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Coexistence of Economic and Noneconomic Goals in Building Foreign Partner Relationships: Evidence from Small Finnish Family Firms

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Attempts to explain the distinctive nature of family firms (FFs), including how noneconomic goals may dominate FFs' strategic decision-making, are reflecting attention to the socioemotional wealth (SEW) perspective. Although FF research has discussed internationalisation as a strategic decision, we lack evidence on how FFs balance the economic and noneconomic (i.e. SEW) goals in their internationalisation. Specifically, since SEW manifests itself in relationships, and internationalisation requires relationship-building with partners—especially for small firms with limited resources—this study aims to explore whether SEW preservation restrains small FFs from building foreign partner relationships (FPRs) for internationalisation. To provide answers to the question, the author undertook a multiple-case study of eight small Finnish FFs. The findings suggest that firms with higher levels of SEW were more active in building close FPRs. Thus, SEW preservation can extend to the international context, with foreign partners included in the 'scope of SEW preservation', as part of an extended international family. However, utilising attributes of different SEW dimensions requires concurrent awareness and implementation of economic goals. As a result, economic and noneconomic (SEW) goals co-exist and interact in the internationalisation of small FFs. The paper concludes by presenting implications and propositions for future research.

Keywords

socioemotional wealth; internationalisation; international networking; foreign partner relationship; small family firm

Introduction

Socioemotional wealth (SEW), the set of noneconomic and affective endowments that *family firms (FFs)* aim at preserving, 'is the defining feature of a family business [...] central, enduring, and unique to the dominant family owner, influencing everything the firm does' (Gomez-Mejia, Cruz,

Berrone, & De Castro, 2011, p. 692). Consisting of dimensions such as family control and emotional attachment (Berrone, Cruz, & Gomez-Mejia, 2012), SEW is central to the strategic decision-making of FFs (e.g. Chrisman & Patel, 2012). Since initialising and intensifying *internationalisation* is highly strategic, due to threats and opportunities related to the process, the pursuit of SEW preservation might overshadow economically viable international goals and restrain internationalisation (Fang, Kotlar, Memili, Chrisman, & De Massis, 2018; Gomez-Mejia, Makri, & Kintana, 2010). However, some argue that economic and noneconomic SEW goals can coexist, e.g. when FFs form collaborative relationships with foreign network partners (Cesinger et al., 2016; Kraus, Mensching, Calabro, Cheng, & Filser, 2016).

This mixed gamble of economic and noneconomic trade-offs in the internationalisation of FFs has gained increasing attention from research (e.g. Alessandri, Cerrato, & Eddleston, 2018) but with no consensual findings. Most studies argue for the negative impact of SEW (e.g. Sanchez-Bueno & Usero, 2014; Yang, Lee, Stanley, Kellermans, & Li, 2020), but some argue for its possible positive impact (e.g. Kraus et al., 2016). Based on the review of 172 empirical FF internationalisation studies, Metsola, Leppäaho, Paavilainen-Mäntymäki and Plakoyiannaki (2020) found that SEW-related factors tend to be liabilities in the early stages of internationalisation processes, but can be offset by or turned into capabilities in the later stages, provided that mitigation of the so-called bifurcation-biased preference for family assets (Kano & Verbeke, 2018) and adoption of economic-goal orientations occur alongside noneconomic orientations.

Since (i) network relationships are essentially social (Granovetter, 1985) and (ii) SEW manifests itself strongly in internal and external social relationships, e.g. via family owners' and managers' use of family resources and decision-making power (Zellweger, Chrisman, Chua, &

Steier, 2019), the pathway to understanding the role of SEW in internationalisation might reside in studying foreign partner relationships (FPRs). The concept of FPR, constructed here with reference to relationship marketing literature (e.g. Grönroos, 1990; Johnson & Selnes, 2004), may define the business-to-business (B2B) relationships of small FFs to foreign agents, distributors and subsidiaries, which conduct selling activities in host countries and which FFs' SEW-preservation activities might influence, due to their strategic and relational importance to the FFs.

Thus, small firms often depend on external relationships (or, more explicitly, partner relationships) to complement their limitations on resources for internationalisation (e.g. Buciuni & Mola, 2014; Chetty & Holm, 2000). Also, due to their size and closer interaction with family owners, managers and nonfamily employees, *small FFs* are more likely than larger FFs to preserve different SEW dimensions in their strategies and operations (Gomez-Mejia et al., 2011; Le Breton-Miller & Miller, 2013). Accordingly, this study focuses on the FPRs of small FFs. Moreover, with the strong influence of family members in the firm via ownership and management positions, *family-controlled* FFs are more likely to embody SEW preservation than *family-influenced* FFs in which family members have weaker decision-making power (e.g. Berrone et al., 2012). However, these considerations have received limited study in the context of internationalisation and international networking (e.g. Scholes, Mustafa, & Chen, 2016). Given that small and medium-sized enterprises (SME), and especially micro and small firms, are mostly family businesses in Europe (European Commission, 2009) and globally (Hennart, Majocchi, & Forlani, 2019), studying how these FFs can capitalise on international markets amid noneconomic (SEW) and economic goal orientations is also societally important.

Thus, this study aims to answer the following research question via a multiple-case study of eight Finnish FFs: *Considering that small FFs consider SEW in their internationalisation*

decisions and activities, how do small FFs either confine or utilise SEW in foreign partner relationships (FPRs)? Based on the literature, the internationalisation of small FFs anticipates SEW's presence. But understanding whether and *how* SEW and its dimensions manifest in FFs and, possibly, in FPR activities requires further in-depth analysis. For that purpose, this paper qualitatively measures and conducts different SEW profiles, based on the dimensions of Berrone et al.'s (2012) FIBER-scale that aims at indicating the real-life importance and manifestations of SEW to the case firms, their relationship dynamics and decision-making (Berrone et al., 2012; Eisenhardt & Graebner, 2007; Yin, 1994).

The analysis reveals that small FFs with at least a moderate level of SEW were more active in building close FPRs than those with SEW below a moderate level. All the case firms with at least a moderate level of SEW aimed at familial FPR relationships, even to the point of including other FFs as foreign partners. Also, they often leveraged the attributes of SEW through the deliberate promotion of FF status and related image factors (e.g. trust, long-term orientation, agile decision-making) in international marketing and relationship building. However, leveraging SEW attributes from different SEW dimensions in active and close FPR-building also requires concurrent awareness and implementation of economic goals, with pragmatic and financially oriented international sales and marketing activities. Thus, noneconomic SEW and economic goal pursuits coexist and interact; fruitful FPRs can leverage SEW to benefit internationalisation, and economic goals that internationalisation achieves can, in turn, help maintain SEW. Accordingly, SEW acts as both a means and an end for active international networking and internationalisation.

The findings not only elaborate our understanding of how SEW may manifest through binding and trustworthy social ties in internationalisation (Cesinger et al., 2016; Scholes et al., 2016). They also extend that knowledge by describing how FFs behave in those relationships to

maintain the pursuit of both noneconomic and economic goals. Rather than a restraint on internationalisation, which earlier FF internationalisation literature largely concluded (e.g. Gomez-Mejia et al., 2010; Sanchez-Bueno & Usero, 2014), SEW can represent an asset that small FFs can derive from various SEW dimensions for successful and sustainable FPRs. Active FPR-building may be a ‘must’ for small FFs with high SEW-preservation goals. By actively incorporating the foreign partners within ‘the scope of SEW preservation’ and building ‘an extended international family’ with them, small FFs may successfully pursue economic as well as noneconomic SEW goals. The novel way to assess different SEW profiles qualitatively serves as an important reflection point for understanding FFs’ FPR activities from a SEW perspective. Thus far, FF internationalisation literature has mainly discussed the effect of SEW on internationalisation through general-level association with family control and its idiosyncrasies, such as risk aversion, without elaborating the role of different FIBER-scale dimensions in the effect (e.g. Alessandri et al., 2018; Cesinger et al., 2016; Stieg, Cesinger, Apfelthaler, Kraus, & Cheng, 2018).

The paper proceeds as follows. First discussed is the theoretical background on networking and SEW, in the context of internationalisation and small FFs, including the theoretical framework of the study. Second is a detailed explanation of the study’s methodology. Then, the findings are presented by focusing on the SEW profiles and FPR-building activities of the case firms, including also the theoretical framework updated with key findings. Finally, the relevance and contributions of the findings appear in the discussion section, encapsulated into three propositions, and the final conclusions section summarises the paper, emphasising key managerial and research implications.

Theoretical Background

International networking of small FFs

Internationalisation is often a necessary strategy for small firms, especially those from such small and open economies as in the Scandinavian countries (Bell, 1995), so they can compete against larger competitors and seek revenues from abroad. Successful internationalisation involves processes of initiating, developing and maintaining foreign network relationships (Johanson & Mattsson, 1988) in such a way that involvement in and learning from these relationships enable firms to avoid 'liability of outsidership' (Johanson & Vahlne, 2009). Small firms often have limited resources for starting internationalisation that emphasises the significance of cross-border relationships and networks in compensating for resource limitations (Buciuni & Mola, 2014; Eberhard & Craig, 2013). Earlier research found that despite such limitations, active networking (i.e. the firm taking initiative and being entrepreneurial in approaching potential partners and customers, see Johanson & Mattsson, 1988) has benefitted small-firm internationalisation, e.g. in terms of international knowledge acquisition and market entry to new locations (Chetty & Holm, 2000; Gabrielsson, Kirpalani, Dimitratos, Solberg, & Zucchella, 2008; Loane & Bell 2006).

