



Universitat d'Alacant
Universidad de Alicante

INTERNATIONAL COMMITMENT OF SPANISH FAMILY FIRMS: SOME INFLUENTIAL FACTORS

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4th Workshop on International Strategy and Cross Cultural
Management

Toulouse, September 2006





INTRODUCTION

● OVER RECENT YEARS WE HAVE WITNESSED A GROWING INTEREST IN THESE FIRMS, WHICH REPRESENT A SIGNIFICANT PROPORTION OF THE FIRMS IN THE ECONOMIC SYSTEM OF MANY COUNTRIES

● OUR STUDY SEEKS TO COMPLEMENT THE EXISTING LITERATURE ON FAMILY FIRM'S INTERNATIONALISATION WITH A TWOFOLD CONTRIBUTION:

THEORETICAL LEVEL: INFLUENCE THAT VARIOUS FAMILY-SPECIFIC FACTORS HAVE ON THE CHOICE BETWEEN FDI AND OTHER MODES OF ENTRY

EMPIRICAL LEVEL: STATISTICAL ANALYSIS WITH PRIMARY DATA ON FIRM LEVEL THAT WILL COVER ALL THOSE SPANISH FAMILY FIRMS WHICH ARE INVOLVED IN INTERNATIONAL ACTIVITIES





HYPOTHESES

RELUCTANCE TO CHANGE

- THERE ARE RESEARCH WORKS WHICH REFER TO A HIGHER DEGREE OF RISK AVERSION IN SOME FAMILY FIRMS (Mishra y McConaughy, 1999; Thomsen & Pedersen, 2000; McConaughy, Matthews & Fialko, 2001; Fernández & Nieto, 2006)
- OWNERSHIP OF THE FIRM: FAMILY FIRM TENDS TO HAVE A CLOSED OWNERSHIP IN WHICH THE CAPITAL OF THE ORGANISATION IS IN THE FAMILY'S HANDS. THESE FAMILY COMPANIES USUALLY SEEK STABILITY, WHICH HINDERS THE CHANGE REQUIRED TO IMPLEMENT AN INTERNATIONALISATION STRATEGY
- CONTROL OVER THE FIRM: SOME PROFITABILITY IS THUS GAVE UP TO ENSURE THAT THE FIRM REMAINS IN THE FAMILY'S CONTROL

HYPOTHESIS 1: FAMILY FIRMS WITH GREATER AVERSION TO RISK SHOW A LOWER DEGREE OF INTERNATIONAL COMMITMENT





HYPOTHESES

GENERATION AND MANAGEMENT

- FAMILY FIRMS IN THE SECOND OR SUCCESSIVE GENERATIONS ARE MORE LIKELY TO BE PRESENT IN INTERNATIONAL MARKETS (Gallo y García Pont, 1996; Fernández y Nieto, 2005)

HYPOTHESIS 2: THE NUMBER OF GENERATIONS RUNNING A FAMILY FIRM CORRELATES POSITIVELY WITH THE DEGREE OF INTERNATIONAL COMMITMENT IT ASSUMES

- INTERNATIONAL CHARACTERISTICS CAN AFFECT THE INTERNATIONALISATION PROCESS: KNOWLEDGE AND ATTITUDE, LONG-TERM VISION, CULTURE OR ACTIVE BOARDS

HYPOTHESIS 3: THE PRESENCE OF INTERNATIONAL CHARACTERISTICS IN THE FAMILY FIRM HAS POSITIVE EFFECTS ON ITS INTERNATIONAL COMMITMENT





HYPOTHESES

GENERATION AND MANAGEMENT

● THE FAMILY FIRM MUST ENSURE ITS SURVIVAL THROUGH THE PROFESSIONALISATION OF ITS MANAGERS

● THE KNOWLEDGE AND SKILLS NEEDED TO SUCCEED IN THE IMPLEMENTATION OF THIS INTERNATIONALISATION PROCESS BY THE FAMILY FIRM MANAGEMENT MAY NOT BE PRESENT IN THE FAMILY

HYPOTHESIS 4: THE PRESENCE OF NON-FAMILY PROFESSIONALS AT THE MANAGEMENT OF THE FAMILY FIRM CORRELATES POSITIVELY WITH ITS INTERNATIONAL COMMITMENT





HYPOTHESES

FINANCIAL STRUCTURE

- THE PECULIARITIES OF FAMILY FIRMS THEMSELVES MAKE IT MORE DIFFICULT FOR THEM TO BE AS ECONOMICALLY RATIONAL AS OTHER ENTERPRISES

- PECKING ORDER THEORY:

INCLINATION OF THESE COMPANIES TO INTERNAL FINANCING SOURCES LIMITS THEIR INTERNATIONALISATION (Barry, 1975; Gallo y Vilaseca, 1996; Mishra y McConaughy, 1999; Morck y Yeung, 2003)

