analysis, testing for the subjective international performance of the non-family-controlled SMEs.

Independent variables:	Model 1 (Entrepreneurial orientation)		Model 2 (International growth orientation)	
	β	t-value	β	t-value
Risk-taking (EO)	-0.43	-2.08**		
Innovativeness (EO)	0.26	1.11		
Proactiveness (EO)	0.15	0.72		
International growth orientation			0.18	0.95
Firm size (number of employees)			0.12	0.64
Industry (knowledge-intensive=1, other=0)			0.06	0.35
Firm age (years since foundation)			-0.16	-0.82
adj. R ²		0.06		0.06
F		1.16		0.52

(*p<0.05, **p<0.01)