Internationalization of Family Businesses:
Does Size Really Matter?

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EXECUTIVE SUMMARY

Worldwide, family businesses are one of the cornerstones of the entrepreneurial fabric, being as a consequence central to growth and development. In a globalized era, these institutions require the attention of businessmen, practitioners, and policymakers. The chapter seeks to examine if the internationalization performance does vary according to firm size, and its link to the innovative performance in multiple dimensions along with conventional characteristics such as age and turnover. Theoretical research evidences the interest in understanding the patterns and determinants of the internationalisation performance, given its importance in firm growth and survival; however, this strategical option brings advantages and problems. Empirical evidence demonstrates that the determinants do change according to firm dimension; estimations provide valuable insights about the connection between globalized operation and innovation, for the different organisations.

INTRODUCTION

Family-owned businesses are central in most of the economies around the world, and most of them contribute with a substantial part to national income generation. According to the information presented by the Portuguese Family Business Association, presently, this type of companies represents nearly 70% of firms in operation, contributing with two thirds of the GDP. In Portugal their estimated impact in the job market encompasses half of the labor force and represents four fifths of the firms in operation. According to the INE and Pordata, the average number of workers per firm fell from 6.3 in 1990 to 3.1 in 2015 (see "inquérito anual às empresas" and "sistema de contas integradas das empresas"[1]); meaning that most organizations in Portugal are likely to be family businesses and in most cases they are small organizations (see previous studies and articles such as Freire, 2008 and Marques & Couto[2]).

According to the European Commission for Industry Research and Energy, 85% of all firms operating in Europe are family owned businesses, being responsible for 60% of the total jobs in the private sector[3]. According to the European authorities (COM, 2008)[4], there is a need to collect, systematize and publicize detailed and reliable information about this type of organizations as it is mostly inexistent. In the theoretical dimension, despite being omnipresent, only recently, this type of organizations grasped the attention of academics, and most of the empirical evidence relies empirical evidence from the United States (Botero et al., 2015), which is expectably different from Europe, due to a dissimilar business environment.

It is of worth understanding that these firms are undeniably heterogeneous concerning their structure and their Governance; still, in most cases they are small or even micro entities (up to 9 workers), which play a major role in the protection of employment during crisis and promote sustainable and inclusive growth.

Encompassing family and business is often a complex task; still it will often produce powerful results. Instead of separating the family and the business, putting both together enhance success and the creation of competitive advantages impossible to find in other kinds of organizations. Family firms have established a unique area in research that witnessed exponential growth in the past few years because family firms represent many businesses worldwide (Tsao & Lien 2013; Holt 2012; Piva et al. 2013; Arregle et al. 2012). However, this field is somehow recent in terms of the literature available.

There is a common belief that these organizations are usually small or medium sized; however, important organizations quoted on the stock exchange are controlled by families. These players are central in terms of job opportunities, local development, long term knowledge transfer, tradition and territorial cohesion. They organize and lead complex outsourcing networks which streamline niche markets and small communities generating high value added and singular identities (Tsao & Lien 2013). They are pillars of the economic activity at the regional, sectoral and national level. Despite numerous, these organizations cannot fit a single character as their essence is plasticity.

Family firms are singular in the way they operate, in their internationalization and innovation attitude. Family ownership does influence the way these organizations perform, which has been appraised in different perspectives across the literature (Anderson & Reeb, 2003).

Family businesses (FBs) are scattered across all economic sectors, being multi-featured. In their business model, they generate value for both their entrepreneurs and their communities; they generate technological take-offs, promote knowledge transfer, combining tradition and modernity exploiting new business ideas. FBs promote self-employment and job creation inside and outside the firm borders promoting the development of human capital and innovation (Botero et al., 2015).

Designing and engaging internationalization processes is a key factor for a competitive economy. Moreover, the world has been witnessing a trend towards internationalization not only by large multinationals but also by small businesses, yet it exposes firms to increased risks (Marin, 2017). With the mainstreaming of globalization, firms and markets have become more prone to take advantages from the external environment, which favors the acknowledgement and exploitation of new ideas and methods to gain competitiveness and survive (Giovanetti et al., 2013).

FBs are often considered as conservative and risk adverse, resisting change. They prefer relying on internal factors rather than opening to the external environment, which may endanger their future. As a consequence, no straightforward evidence can be found in tying internationalization with FBs. As on