Research indicates that small FFs pose a special group, in their attitudes towards and behaviour in international networking. Categorising network relationships according to their strength, i.e. the extent to which time, emotional intensity, intimacy and reciprocity define the relationships (Granovetter, 1973), small FFs tend to value all of these dimensions and seek strong relationships with their foreign partners and customers (e.g. Kontinen & Ojala, 2012; Mitter & Emprechtner, 2016). Strong relationships are close and trust-based, with mutual respect and commitment between the parties, whereas weak relationships are more superficial, with less trust and emotional closeness, due to lack of knowledge about each other in the relationship (Söderqvist & Chetty, 2013). Pursuing strong relationships encompasses both positive and negative implications for the internationalisation of small FFs. On one hand, the tendency of small FFs to

spend time and resources to find suitable and trustworthy foreign partners and promote strong bonding relationships with a small number of such partners might lead them to miss out on potential international opportunities (Kontinen & Ojala, 2012; Leppäaho & Pajunen, 2018). Distrust of outsiders might make small FFs prefer family members to conduct cross-border operations, in host countries as well, constraining the development of resources and external networks for moving from an export-based and narrowly focused market scope to joint ventures and different markets (Scholes et al., 2016). Orientation towards and confidence in strong relationships and resources found within the family can hinder internationalisation efforts. Weaker relationships that the FF could access relatively quickly, without extensive investments, could provide valuable resources and indirect ties to facilitate internationalisation (Oviatt & McDougall, 2005).

On the other hand, small FFs' pursuit of strong relationships might pay off in certain situations. Small FFs tend to establish relationships, joint ventures and alliances with other FFs in foreign countries. Relationships among FFs with similar values (such as trust, loyalty and a long-term orientation) enhance cross-cultural bridging and facilitate internationalisation (Fernandez & Nieto, 2005; Gallo & Pont, 1996; Swinth & Vinton, 1993). Overall, a network of organisations sharing common interests provides mutual benefits and encourages a long-term relationship (Johanson & Mattson, 1988; Johanson & Vahlne, 2003). Although risk aversion and resource constraints lead to a cautious and gradual internationalisation process in small FFs, stewardship and long-term orientations behind cautious strategies, careful selection of trustworthy foreign partners and concern for local employees enable sustainable internationalisation with opportunities for long-term competitive advantages (Mitter & Emprechtinger, 2016). Small FFs' international success might reside in mutually beneficial relationships with foreign partners and customers

(Mitter & Emprechtner, 2016). Hennart et al. (2019) argue that small FFs' ability to create strong customer and partner relationships is particularly beneficial in global niches of high-quality products, whose demanding customers require the attributes that small FFs inherently possess: trust, long-term orientation and high levels of social capital, consistently present from internal family relationships to external business relationships.

Indeed, Leppäaho and Metsola (2020) find that both types of international-networking actors that small FFs might become—i.e. narrow network maximisers (NNMs) and broad network enablers (BNEs)—can result in successful internationalisation. NNMs rely on regional or global network relationships that are few but strong, with a long-term perspective, enabling sustainable international business (IB). BNEs utilise an extensive network with relationships of varying strength and an agile approach to modifying and expanding the network globally, enabling both fast-growing IB and good risk management. However, both networking strategies must reflect the firm's internal resources and capabilities (e.g. management's IB skills, financial preparedness and risk tolerance) and the compatibility of the firm's product and international market potential (e.g. profitability of internationalisation, extent of international demand for the product). Arguably, one key FF-specific factor in the formation and development of small FFs' network relationships could be socioemotional wealth (SEW).

Socioemotional wealth as a liability and a capability in strong network relationships

According to the SEW perspective, FFs' pursuit of noneconomic rewards may result in economically irrational decision-making, with a reluctance to join cooperatives or avoidance of diversification (Cruz, Gomez-Mejia, & Becerra, 2010; Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007; Gomez-Mejia et al., 2010). If and when FFs establish foreign

network relationships, their tendency to deepen and maintain long-term relationships with existing partners and with other FFs might have an association with the tendency toward SEW preservation (Pukall & Calabro, 2014). The five dimensions of SEW—the so-called FIBER-scale (*Family control and influence, family members' Identification with the firm, Binding social ties, Emotional attachment and Renewal of family bonds to the firm through dynastic succession*)—that Berrone et al. (2012) suggest, encompass togetherness and longevity. Accordingly, this paper follows the definitions of strong and weak relationships from Granovetter (1973) and Söderqvist and Chetty (2013), in light of the close relation of elements of SEW to the elements these authors propose for relationships (i.e. time/commitment, emotional intensity/closeness, intimacy, reciprocity, trust). The interrelations of SEW and foreign partner relationships (FPRs) in the context of internationalisation can yield more valid analyses.

The fear of losing SEW may inhibit internationalisation through risk aversion and inward-looking attitudes, but it can also have enhancing effects, including the enhancement of stewardship and, thereby, a long-term orientation towards sustainable internationalisation (Patel, Pieper, & Hair, 2012). After a firm goes international, SEW may remain well preserved, despite the expectation that internationalisation would reduce SEW (Fang et al., 2018; Gomez-Mejia et al., 2010). Kraus et al. (2016) discuss this paradox, considering different internationalisation configurations for FFs with different SEW levels. In one such configuration, high levels of internationalisation resulted from a combination of high SEW endowment and the presence of nonfamily ownership or a nonfamily CEO, plus a wide international network. The FFs' orientation could explain its success, in the sense that they did not regard this 'external involvement' as detrimental to SEW. On the contrary, they viewed it as an opportunity to achieve SEW gains by

involving parties from whom they could learn and with whom they could execute strategic internationalisation, achieving both economic and noneconomic goals (Kraus et al., 2016).

Such information on the role and effect of SEW in FFs' international networking (and internationalisation in general) only scratches the surface. In other words, we have little evidence of (i) how family members in FFs feel about SEW and its various dimensions, and (ii) how these conceptions manifest themselves in FF internationalisation at a grassroots level. Arguably, one major reason for this gap could be the lack of using SEW measurement scales or the static use of SEW as a general-level umbrella term for FF behaviour without putting it into practice (see Miller & Le Breton-Miller, 2014). As the five dimensions of SEW (Berrone et al., 2012) show, it is nowhere near being a static concept. It evolves over time and generations, with different conceptions and effects in different kinds of FFs with various types of family members, under different circumstances. Prioritising SEW goals over economic goals is a 'mixed gamble', with various kinds of FFs with different ownership and management structures and diverse views on the balance (Alessandri et al., 2018). Older generations may incline more towards preserving SEW and, thus, resisting internationalisation decisions, while newer generations may have a greater propensity to internationalise (Fang et al., 2018).

As indicated earlier, SEW and its different dimensions manifest themselves in relationships. The effects of SEW might be especially strong in FFs with high levels of family control, i.e. strong ownership and involvement in management (Kotlar, Signori, De Massis, & Vismara, 2018; Zellweger, Kellermanns, Chrisman, & Chua, 2012). The controlling family's structural, cognitive and relational embeddedness in the business influence its norms, principles and social relationships (Bird & Zellweger, 2018; Zellweger et al., 2019). Relationships are essentially social, unifying the parties around shared goal setting and achievement (Granovetter,

1985; Johanson & Vahlne, 2009). The controlling family's presence and decision-making power intertwine social relationships within FFs, among its family and nonfamily members and even external stakeholders, affecting the use of firm resources and achievement of economic and noneconomic goals (Zellweger et al., 2019). Arguably, the effect of the controlling family on the realisation of SEW goals via social relationships would have more effect in smaller firms, as the smaller number of employees and external stakeholders enables closer relationship-building. In general, the role of SEW as a primary reference point in managerial decision-making decreases as the FF size increases (Gomez-Mejia et al., 2011). This is apparent in such situations as larger FFs' willingness to join cooperatives (Gomez-Mejia et al., 2007); yet, no clear evidence of dimension-specific manifestations in the context of international networking exists.

Accordingly, this paper aims to take an abductive approach to studying a narrow group of small, highly family-controlled firms and their SEW and FPRs (e.g. foreign agent and distributor relationships) to unravel the dynamics between them. Figure 1 depicts the theoretical framework of the present study, which hypothesises the interaction of noneconomic (SEW) and economic goals with the relationship-building with foreign partners. The nature and activity of FPR-building that noneconomic and economic goal orientations influence are likely to indicate internationalisation that is either restrained (passive FPR-building with narrow and strong relationships, focus on noneconomic goals and strong SEW preservation) or promoted (active FPR-building with broad and weak relationships, focus on economic goals and weaker SEW preservation).

