

RESEARCH PAPER No 256 BIS
November, 1993

IMPORTANT FACTORS IN THE FAMILY
BUSINESS INTERNATIONALIZATION

Miguel A. Gallo*
Carlos García Pont*



Published by the Chair of Family Business

* Professors of Business Policy, IESE

Research Division
IESE
University of Navarra
Av. Pearson, 21
08034 Barcelona - Spain

Copyright © 1993, IESE
Do not quote or reproduce without permission

IMPORTANT FACTORS IN FAMILY BUSINESS INTERNATIONALIZATION

Introduction (1)

In the past several years there has been a notable increase in the understanding of the family business field (Aronoff and Ward, 1991). Few works, however, have been published about the characteristics and results of the internationalization process of family businesses. Instead, studies of international business have concentrated mainly on the involvement of small and medium-sized firms in international activities. Indeed, after some early considerations of the internationalization process and its difficulties (Luostarinen, 1970; Johanson and Valne, 1977), a detailed account of internationalization and the characteristics of internationalizing firms has not emerged in contemporary research.

In contrast, the focus of this paper is specifically on internationalization. We do not need to argue that the business environment is becoming increasingly international for businesses of all sizes. The case of the Italian industrial districts (Goodman et al., 1989) exemplifies ways in which small firms achieve scale and gain international presence. Nevertheless, the literature has failed to recognize the importance of family business in such a process. It has been shown that small firms represent a significant portion of the international activities of a country, and that a large proportion of small firms are family businesses (Gallo and García-Pont, 1987). Furthermore, a comparison between Spanish family businesses (FBs) and non-family businesses (NFBs) with regard to their volume of exports as a percentage of sales shows that the medium-sized FBs are as active in exports as the NFBs, whereas the smallest and the largest FBs export significantly less than the NFBs (Gallo and García Pont, 1988; Gallo and Estapé, 1992). However, nobody seems to have investigated the factors that shape the attitude of family firms towards internationalization. That is why in this paper we seek to identify and examine the most important factors affecting the internationalization of family-owned businesses.

(1) In collaboration with María José Estapé.

The authors wish to thank Sumantra Goshal for his comments at an early stage of research.

Important Factors in Internationalization

When one compares NFBs (non-family-owned businesses) with FBs (family-owned businesses), where both have already reached a significant level of exports, one finds that the FBs initiated their internationalization processes later in the business life cycle. Indeed, FBs have tended to direct the process towards countries that are less remote psychologically, and have proceeded more slowly (Gallo and Estapé, 1992). Different explanations have been given for the lower international commitment (Johanson and Vahlne, 1977) and greater lateral rigidity of FBs. It has been argued that FBs tend to have a more local culture and so tend to operate locally and employ managers without international experience. Another possible explanation is that FBs tend to have a functional and hierarchical responsibility structure, with managers who are not very integrative and often «resist» the incorporation of international activities, since such incorporation signals to them the loss of authenticity and changes in the framework of intense cooperation (Gallo and Sveen, 1991). At the same time, there are factors in favor of the internationalization of FBs. These include commitment to the long term, strong management with extensive powers, and the need to provide work opportunities for the members of the following generation (Luostarinen and Gallo, 1992).

From recent studies (Gallo and Estapé, 1992; Luostarinen and Gallo, 1992; Gallo and Sveen, 1991) we can identify three kinds of factor that enable or limit the internationalization process for family firms. First, there are what we call external factors. These are the factors associated with the competitive characteristics of the firm and its environment, opportunities abroad or at home, and whether or not the firm's technological level is adequate to foreign competition.

The second set of factors stems from the internal organization of family firms. One of the key aspects of family firms is how they deploy family members in their operations. Consequently, the availability of family members willing to work towards internationalization is also important.

The third group of factors has to do with the attitudes of top management. It has been argued that family businesses have a longer term orientation than non-family firms (Luostarinen and Gallo, 1992), which suggests that top management might have specific attitudes towards their firm's internationalization process. Obviously, this is the case in any firm, but these attitudes are particularly important in family-owned firms given the usual dual-authority structure of family and business.

In order to verify and develop the above outlined factors, we had conversations with 10 owner-managers of medium-sized Spanish FBs, half of which have significant international activity while the other half have little international activity. As a result of these conversations and a review of the literature, we drew up a list of 22 variables (Table 1) that can influence the internationalization of FBs. In some cases the influence is negative, delaying the process or making it more difficult (Rigidity Variables). In other cases the influence is positive, accelerating and reinforcing the process (Elasticity Variables).

Table 1. Key Variables in the Internationalization Process***Rigidity Variables (*)*****• *Strategic factors***

- Greater growth opportunities in the domestic market (market).
- Products and services oriented towards the domestic customer (customer).
- Inadequate level of technology for foreign markets (techno).
- Lack of financial resources (resources).
- Community resistance (unions etc) to the internationalization of the business (com).