HYPOTHESIS 5: THE MORE THE FAMILY RESORTS TO SELF-FINANCING, THE LOWER THE DEGREE OF INTERNATIONAL COMMITMENT IT SHOWS





SAMPLE SELECTION AND DATA COLLECTION PROCESS

● **SABI DATABASE: SPANISH EXPORTING FIRMS (7,382)**

RANDOM SAMPLE OF 2,000 COMPANIES

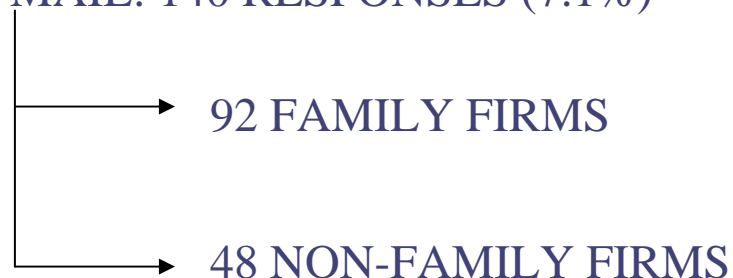
SAMPLE STRATIFIED BY SECTORS



● **FAMILY FIRM DEFINITION:** AN ORGANISATION IS A FAMILY FIRM IF MOST OF ITS OWNERSHIP AND MANAGEMENT LIES IN THE HANDS OF A FAMILY (Gallo y Sveen, 1991; Donckels y Aerts, 1995; Chua, Chrisman y Sharma, 2003; Graves y Thomas, 2004)

● IDENTIFY THESE FIRMS *EX POST*

● SURVEY VIA MAIL: 140 RESPONSES (7.1%)



VARIABLES

HYPHOTESIS	INDEPENDENT VARIABLES	DEPENDENT VARIABLE
H1	Risk aversion: 5-point Likert scale	International Commitment: dichotomous (0,1)
H2	Generation: nominal variable	
H3	International characteristics: average score -Training level of family members -Training level of non-family members -Organisational culture -Active boards -Long-term vision -Interest by family members in new opportunities -Presence of family members in other countries α Cronbach=0.70	
H4	External Professionals: dichotomous (0,1)	
H5	Family funds: 5-point Likert scale	
	Profits reinvestment: 5-point Likert scale	



RESULTS AND DISCUSSION

MODEL 1

Generation (H2) → +

($p < 0.1$)

External Professionals (H4) → +

($p < 0.01$)

Family funds (H5) → -

($p < 0.1$)


MODEL 2

External Professionals (H4) → +

($p < 0.5$)

Family funds (H5) → -

($p < 0.1$)






RESULTS AND DISCUSSION

RISK AVERSION (H1)

THE “NON-CONFIRMATION” OF HYPOTHESES 1 COULD BE DUE TO THE ACTIVE PRESENCE OF THE SECOND GENERATION OR EXTERNAL PROFESSIONALS IN THE FIRM’S DECISIONS.

INTERNATIONAL CHARACTERISTICS (H3)

THE RELATIVE IMPACT OF THESE INTERNATIONAL CHARACTERISTICS COULD BE UNDERESTIMATED IN THE REGRESSIONS, DUE TO THE POSITIVE EFFECT THAT GENERATION OR EXTERNAL PROFESSIONALS HAVE





RESULTS AND DISCUSSION

SELF-FINANCING (PROFIT REINVESTMENT) (H5)

MANY FIRMS WHICH HAVE USED PROFIT REINVESTMENT MAY ALSO HAVE USED RESORTED TO OTHER FINANCING RESOURCES, LIKE FOR INSTANCE CREDITS OR LOANS GIVEN BY FINANCIAL INSTITUTIONS


FIRM SIZE (CONTROL VARIABLE)

FIRM SIZE HAVE NOT INFLUENCED ENTRY MODE CHOICE





CONCLUSIONS

- THE ARRIVAL OF SUCCESSIVE GENERATIONS AT THE FIRM CORRELATES POSITIVELY WITH THE DEGREE OF INTERNATIONAL COMMITMENT
 - THE PRESENCE OF EXTERNAL MANAGERS MAY LEAD THESE COMPANIES TO OPT FOR ENTRY MODES WHICH REQUIRE GREATER COMMITMENT IN FOREIGN MARKETS
 - PARTIAL CONFIRMATION OF THE ESTABLISHED RELATIONSHIP WHICH REFERS TO SELF-FINANCING
 - COMPANY SIZE IS A VARIABLE THAT INFLUENCES THE RELATIONSHIP BETWEEN GENERATIONS AND INTERNATIONAL COMMITMENT
- 



LIMITATIONS AND FUTURE RESEARCH

● FACTORS WHICH ACT AS INCENTIVES OR HINDRANCES TO THE INTERNATIONAL EXPANSION OF FAMILY FIRM: REDUCE THE HIGH MORTALITY RATE OF THESE FIRMS

● WE DECIDED TO MEASURE THAT COMMITMENT ACCORDING TO THE CHOICE OF FOREIGN DIRECT INVESTMENTS AS ENTRY STRATEGY: WE COULD INCREASE THE CHANCES TO COMPARE DIFFERENT APPROACHES TO THE ISSUE OF INTERNATIONAL OPENING





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