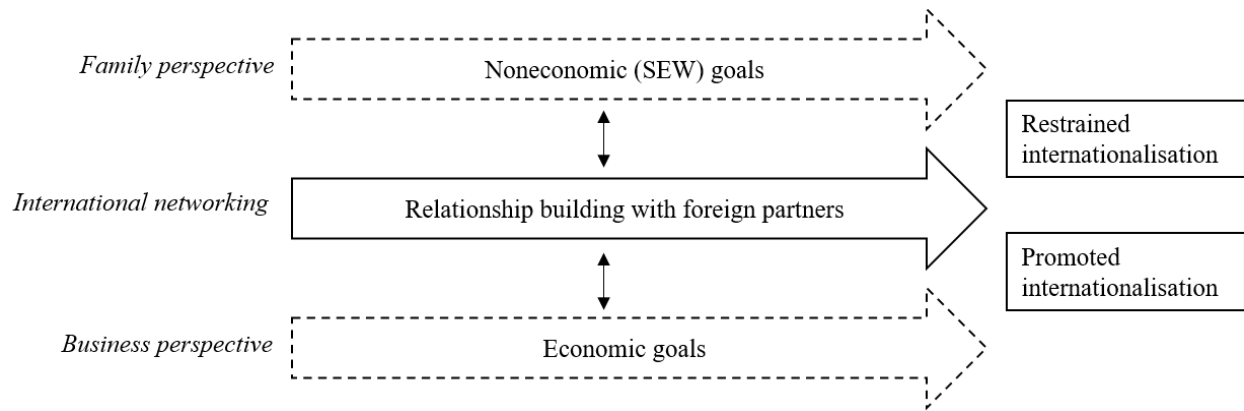


Fig. 1. Theoretical framework of the study.

Methodology

Case studies form linkages between phenomena and their context and can identify different relationship patterns (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Piekkari, Welch, & Paavilainen, 2009; Yin, 1994). Thus, the case-study method is suitable for studying the complex processes that occur when small FFs, with different levels of SEW, build FPRs. Berrone et al. (2012), the developers of the FIBER-scale for measuring SEW, brought up case studies as informative ways to unravel the nature of SEW in certain situations and when the level of family control varies. The ability of case studies to grasp the real-world environment is important for understanding SEW, because the social environment, family and business become closely intertwined in FFs (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010). In general, qualitative research is especially effective for theory building in FF research, as ‘it can provide important insights into otherwise hidden interactions between family and business’ (Reay, 2014, p. 7). Also, FF-internationalisation literature considering SEW has used it mainly as a background theory, rather than as a measured variable incorporated into the analysis (e.g. Cesinger et al., 2016). Thus, it was natural to choose the case-study method and utilise its opportunities for an in-depth

and relational understanding of SEW and international networking. Reay (2014) calls for qualitative researchers to show and tell empirical and theoretical stories, the reason that this paper aims to bring SEW from general-level theoretical assumptions to more concrete, empirically grounded pieces of evidence—namely, by constructing interview-based ‘SEW profiles’ and connecting them to the FFs’ behaviour in building FPRs, thereby maintaining economic and noneconomic goals in internationalisation.

As the theoretical goal of this study was to create a more in-depth understanding of SEW theory in the situations of internationalisation and international networking, the method of reasoning was *elaboration of theory* (Ketokivi & Choi, 2014). Hence, existing theories and the literature (e.g. SEW, the network model) provide a sufficient basis for formulating the research question, but not explicit *a priori* hypotheses. So, including an empirical context (i.e. small FFs, FPRs) would help to elaborate more general theoretical insights (Ketokivi & Choi, 2014). The data analysis followed the guidelines of abductive case research, with an emphasis on a back-and-forth movement between existing general theories and data with contextual idiosyncrasies (Dubois & Gadde, 2002; Järvensivu & Törnroos, 2010; Ketokivi & Choi, 2014). Using the typology of Welch, Piekkari, Plakoyiannaki, and Paavilainen-Mäntymäki (2011) for case-study theorising, the analysis aimed at contextualised explanation, with identification and explanation of causal mechanisms under contingent and limited contextual conditions. Theory—in this paper, SEW, the network model—often deductively inspires, and data—small FFs, FPRs—inductively inspire contextualised explanation (Welch et al., 2011).

Contextual conditions and the interplay of theory and data are present in abductive and contextualised explanations of case research. As a result, multiple cases provide broad, yet rigorous information on the similarities and differences between cases (Eisenhardt, 1989), thus

enabling ‘multiple conjunctural’ intertwinement of contexts, theories and data (Rihoux & Ragin, 2008; Welch et al., 2011). Theoretical sampling served to select eight case firms from among firms with apparent experience in the phenomena under study (Patton, 2002). Theoretical sampling enabled the use of cases that increase our understanding of relational constructs in certain phenomena (Eisenhardt & Graebner, 2007), including SEW (Berrone et al., 2012). Selection of the case firms occurred on the basis of the following criteria: *Finnish nationality* (familiar context and knowledge of the language would help in understanding SEW and international networking), *small-firm classification* (staff headcount below 50 and turnover max EUR 10 million, as the European Commission defined it in 2019), *family control* (Arregle, Naldi, Nordqvist, & Hitt, 2012), *degree of internationalisation* (with foreign sales amounting to at least 50% of total sales, indicating a strategic orientation towards internationalisation) and *belonging to the same industry* (i.e. manufacturing; enabling the avoidance of industry-specific differences in the analysis of FPRs). Furthermore, it was important to have FFs with intermediaries, such as agents, distributors, or subsidiaries, with whom FPRs are formed and developed. These relationships would also allow study of the role of SEW, as small FFs in these external relationships are likely to consider both SEW and economic goals under the pressure of limited resources, strategically important internationalisation, and ‘external exposure’ through embeddedness in FPRs.

The deliberate choice to study specifically *family-controlled* firms—i.e. firms having family members owning at least 50% of the shares and present in management and governance—responds to the need to distinguish between these and merely *family-influenced* firms (Arregle et al., 2012; Sirmon, Arregle, Hitt, & Webb, 2008; Westhead & Howorth, 2007). Family-influenced firms limit the decision-making power of family members, due to a lack of unilateral control of the firm. In family-controlled firms, family members have a dominant role in ownership and management,

with the power to make strategic decisions (Arregle et al., 2012; Sirmon et al., 2008). Family-controlled firms are well suited to research on the SEW perspective, as high levels of family control over strategic decision-making may encourage family members to preserve SEW dimensions (Berrone et al., 2012; Gomez-Mejia et al., 2007; Zellweger et al., 2012). Furthermore, internationalisation is itself a strategic decision that internal family business characteristics influence (e.g. the desire to maintain control and influence) (Gallo, Tapies, & Cappuyns, 2004). Thus, in family-controlled firms, SEW dimensions may become important in influencing the execution of internationalisation.

The term ‘foreign partner relationship (FPR)’ describes FFs’ relationship with agents, distributors and subsidiaries, indicating elements of the relationship including the foreignness (Zaheer, 1995) and key relationship-marketing assumptions, such as long-term and profit-oriented relationship-building (e.g. Grönroos, 1990). The case firms also operate in a relative niche of B2B markets, in which exchange relationships are often partnerships, rather than mere ‘acquaintanceships’ (Johnson & Selnes, 2004).

Despite the theoretical sampling and predetermined descriptive delimitation of data, the set of case-firm data enabled ‘multiple conjunctural’ analysis of the research question. The preliminary delimitation of data was to ensure that the contexts enable explanations, connected or not, of SEW and FPRs. The data enabled the author to assess both history and process, which are important to understand in contextualised explanation (Welch et al., 2011).

Table 1 below gives information on the case firms, the criteria applied and the interviews.

Table 1
Basic information regarding the case firms and interviews.

Firm	Interview years	Roles of interviewees (FM = family member)	Total number of interviews (and	% family ownership	Est.	First foreign market entry	Foreign sales to total	Most important foreign	Foreign operation modes
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				interview minutes)				sales (%)	markets (sales %)	
A	Sliding and folding door systems	2015 and 2018	CEO (FM); Export Manager	4 (93)	100	1983	1984	50	Sweden, Norway, U.K	Export via distributors
B	Wooden design lamps	2015 and 2018	Founder, former CEO and current Creative Director (FM); CEO; Chairman of the Board (FM)	5 (218)	100	1995	2000	85	Germany, U.K, Sweden	Export via agents and distributors
C	Hydraulic generators, power washers, and compressors	2015 and 2018	Founder, CEO and Chairman of the Board (FM); Sales Manager (FM); Design Engineer (FM)	5 (183)	100	1986	1989	90	Sweden, North America, U.K	Export via distributors
D	Machines and equipment for paper industry	2015	CEO (FM)	1 (46)	100	2006	2010	80	Sweden, Germany	Export via agents
E	Protective gloves for firefighters	2015	CEO (FM)	1 (85)	100	1956	1994	95	Norway, Switzerland, Germany	Export via distributors
F	Clothing items	2015	CEO (FM); Design Manager (FM); Subsidiary Manager	3 (94)	100	1976	1993	70	China; South Korea	Subsidiaries
G	Electronic detection and control devices	2015 and 2018	CEO; Chairman of the Board and former CEO (FM); Board Member (FM)	4 (170)	100	1965	1970s	50	Sweden, U.S, U.K	Export via agents
H	Filling stations, tanks and related systems	2015 and 2018	CEO (FM), Sales Director; Project Manager; Sales Director (FM)	5 (177)	98	1966	1980s	50	Norway, Poland, Sweden	Own exports or export via subsidiaries

The author of this paper conducted 28 semistructured, face-to-face interviews with between one and three persons from each case firm. Using snowball sampling to contact family CEOs and chairs of the board led to their suggesting other interviewees, including people knowledgeable about the research topics, who might participate. Eventually, the researcher interviewed at least

one family member from the firms with management and board positions, to obtain answers on family-specific, SEW-related questions. All the family-member interviewees were also familiar with internationalisation-related issues and FPRs, enabling collection of data on the family perspective on analysing connections between SEW and these topics. Some family CEOs and board chairs also suggested that nonfamily members with international knowledge and experience (e.g. an export manager) participate, to provide not only internationalisation-related answers but also important ‘external perspectives inside FFs’ on FF- and SEW-related issues.