• *Family issues*

- Lack of family members prepared for internationalization (family).
- Lack of non-family member managers prepared for internationalization (mgrs).
- Resistance of the management team to internationalization (resist).
- Family with little international culture and experience (culture).

• *Top management attitudes*

- Unwillingness to enter into alliances with third parties (alliance).
- Lack of support from the Board of Directors for internationalization (board).
- Internal power struggles (struggle).
- Main owners opposed to internationalization (owners).

Elasticity Variables**• *Strategic factors***

- Decreasing the financial risk of operating in only one country (risk).

• *Family issues*

- Creating work opportunities for other family members through internationalization (opp).
- International preparation of younger family members (prepare).
- Members of the family residing in other countries (country).

• *Top management attitudes*

- Concentration of power in the hands of an individual interested in internationalization (power).
- Concern for and intense dedication to the long term (concern).
- Speed in decision-making (speed).
- Family member interested in internationalization (interest).
- Possibility of alliances with other family businesses (possib).

* In brackets are the names of the statistical variables.

As can be seen, the variables identified in the interviews are related to cultural characteristics shared by the family and the business, characteristic strengths and weaknesses of FBs, and problems that commonly arise in the management of FBs as a result of the superposition of two different systems, the family system and the business system.

The question we are asking is exactly how important each of these factors is. While previous studies have identified them as being “important”, there has been no attempt to empirically establish the relative importance of their influence on internationalization and the extent to which they are independent of each other. To that end, we proceed in the next section to describe the sample. Following that, we describe the methodology and the results, and then close the inquiry with a conclusion and some suggestions for further research.

Characteristics of the Sample

Unfortunately, the majority of Spanish FBs are reluctant to give out information regarding their firm’s characteristics, circumstances or other related information that might better acquaint researchers with their situation. Perhaps this is due to a general cultural barrier (open versus closed societies). Or perhaps they are worried about being identified and thus exposing themselves to their competitors, the institutions that provide them with financial resources, trade unions, tax inspectors, etc. Given this difficulty, the sample of 450 companies that were sent the questionnaire (Exhibit 1) in order to gain a clearer idea of the causes of rigidity and elasticity can be described as deliberately «opportunist». The sample consisted of companies that were known to the researchers, or that, through various seminars and programs, had had dealings with the «Family Business» chair at IESE over the previous five years.

Of the 97 questionnaires that were returned, 57 were «complete» in that all the questions regarding the elasticity and rigidity variables had been answered, and 40 were «incomplete» in that some questions had been skipped. The factorial and regression analysis has been carried out using only the 57 FBs that sent back «complete» questionnaires. The characteristics of the two groups of FBs («complete» and «incomplete») can be seen in the tables below. It appears that the «complete» group has greater international experience and activity than the «incomplete» group.

According to the scant demographic data available on FBs (Gallo and García Pont, 1988), it would appear that the firms in the sample (average year of founding: 1944) are older than Spanish FBs as a whole (average year of founding: after 1960).

Considering the estimate of the latest generation of family members incorporated into the business, it can be assumed that these are FBs that have overcome many of the most dangerous crises that FBs tend to go through –crises that make their average life expectancy around 24 years (Alcorn, 1982; Dyer, 1986). Most of the firms were founded in the late 1940s and more than one generation of the family has been involved in the business. If anything, these firms are more exposed to environmental changes than others and so are more likely to have faced the challenges of internationalization.

Industry Activity

The 97 companies have a wide presence in various industries, operating in 29 of the 59 industries that are classified by the first two digits of the SIC codes (Standard Industrial Classification Codes). Their presence is greatest in the sectors in which FBs normally operate (Ward). Half of the sample was in traditional industries such as textiles, food and beverages, retail sales, agriculture, construction, and leather and tannery. Only a very small percentage were in newly developed high-technology industries. This might be because the firms most interested in establishing contact with family business scholars are those that have already been through generational changes and are therefore older and belong to more traditional industries.

Company size

Data on the average sales, number of employees and sales per employee (in 1991) of the firms in the sample appear in the following table:

Table 2. Company Size

	N= 57 <i>Complete</i>	N= 40 <i>Incomplete</i>
Average sales (millions of ptas.)	5,450	7,552
Average number of employees	419	394
Sales per employee (millions of ptas.)	13	19,2

Table 3 compares the FBs in the sample with the population of Spanish FBs as a whole, both in terms of sales volume and in terms of number of employees. It shows that the sample is biased towards larger firms, which is to be expected, given that the internationalization process does not usually start until a firm has reached a certain level of sales. In fact, 64% of the companies in the sample are considered to be among the top ten in their industry.