The number of interviews aligns with Reay’s (2014) suggestion that about 30 interviews should generally provide a sufficient breadth of data in qualitative research. Five firms were interviewed twice, first in 2015 and again in 2018. Three firms were interviewed only in 2015, as the author was not able to arrange meeting again in 2018. The interviews were digitally recorded and transcribed verbatim. Interviews are a data-collection method that provides rich data for unveiling underlying factors related to complex, episodic and infrequent phenomena (Eisenhardt & Graebner, 2007). The interviews followed a semistructured, topic-based format. The questions posed were tentative rather than fixed, so modification of the course of the interview could occur in order to obtain rich details on complex phenomena (Barriball & While, 1994). The main topics of the interviews were *the general background of the case firms, SEW-related questions, and the development of internationalisation and FPRs*. Items that Berrone et al. (2012) proposed provided the basis for the SEW-related questions, measuring five central SEW dimensions: *family control and influence, identification of family members with the firm, binding social ties, the emotional attachment of family members, and renewal of family bonds through dynastic succession*.

Case studies often use more than one source of evidence (Eisenhardt, 1989; Woodside & Wilson, 2003). Thus, in addition to the interview data, the author analysed such secondary data as

firm websites, news archives and history books, to improve the validity of the data by triangulating the information (Miles & Huberman, 1994). For instance, to validate the chronological development of FPRs, the author investigated firm presentations relating to the timeline of their internationalisation.

Since abductive analysis lies between theory-driven and data-driven analysis (Dubois & Gadde, 2002; Ketokivi & Choi, 2014), directed content analysis provided a useful path to follow. In directed content analysis, initial coding categories emerge from existing theory, prior research or research questions, but new categories and themes can arise from the data in the course of the data analysis, the purpose being to conceptually validate or extend an existing theory (Hsieh & Shannon, 2005). Borrowing from grounded theory, the formation of categories is strongly grounded in the data; however, borrowing also from deductive logic, *a priori* theoretical considerations provide general categories, to which empirical observations and contextual idiosyncrasies relate (Ketokivi & Choi, 2014). Three main initial coding categories emerged from the research question and existing theory: (1) *Initiating, developing, and maintaining FPRs*, (2) *Characteristics of FPRs*, and (3) *The value of having FF status in the context of internationalisation, and SEW profiles*. Subcategories formed under the main categories. For instance, the main category *Characteristics of FPRs* included the subcategory *Strength of relationships*, to address the differing strengths of the relationships in question. The first main category included different subcategories for the initiation, development and maintenance of FPRs. In the third main category, subcategories formed for the case firms' views on the importance of FF status and the SEW profiles, with different SEW dimensions (Berrone et al., 2012).

Regarding the assessment of SEW at the firm level (having formed a range of SEW profiles), the author recognises that the views of the interviewees (placed along the various SEW

dimensions) are subjective and individual. However, the significant involvement of the family interviewees in their respective small-sized firms and internationalisation activities over a long period indicated the relevance of their views at the firm level and to the firm's relationship-building with foreign partners.

Within the main categories and subcategories, the author aimed to identify linkages, similarities and differences between the case firms. As an example, a new, data-driven and theory-elaborated category, *Close FPR-building for maintaining both economic and noneconomic goals*, emerged from the initial coding categories. The author went back and forth between the data and the theories to validate and elaborate the new category, to make interpretations as accurate as possible. The author also sent the findings back to the interviewees to check their validity and correct any inconsistencies or incorrect information. This was especially important for ensuring that the constructed SEW profiles match the views of the family owners and managers. Figure 2 below depicts the directed-content-analysis process for forming the aforementioned categories. Firm B's answers provide an example. As indicated in the figure, all the subcategories were analysed for each case firm, so that it was possible to conduct not only firm-specific within-case analyses but also cross-case analyses.

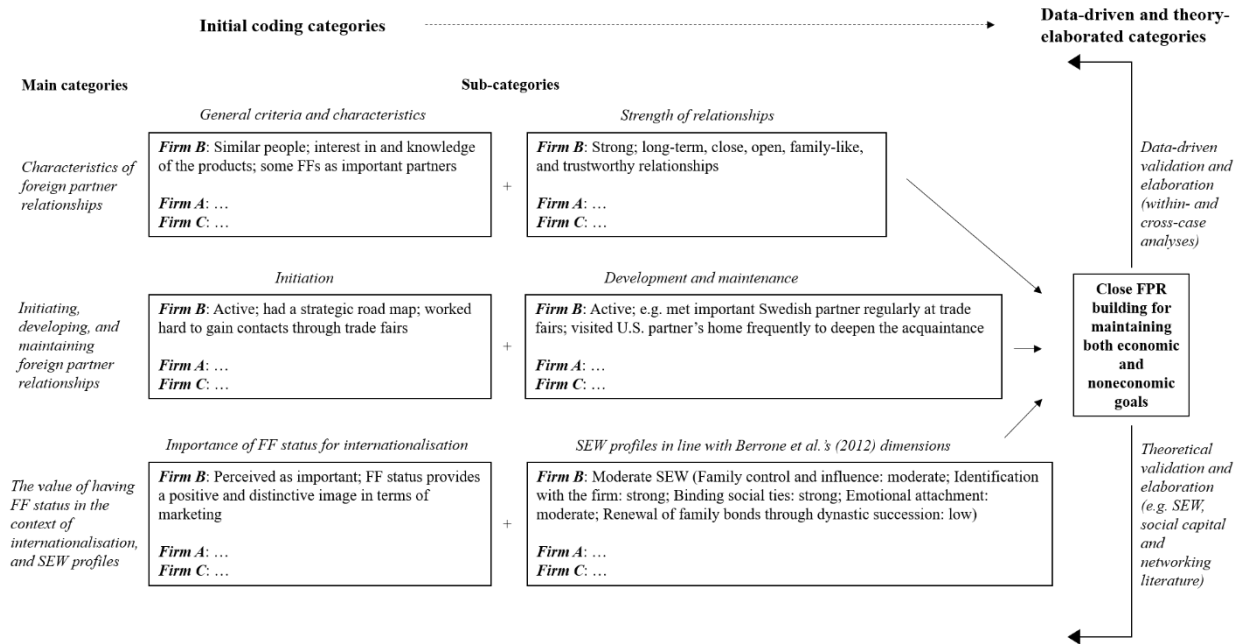


Fig. 2. Directed content analysis applied in forming the category ‘Close FPR building for maintaining both economic and noneconomic goals’ with Firm B’s answers as an example.

Since case-study theorising following contextualised explanation can generalise findings as far as the contingency of contextual conditions allows (Welch et al., 2011), the data analysis yielded three propositions, formatted so that they identify SEW levels and FPR-building activities and set idiosyncratic conditions under which the validity of the propositions is expected (in a critical-realist way). Thus, the findings and propositions of the study aimed at adopting a ‘sceptical’ approach to reality (for more critical-realist assumptions, see Easton, 2010; Sayer, 1992), given the relatively abstract and complex natures of FFs, SEW and FPRs.

Overall, it was essential to ensure the quality of the case-study research process. The guidelines of De Massis and Kotlar (2014) guided consideration of the four main criteria (e.g. Campbell, 1975; Yin, 1984) for case-study quality in FF research: construct validity (e.g. SEW measures; theoretical sampling; triangulation of data), internal validity (e.g. contextualised

explanation; within-case and cross-case analyses), external validity (e.g. contingent and limited generalisation derived from acknowledged critical realist and ‘multiple conjunctural’ views) and reliability (e.g. systematic and abductive research process; snowballing sampling in interviews; tables and figures illustrating data collection and analysis).

Findings

SEW profiles

The analysis of the SEW dimensions that Berrone et al. (2012) present profiled the case firms for SEW level on a scale from high to low, indicating the importance of SEW in their business (see Figure 3 below). A ‘high’ score meant that the case firm showed mostly high levels on the five central SEW dimensions. With a ‘low’ score, the opposite was true. A ‘moderate’ score comprised a mix of high, moderate and low scores for individual dimensions or a majority of dimensions earning moderate scores. Three firms scored in both high SEW and low SEW categories, while the moderate SEW category included two firms. Since FFs having 100% family ownership (98 % in Firm H) and strong family involvement in management represent different levels of SEW, the findings at this stage of the analysis indicated that (high) family ownership and involvement, as a proxy for SEW, may not be enough to theorise SEW (cf. Kotlar et al., 2018; Zellweger et al., 2012). Due to space limitations here, we discuss each SEW profile (high, moderate, low) that came up for the case firms (presented in Appendix A) using *one case firm* representing the profile in question. These descriptions illustrate the manifestations of the five SEW dimensions in the FFs: family control and influence, family members’ identification with the firm, binding social ties, emotional attachment and renewal of family bonds to the firm through dynastic succession.

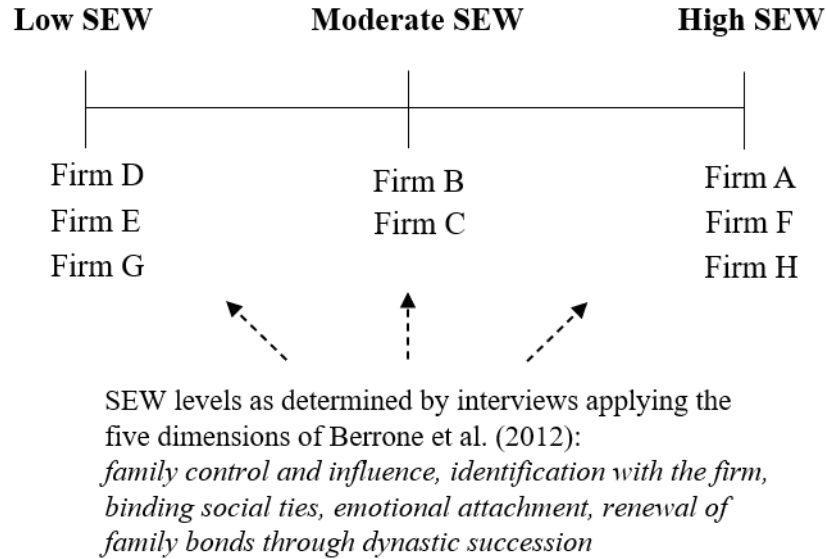


Fig. 3. SEW levels of case firms, A-H.

Foreign partner relationship (FPR) building

The case evidence shows that the case firms differed in the strength of their FPRs. By relating the FPR analysis to the SEW endowments in question, the case firms with higher levels of SEW had at least fairly strong FPRs and active relationship-building. By contrast, the case firms with lower-than-moderate levels of SEW mostly had fairly weak FPRs and relatively more passive relationship-building.

Firm H (high SEW level) discussed its adoption of a ‘guerrilla strategy’ for internationalisation, meaning that it actively tracked potential opportunities without devoting too many resources. However, setting an example, the family owner-CEO of the firm devoted his time and the firm’s limited resources to the establishment of the relationship with the main partner and the customer in the most important market (Norway), which process took about ten years before he made the first big deals. In this process, the CEO had travelled to Norway every year to initiate

possible deals, without results. He coincidentally met someone there, and they became good friends. They met regularly at trade fairs and on other occasions but never did any deals. In the tenth year, after regular but unsuccessful promotion, he met the same person at a small trade fair in Italy. There, the person hinted at a very promising deal in Norway. Eventually, after negotiations, the firm signed a major contract with the Norwegian customer, who also became a partner for Firm H. The relationship with the customer/partner has remained strong and close over six years of partnership. Firm H and this customer/partner communicate regularly and have realised not only significant growth in Norwegian sales but also achievements in collaborative product development.

Firm B (moderate SEW level) (see Figure 2 for an example of the data-analysis process) also showed an active approach to both initiating and further developing FPRs. The active search for foreign partners, e.g. through trade fairs, resulted in regular contacts and meetings of the partners. Firm B had visited the partner's home in the U.S. many times, not just to talk about business but also (and more importantly) to become familiar with the persons with whom they conducted business. Although the familiarisation process in Japan had been longer, Firm B also had eventually succeeded in building a strong, trustworthy relationship with the partner there.

Similarly, the members of Firm F (high SEW level) had engaged in persistent relationship-building with the foreign partners. They had attended trade fairs regularly to create partnerships. They saw continuous relationship management as important. Thus, on regular occasions, the firm communicated remotely with the managers in China and South Korea. They also met physically several times a year, and the firm invited the partners to the family's summer cottage in Finland. Taking care of the partners was important; Firm F's CEO contended that it was more important to keep a good partner than to constantly tender for new ones.

The CEO of Firm C (moderate SEW level) recounted how he started marketing and selling products in Middle Europe through active contact at the grassroots level. He drove to different places, knocked on doors and tried to persuade people with his poor language skills. His active approach to making contacts had lasted to the present:

I had a principle that I had to open at least 15 customer doors in a day when I was abroad [...] Customer contacting is done very much there [abroad], because when one speaks of these international trade fairs, they are just a period of one week in a year – there are 51 other weeks in a year when we should do export work.

Firm C has wanted to actively support partners. Although the firm informants reported that their partners were given the main responsibility for executing operations in their respective markets, Firm C provided constant support for marketing the products and helping the partners, promoting conditions in which they could perform well.

In relation to passive international networking and weaker FPRs, the case firms with low SEW levels (Firms D and E) had been passive throughout their internationalisation and formation of FPRs. The CEO of Firm D stated that he had never gone on any trips to foreign markets to build an agent network. Instead, he had mainly managed the building of relationships remotely, by reacting to incoming inquiries. Managing partner relationships had been passive, as demonstrated by this quote from the CEO concerning the agent partner in Spain:

[The agent partner in Spain] doesn't load us down with useless inquiries [...] Then there is the extreme end that someone constantly asks about everything [...] it brings about unnecessary work.

Firm E had also been reactive and passive. The CEO indicated that almost all its FPRs had started by coincidence. As with Firm D, Firm E had limited communication with existing partners, and there had been no recent travel abroad to meet them. Usually, the interaction between Firm E and the partners involved nothing more than duties related to orders and delivery processing. Firm

E emphasised that it was the partners' responsibility to execute operations in foreign markets, as far as they were able.

Accordingly, the data on FPRs, in association with the data on SEW, provided initial evidence that SEW does not restrain small FFs' developing FPRs for internationalisation but, rather (and somewhat unexpectedly), indicated its role in facilitating close FPR-building. Thus, further analysing the core part of the research question was important, to find additional evidence of SEW somehow either confining or being utilised in the process of FPR-building. For this purpose, conspicuous and relevant findings were sought relating to whether the case firms mentioned inter-FF or familial partnerships and whether they saw their FF status as important for internationalisation. This would indicate the extent to which SEW might be 'embedded' in FPR-building. Findings on these issues, together with findings on SEW and FPR-building activity levels, appear in Table 2 below.

Table 2
SEW, FPR building activity, and importance of FF status in FPRs and internationalisation.

Firm	SEW	FPR building activity	Existence and importance of FF or familial foreign partners	Perceived importance of FF status for internationalisation
H	High	Active	Yes, and important	Important
A	High	Fairly active	Yes, and important	Important
F	High	Fairly active	Yes, and fairly important	Fairly unimportant
B	Moderate	Active	Yes, and important	Fairly important
C	Moderate	Active	Yes, and fairly important	Fairly unimportant
D	Low	Passive	Not mentioned	Unimportant
E	Low	Passive	Not mentioned	Fairly unimportant
G	Low	Fairly passive	Yes, and important	Fairly important

All the case firms with at least a moderate level of SEW and an active approach to FPR-building explicitly mentioned that they had FF partners or familial relationships with the partners. They also mentioned that their FF status plays at least a fairly important role in internationalisation.

All the foreign partners of Firm A were FFs, and the partner relationships had been strong, long-term and fruitful, based on mutual trust and similar values over the years and after successions. Firm B's interview demonstrated the familial nature of the partner network. For instance, the relationship with the Swedish agent (also an FF, acting for around 15 years as an agent for Firm B) had initially been somewhat professional and not particularly strong. Over time, it had developed into a very strong and close relationship. The agent and his wife and children were often present at trade fairs. The firm and the partner had spent much time together, discussing family and personal matters. A similar trend had occurred in Germany. There, a Finnish woman acting as an agent had become a friend of the founder of Firm B. She represented Firm B until her retirement. Overall, Firm B's mindset was towards developing and maintaining a committed and familial partner network, as the founder of Firm B demonstrated:

These [foreign partners and customers] are almost part of our firm; they are more like extension. It is very important because then they are committed. For instance, we have these agent meetings, to which all our representatives, well not all, but European representatives have come here and we have spent few days here together, and there many have mentioned that they feel that they are part of Firm B family. [...] I believe that [...] if they remain as business acquaintances, very superficial, it is hard to commit those people to your thing. And if you cannot commit them and make them believe, they pretty easily might switch to other brand and start representing that instead.

Firms A and B also indicated the importance of FF status in creating a positive image for foreign partners. For instance, the Indian FF partner of Firm A mentioned that the firm only conducted business with other FFs. Firm A regarded the FF status as a factor in promoting closer interaction with foreign partners. The relationship-building process with the Indian partner has evolved into a great business relationship, thanks to their similar values, as the nonfamily export manager of Firm A explained:

It [the partnership] started initially so that we actually had a good situation to choose from a couple [of potential partners] with whom we want to start running this [Indian] business. And then we ended up with this firm. [...] Their set of values were one of the most important criteria, of course in addition to other [business-related] acquirements. [...] And when we have done business, we have taken a sauna bath and else. [...] They have mentioned many times that as we have now started to do this

[business together], we are a bit like one family. We openly talk about prices together, and everything is very open.

Firm H, whose fruitful relationship-building process with the major Norwegian customer/partner was mentioned earlier, also pointed to the positive marketing factor of being an FF, as illustrated by the family CEO and his son, a family manager:

CEO: Yes, we always tell [our FF status] and bring it up [...] It is part of our identity. [...] When we had had partnership with Norwegians, our biggest customer, for six years, [...] they decided to come here two months back with their entire personnel, two busses, 80 persons [...] An essential part was to come see these crazy Finnish. [...] We do not want to be those pinstripe boys.

Manager: In the last trade fairs, when the biggest existing customers were aware of our FF status, they said 'hey, you are the son of the family CEO, where is your dad?' sort of thing. So, in a way, the historical continuum is visible and relations there. It is easier to get to conversations, thanks to this surname.

In the case of Firm F, although there was no explicit mention of the FF status of their foreign partners, indications of warm or even familial relationships came up in the interviews. Firm F had long-term and trustworthy relationships with subsidiary managers in China and South Korea (both key markets). In general, Firm F found it important to identify the 'right kind' of partner—someone who would reflect the identity of Firm F and show its commitment. The family manager summarised the commitment of the Chinese subsidiary manager, emphasising mutual commitment and reciprocity:

Our current CEO of China [operations], Mary [name changed], worked as a translator for the founder of our firm at the time when we had business with a Chinese textile firm [prior to own subsidiary]. We established our subsidiary in China in 1994 and since then Mary has worked for us. In Chinese context, this shows an exceptionally strong commitment, as it is a prevailing way to tender your value [in terms of a potential job change] regularly in China.

For instance, Firm F helped the Chinese subsidiary manager with housing matters when she got divorced in the 1990s. In his own interview, the South Korean subsidiary manager of Firm F said that he felt like a family member of the firm.

They [the family members of Firm F] are good persons, so I want to both give back return and also show respect. I want to [...] contribute for the second generation to be inheriting; the first generation was in really good shape.

Case firms D and E, which had low levels of SEW, had been passive in their relationship-building. They did not mention familial FPRs and saw the FF status as unimportant or somewhat unimportant for internationalisation.

Notably, in addition to taking a more active approach to relationship-building with foreign partners, the case firms with at least a moderate level of SEW also indicate better financial results than the case firms with below-moderate levels of SEW. Using the Amadeus database offered by Bureau van Dijk, the author discovered turnovers and profit margins of the case firms from 2008 to 2017 (with the following exceptions: no data from Firm F 2008–2009, Firm G 2008, or Firm E 2008–2009 and 2016–2017). The numbers indicate that case firms with at least a moderate level of SEW tended to have better results (e.g. a higher turnover and growth rate and higher profit margins) than case firms with lower levels of SEW. The relationship between SEW and performance indicators will undoubtedly require further statistical analyses and a new research setting. Nevertheless, the numbers provide preliminary evidence that among small FFs with higher SEW levels, efforts to collaborate with foreign partners can benefit both SEW preservation and economic goals.

The SEW profiles (see Appendix A for examples) indicate how small FFs with moderate or high SEW levels usually value family control, emotional attachment and generational continuity, but imply that family benefit per se and exclusively is not so important. Rather, social relationships are important, and FFs want to include nonfamily employees and other stakeholders (i.e. binding social ties) in the long-term journey of their businesses, which also requires rational economic orientation and cooperative approaches. Simply put, these family owners and managers may want

to maintain the pride and heritage of their businesses (firms with high SEW probably a bit more than firms with moderate SEW), which cannot occur at the expense of long-term economic goals. For this purpose, active relationship-building with foreign partners, which can embed the attributes of SEW through trust (e.g. correspondence with identification and binding social ties dimensions) and long-term orientation (e.g. correspondence with family control and renewal of family bonds dimensions), is considered important for internationalisation to gain economic growth and profits. This, in turn, feeds SEW endowments.

Figure 4 below depicts the theoretical framework of the study, updated with the findings on SEW and intensity in FPR building. The findings suggest the association of that SEW with active FPR-building. The case firms with higher SEW levels also regarded the FF status as important for internationalisation and had many foreign partners sharing the FF status. This implies that the preservation of SEW is important for them and is a concern that does not act as an obstacle to their efforts. Rather, it operates as an asset that impels them to promote and succeed in internationalisation. Thus, SEW can act as a bridge for small FFs, assisting them in building strong, trustworthy and long-term relationships with foreign partners. Such efforts lead to reciprocity and more integrated cooperation. Active and close relationship-building may eventually contribute to solid financial results.

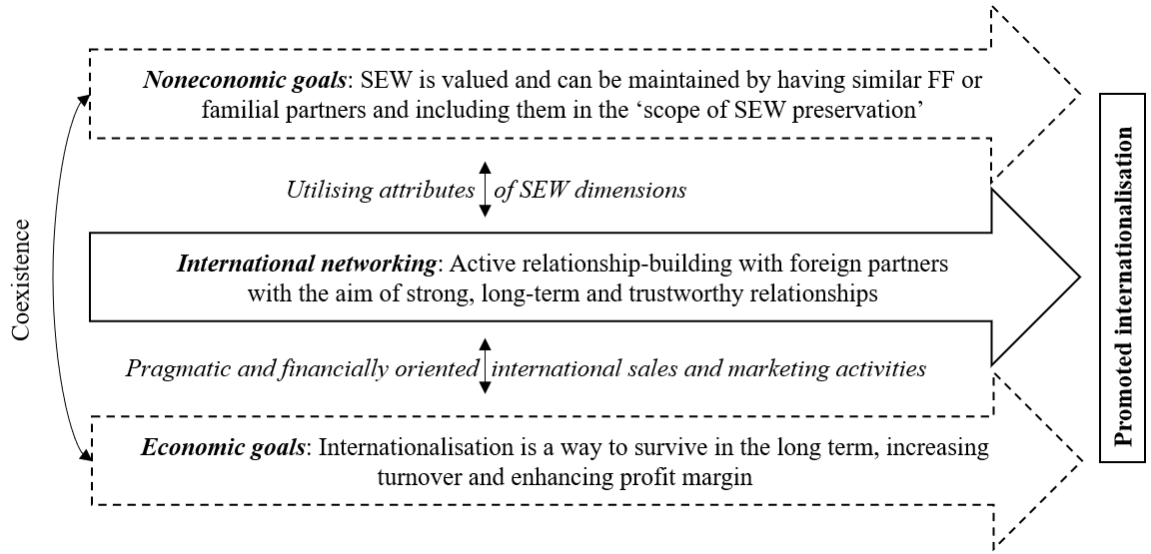


Fig. 4. Coexistence of noneconomic and economic goals in driving small FFs' active and close relationship building with foreign partners for promoted internationalisation.

Overall, when one has other FFs as foreign partners or familial relationships with the partners, it is possible to incorporate the foreign partners within the 'scope of SEW preservation', as a part of the 'extended international family' (see Firm B's quote about creating a 'Firm B family' within the foreign partner network, and Firm A's quote about the familial relationship with the Indian partner, presented earlier). The SEW perspective extends to the international context, with SEW viewed as better preserved through active and close interaction with partners who share one's values and practices. In other words, SEW acts as both a means and an end for the internationalisation of small FFs. However, case-firm evidence shows that implementation of pragmatic and financially oriented international sales and marketing activities that maintain economic goals in FPR-building should accompany utilising attributes of different SEW dimensions and contributing to noneconomic goals (see detail in the discussion section).

In Figure 4, an arrow between noneconomic and economic goals emphasises the possible coexistence of these goals in driving small FFs' active and close relationship-building with foreign partners. Thus, the findings and the figure suggest that the internationalisation of small FFs is not

necessarily an 'either/or' mixed gamble of preferring noneconomic or economic goals. Rather, the interactive coexistence of noneconomic and economic goals, manifest in active and close FPR-building can promote sustainable internationalisation. Figure 1, the theoretical framework for this study, with the separate arrows from noneconomic and economic goal orientations to relationship-building, indicates the more general view in the literature that the effect of one goal orientation or the other is more dominant.

Discussion

The finding that small FFs with higher SEW levels aim at a kind of extended international family with foreign partners, to promote internationalisation and, simultaneously, preserve their SEW, both confirms and contradicts earlier findings. Regarding internationalisation propensity, Gomez-Mejia et al. (2010) argue that FFs are more reluctant to go international than other firms because preservation of SEW acts as an obstacle in decision-making. However, in the context of FPRs, the findings of this study suggest (i) that internationalisation is an economic decision and (ii) that it may help small FFs to preserve noneconomic dimensions and SEW in the longer term. As mentioned earlier, SEW appears to function both as a means and an end regarding the internationalisation of small FFs, given that active establishment of close relationships with foreign partners is their way to succeed in international competition. In this sense, economic and noneconomic goals coexist. More successfully managing the mixed gamble and associated trade-offs between these two goal orientations (e.g. Alessandri et al., 2018) can occur if they are not mutually exclusive in the long term.

Patel et al. (2012) argue that SEW preservation may make FFs risk-averse in achieving internationalisation, but also that factors derived from SEW preservation (such as stewardship, trust and aligned decision-making) could facilitate internationalisation efforts. In light of this

study, small FFs may be able to deploy the beneficial attributes of SEW by extending the scope of SEW preservation to include foreign partners, with whom stewardship, trustworthiness and decision-making flourish. However, the findings on higher SEW levels and higher-level FPR-building activities indicate that those small FFs with higher SEW levels *must* build long-term and close FPRs to preserve SEW in the long run. Close FPRs enable FFs to get to know the partner, increase commitment and, thereby, ensure that the proven partner will contribute to the FFs' economic and noneconomic SEW goals. With weaker FPRs and more passive relationship-building, FFs would not necessarily be aware and knowledgeable enough of the partner's operations and character to convince themselves of the partner's potential for supporting *both* economic and noneconomic SEW goals. Weaker FPRs can contribute to economic goals, and FFs can passively monitor the development of an agent's sales in a host country, but for those FFs with high levels of SEW endowment, purely economic understanding may not be enough. These findings align with Cesinger et al. (2016), who found that collaboration intensity and network trust with network partners play key roles in small FFs' acquiring knowledge crucial to internationalisation. According to them, gaining such knowledge may assist FFs in overcoming threats to SEW. Along similar lines, Kraus et al. (2016) argue that FFs with high levels of SEW may utilise external and international networks for learning and secure both noneconomic SEW and economic goals. The findings of this study elaborate the active FPR-building processes, in which small FFs may need to engage to meet both economic and noneconomic SEW goals.

Proposition 1: Small FFs with concerns about their SEW do not regard internationalisation as a threat but as a way to secure both economic and SEW-related goals. However, the higher the levels of SEW endowment, the greater the need to engage in active relationship-building with foreign partners and establish strong relationships with them.

Studies have favoured weak over strong relationships, on grounds that strong ones may narrow readiness for international opportunities outside the immediate network (Oviatt & McDougall, 2005), including in the ‘network’ of FFs (Kontinen & Ojala, 2012). In contrast, this study’s findings suggest that having strong foreign relationships with firms that share the same values and practices may enhance the exchange of information on international opportunities. A network relationship between organisations sharing common interests provides mutual benefits and encourages a long-term relationship (Johanson & Mattson, 1988; Johanson & Vahlne, 2003). This also seems true for small FFs. Three out of five case-firms, with at least a moderate level of SEW, mentioned explicitly that they had or sought corresponding small FFs as foreign partners, with whom cooperation worked well and who support the establishment of strong, long-term and trustworthy relationships. Notably, the establishment of relationships with foreign FFs is a beneficial strategy for an FF’s international networking, due to the advantages of having similar values and characteristics (Fernandez & Nieto, 2005; Gallo & Pont, 1996; Swinth & Vinton, 1993).

Internal family relationships appear to have hampered the international-opportunity-recognition process (Kontinen & Ojala, 2011) and expanding internationalisation to diverse markets (Scholes et al., 2016). This paper’s findings suggest that for small FFs, if the persons running the foreign FF partner firms assume a role as foreign family members, a coherent ‘international family’ may prove effective for internationalisation. Transnational family networks (i.e. family members of a local firm spread over various countries) have been important for gaining new contacts and resources for internationalisation (Hewapathirana, 2014; Mustafa & Chen, 2010). Although the small FFs in this case study did not rely on biological family ties, the findings can extend to familial foreign partners playing a similar role. Indirectly supporting this notion is the finding that FFs tend to create reciprocal social relationships, not just between family members

but also with nonfamily members in a FF, increasing a sense of belonging and commitment and leading to better performance and success (Miller & Le Breton-Miller, 2005; Miller, Lee, Chang, & Le Breton-Miller, 2009). The consequent communal embeddedness and fellowship allow FFs to serve those within and around them (Berrone et al., 2010). This may also apply to foreign partners who become incorporated into a small FF's community.

Proposition 2: The opportunities for achieving both economic and SEW-related goals in parallel in internationalisation increase if small FFs direct active relationship-building and establishment of strong relationships to foreign but similar small FF or familial partners.

The case firms with above-moderate levels of SEW show how different dimensions of the FIBER-scale (Berrone et al., 2012) manifest themselves in FPR-building. For example, *binding social ties* and related trust, as well as treating nonfamily employees as part of the family and maintaining strong and long-term relationships with other firms, were evident in active FPR-building and extending international family to foreign partners. *Identification* and *emotional attachment* of family members to their firms convey a special meaning to foreign partners, and especially to foreign FF partners, which can then identify with the people in FFs and their willingness to do business for mutual profit in the long run. Affective considerations are not necessarily something family members should belittle. Rather, foreign partners see these as showing pride in the heritage that family owners and managers embody through strong involvement in the daily operations of FFs. For this purpose, the two other dimensions, *family control and influence* and *renewal of family bonds through dynastic succession*, are not necessarily negative, restraining factors but, rather, attributes that convince foreign partners of long-term relationships, effective decision-making and transfer of knowledge among family owners and managers. These dimensions can also convince FFs to invest in active and close FPR-building

because stability and capacity to maintain established FPRs will most likely characterise the future and coming generations.

Scholes et al. (2016) and Cesinger et al. (2016) also stress the positive influence of binding social ties on trust between network partners in FF internationalisation. In addition, this study suggests that identification and emotional attachment can beneficially strengthen the bond between FFs and foreign partners towards mutually profitable business in the long run. High levels of family control and a related (assumed) strong SEW-preservation tendency have mainly carried negative connotations for FF internationalisation (e.g. Gomez-Mejia et al., 2010; Sanchez-Bueno & Usero, 2014). However, the findings of this study suggest that family control and generational continuity may prove to be effective for active FPR-building and, thereby, internationalisation in the long run. All the case firms with higher-than-moderate levels of SEW were at least second-generation FFs with a two-decade history of operations and strong family control through ownership and management, indicating that stability does not necessarily stagnate FPR development.

However, the case firms also show that not only noneconomic and SEW-related attributes enable and feed close FPR profitability. For SEW-related attributes to flourish, there must be economic and pragmatic foundations on which to build FPR activity. For example, the case firms broadly expressed criteria for having partners with capabilities and networks in host countries, to do growth-oriented selling and marketing of the case firms' products. The family CEO-owner of Firm C mentioned that the best thing to do in his firm is to give plane tickets to employees so that they can do active grassroots-level selling and support the customers and partners. Attending trade fairs is important for many case firms, not just for meeting partners and customers but also for seeking new revenues and markets for their products. In general, the case firms with above-moderate levels of SEW were profitable and financially growth-oriented. Accordingly, utilising

SEW attributes in FPR-building activities cannot occur in isolation; they also need a strong focus on reaching financial goals, starting from pragmatic operational-level sales and marketing activities. Both noneconomic SEW attributes and economically oriented activities occur from strategic to operational levels, so utilising and pursuing them concurrently are necessary for them to benefit each other in the long run.

Proposition 3: FFs with higher SEW levels utilise attributes of different SEW dimensions in FPR-building, but their utilisation requires concurrent implementation of pragmatic and financially oriented international sales and marketing activities.

Conclusions

Drawing upon the notion that SEW lies in social relationships (e.g. Zellweger et al., 2019), this study aimed to investigate whether SEW restrains small FFs' building foreign partner relationships (FPRs) for internationalisation and, in the event that they do not, how the firms might strategically confine or utilise SEW effects. A key differentiating factor from similar studies (e.g. Cesinger et al., 2016; Scholes et al., 2016) was the formation of qualitative 'SEW profiles' for each case firm, through applying Berrone et al.'s (2012) FIBER-scale in the multiple-case study; then, comparing those with how actively and closely FFs initiate, develop and maintain their FPRs. That made possible conclusions about how different SEW profiles or levels might manifest in FPR-building activities, thereby unravelling more generally the extent to which noneconomic (SEW) goals coexist with economic goals in the internationalisation of FFs. The lack of in-depth measurement and analysis of what SEW actually means for the FFs (e.g. Miller & Le Breton-Miller, 2014) has left us uncertain of how SEW manifests itself through different dimensions (Berrone et al., 2012) in the context of FF internationalisation, in which networking behaviour often differs from that of

non-FFs (Kampouri, Plakoyiannaki, & Leppäaho, 2017; Kontinen & Ojala, 2010; Pukall & Calabro, 2014). Essentially, this study elaborates existing theory and findings revolving mainly around the role of SEW as an antecedent or outcome of internationalisation, by providing insights into how SEW manifests itself in the processes of FPR-building activities. Small FFs were chosen as units of analysis as they usually depend on FPRs for internationalisation, and SEW dimensions affect them more heavily than such dimensions affect larger FFs.

The key findings on the close, familial and actively maintained FPRs suggest a strategic orientation among small FFs with higher SEW levels, such that they utilise these partnerships for fruitful cooperation in international operations and ensuring the preservation of SEW. The SEW profiles of the case firms with moderate or high SEW levels usually implied that the SEW dimensions are important (but not exclusively for family benefit, *per se*), along with engaging nonfamily employees and other stakeholders in the long-term success of the business. This requires that economic goals coexist with noneconomic goals. Indeed, small FFs with higher SEW levels can utilise their internal SEW attributes (e.g. pride, heritage and trustworthiness), stemming from different SEW dimensions, in external relationships and FPRs for economically profitable internationalisation that, in turn, enables noneconomic SEW endowments to endure. Despite the relatively strong emotional attachment to and identifications with FFs, family owners and managers with stronger SEW preservation tendencies also seem to approach their FPRs with strong economic mindsets. Indeed, another key finding was that the utilisation of SEW attributes requires concurrent implementation of pragmatic and financially oriented international sales and marketing activities. Figure 4, the theoretical framework updated with the findings of the study, encapsulates the propositions that the analysis prompted.

These findings extend our knowledge of the role of SEW in internationalisation, specifically, how FFs with different SEW profiles act differently in building FPRs for internationalisation and preservation of noneconomic (SEW) and economic goals. This study aligns with studies (e.g. Cesinger et al., 2016; Scholes et al., 2016) that identified international and social-network relationships as key contexts in which SEW manifests itself—for instance, through trust stemming from the SEW dimension of binding social ties. This study also extends that knowledge by pinpointing how FFs engage in those relationships so as to maintain the pursuit of both noneconomic and economic goals. Interrelating SEW and FPRs of small FFs yielded interesting findings of the possible ‘bright side’ of high SEW levels, contradicting the stream of literature that posits SEW as an unavoidable or difficult-to-alter restraint on internationalisation (e.g. Gomez-Mejia et al., 2010; Sanchez-Bueno & Usero, 2014).

This study has some concrete managerial implications. It indicates how small FFs can harness their SEW-related goals and special features in efforts to promote international networking and internationalisation, especially in terms of having other FF or familial foreign partners. The scope of SEW preservation may not lie merely within the immediate family and nonfamily employees in the small FF. It may also extend to the international context, with the potential for cultivating economic gains without diminishing SEW. For instance, actively attending trade fairs may turn out to be effective for initiating, developing and maintaining FPRs and, hence, for achieving both economic and noneconomic goals. It would benefit small FFs to evaluate and understand themselves through the five dimensions of the FIBER-scale (Berrone et al., 2012), to see whether they can utilise some SEW-related attributes, such as trust and long-term orientation stemming from binding social ties and generational continuity, in FPR-building strategies (e.g. foreign partner selection) and operations (e.g. sales negotiations with foreign partners). The pride,

heritage and active involvement of family owners and managers in their businesses could serve as differentiating factors in international sales and marketing to convince potential foreign partners to choose small FFs' products in their resale portfolios over bigger, 'faceless' nonfamily corporations. However, small FFs must be aware of the economic realities of internationalisation. Best outcomes of active FPR-building for internationalisation occur when noneconomic and economic goals coexist. Hence, utilisation of SEW attributes and implementation of pragmatic and financially oriented international sales and marketing activities should occur in unison.

This study has some limitations and implies some avenues for future research. Its particular context (involving small Finnish FFs and their FPRs) was a deliberate choice to exploratively investigate a context familiar to the researcher. The findings of the study, which highlight trustworthy relationship-building and collectivism, are especially applicable not just in a Finnish context but in a Scandinavian context as well, as the Scandinavian countries are a culturally unique group that highly values both individual and collective responsibilities and greatly trusts institutions (e.g. Mullet et al., 2005). Firm-level attributes reflect these country-level attributes, and since FFs can function as institutions of their own with a special tendency towards SEW preservation, Scandinavian small FFs may have strong confidence in doing international business with foreign FF partners that share the same values. The small Finnish FFs in this study had many FPRs within other Scandinavian countries, including relationships with other small FFs, so the findings and the propositions apply especially in the Scandinavian context. However, considering the evidence of similar SEW preservation tendencies across different countries and cultures (e.g. U.S.-based study by Alessandri et al., 2018; China-based study by Yang et al., 2020), the findings of this study are likely to apply more globally. In any case, this study only interviewed small Finnish FFs, so future research could include the views of foreign partners to see whether their

views on the nature of FPRs match. In addition to strengthening network-based analysis, this would also bring more cross-cultural generalisability to the findings of this study.

The choices of small FFs were also somewhat narrow in terms of the industry, (manufacturing). However, the small FFs with above-moderate levels of SEW participated in designing and manufacturing niche high-tech and high-quality products (e.g. hydraulic equipment for certain mobile machinery and wooden design lamps). Thus, the paper aligns with the findings by Hennart et al. (2019) on the competitive advantage of small FFs in global niches for these kinds of products, through their ability to create long-term and strong customer and partner relationships. The paper also contributes to these findings with the dynamics of SEW. Future research could look at other industries and whether the dynamics are the same.

Furthermore, although this study presents some financial-performance indicators suggesting a potentially fruitful role for high SEW in international networking, they receive only limited attention since the study primarily involved qualitative exploration. Thus, future studies might elaborate the findings and propositions via quantitative methods. These could include a range of variables related to SEW dimensions and FPRs. Longitudinal datasets also could shed light on the development of the variables. Furthermore, the use of different kinds of FFs (e.g. family-controlled vs. family-influenced firms) and countries as contexts could provide insights into heterogeneous groups of FFs and different geographical locations.

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Appendix A

Example case firms with high, moderate or low SEW profile.

High SEW – Example Firm A. In Firm A, the CEO (2nd generation) and her father (founder and Chairman of the Board) had strong identification with and emotional attachment to the firm. For instance, the business had been part of the CEO's everyday life since childhood. They saw continuation of the business from one generation to the next as important. For them, the FF was the embodiment of the people owning it and working for it. There appeared to be good relationships and cooperation between family and nonfamily members. Although the family brought good values to the business, they saw that it is important to keep family matters separate from the business, so that strategic decisions were not biased. However, since family members had full ownership of the firm, their views strongly entered into the firm's decision-making. This resulted in risk-averse decisions, since the family's own money, and thereby the well-being of the family (also all the employees) was in question. However, since the firm was highly growth-

oriented and willing to accelerate internationalisation, family benefit *per se* was not a priority. The export sales representative, a nonfamily employee, indicated that he had been strongly engaged in the business from an early period, and he believed that other employees felt the same. According to him, the feeling was like being part of the family.

Moderate SEW – Example Firm C. Firm C did not strongly represent itself as a FF. Although the CEO (1st generation) had strong commitment to the business, and although the firm was fully owned by the family, the firm was, first and foremost, a limited company, set up as a legal entity. Thus, ownership was in principle separated from the family, and the priority was whatever would benefit the firm. The analysis indicated that if there was too much emotional attachment involved, family quarrels could occur. However, there was united power within family members in running the business. Continuing the business from generation to generation was valued, but in the end, it was the interests of the firm that mattered. Despite this, the CEO said that he saw family ownership as best for the firm in the long term. Relationships within the family and with nonfamily members were good: family members were not privileged and were just like any other employees in the firm. The CEO said that he aimed to be the best employee himself. The daughter of the CEO, the Executive Vice President, had fairly strong emotional attachment to and identification with the firm, as she had grown into her position, and had taken on increasing responsibilities over time. There was probably a special passion to work and to contribute, since Firm C was a FF. Nevertheless, the FF status was not excessively emphasized, even if it was a source of pride. More important than being family-centred was the fact that the firm employed so many excellent people, with whom the firm could progress.

Low SEW – Example Firm E. In Firm E, continuing the business from generation to generation was not an end in itself. The business had been transferred from an authoritarian father

to his son (the CEO interviewed) as something obligatory; thus, the CEO did not want to pass the business on to the next generation in the same way. There had been emotional attachment previously, but it had diminished, due to challenges in the industry and to the outsourcing of many activities. However, since the FF was felt to be a kind of an embodiment of the persons involved, there was pride and honour to some extent. This had impelled the CEO to manage through severe financial difficulties. The relationships with nonfamily employees had generally been long-term. However, among family members (as distinct from Firms A, B, and C) the relationships were somewhat difficult. The CEO had been the main person to run the business, as the other family members had been somewhat reluctant to participate, and conflicts had occurred.