Table 3. Sales and Employment Levels

<i>Sales Volume: (millions of ptas.)</i>	<i>250-600</i>	<i>600-1200</i>	<i>1200-6000</i>	<i>More than 6000</i>	<i>Total</i>
All Spanish FBs combined	45	27	24	4	100
N = 97 (1) Total sample (in percentage)	14	26	30	24	94 (a)
N = 57 Complete (in percentage)	14	25	32	26	97 (b)
N = 40 Incomplete (in percentage)	13	29	26	19	87 (c)

-
- (a) It is not 100% because there are 6 companies (6%) with sales of less than 250 million ptas.
(b) It is not 100% because there are 2 companies (3%) with sales of less than 250 million ptas.
(c) It is not 100% because there are 4 companies (13%) with sales of less than 250 million ptas.

<i>Number of employees</i>	<i>Less than 50</i>	<i>51-250</i>	<i>251-1,000</i>	<i>More than 1000</i>	<i>Total</i>
All Spanish FBs combined (in percentage)	59	35	5	1	100
N = 97 (1) Total Sample (in percentage)	31	40	20	9	100
N = 57 Complete (in percentage)	23	47	23	7	100
N = 40 Incomplete (in percentage)	43	30	16	11	100

Magnitudes of internationalization

Table 4 shows, in millions of constant 1991 pesetas, the average imports, exports, sales outside Spain and foreign investment of the firms in the sample. It must be remembered that the parity of the peseta was maintained at a very high level throughout the period 1985-1991, hampering exports and favoring imports and foreign investment.

Table 4. Magnitudes of Internationalization

	1985	1991	1995 (forecast)
Exports from Spain *	957 100%	1108 116%	1498 157%
Imports to Spain	340 100%	561 165%	609 179%
Investment outside Spain	240 100%	602 251%	1339 558%
Total sales outside Spain	1028 100%	1678 163%	1911 186%

* Millions of constant pesetas

	1991
Exports / Total sales	0.19
International sales / Total sales	0.23
(International sales - Exports) / Total sales	0.05

The growth in foreign investment and total sales outside of Spain over the period 1985-1991 and the forecasts for 1995 suggest that a significant number of the firms in the sample have ambitious plans for developing their international activities. The size of the average exports to sales ratio (significantly higher than that of the average Spanish firm) tells us that the starting point was already a good one. In fact, in response to the question «How do you consider your level of internationalization in comparison with other companies in the industry» (see Table 5), 80% of the firms in the «complete» group and 76% of those in the «incomplete» group described their level of internationalization as average or above average.

Table 5. Level of Internationalization

<i>Level of Internationalization is:</i>	<i>N= 57 (1) Complete</i>	<i>N= 40 (2) Incomplete</i>
Above average (in percentage)	44	24
Average (in percentage)	36	52
Below average (in percentage)	20	24
	100	100

Results of the Study and Discussion

Methodology

Since the objective of our study was to evaluate the relative importance of the different factors in the internationalization decision, we proceeded first to explore the underlying structure of the variables by carrying out two factorial analyses –one for rigidity variables and one for elasticity variables. Next, we conducted several regressions to evaluate the effect of the different underlying factors on the internationalization magnitudes.

Table 6 shows the results of the correlation matrix corresponding to the rigidity variables. Table 7 shows the results of the factorial analysis of the rigidity variables which explain more than 61.15% of the total variance.

Table 6. Correlation Among Rigidity Variables*Pearson Correlation Matrix*

	<i>Market</i>	<i>Customer</i>	<i>Techno</i>	<i>Family</i>	<i>Resist</i>
Market	1.000				
Customer	0.553	1.000			
Techno	0.041	0.238	1.000		
Family	0.108	0.262	0.053	1.000	
Resist	0.025	0.160	0.040	0.502	1.000
Mgrs	-0.030	0.151	0.173	0.473	0.366
Resources	-0.094	0.076	0.277	0.277	0.242
Alliance	0.108	0.066	0.052	0.336	0.200
Board	0.098	0.164	0.098	0.544	0.512
Struggle	-0.164	0.282	-0.011	0.160	0.233
Owners	0.018	0.080	0.094	0.454	0.506
Culture	0.222	0.303	0.090	0.618	0.456
Com	-0.273	-0.079	0.204	-0.056	0.132

	<i>Mgrs</i>	<i>Resources</i>	<i>Alliance</i>	<i>Board</i>	<i>Struggle</i>
Mgrs	1.000				
Resources	0.480	1.000			
Alliance	0.326	0.237	1.000		
Board	0.322	0.390	0.536	1.000	
Struggle	-0.043	0.192	0.085	0.346	1.000
Owners	0.335	0.418	0.454	0.754	0.389
Culture	0.231	0.322	0.483	0.569	0.144
Com	0.225	0.364	-0.166	-0.045	0.082

	<i>Owners</i>	<i>Culture</i>	<i>Com</i>
Owners	1.000		
Culture	0.587	1.000	
Com	0.069	-0.030	1.000

Bartlett chi-square statistic: 321.217 Prob: 0.000

Table 7. Factorial Analysis of the Rigidity Variables

<i>Weights of the variables</i>			
	1	2	3
Family	0.877	-0.071	0.159
Culture	0.849	-0.207	0.276
Board	0.743	0.064	0.228
Mgrs	0.704	0.279	-0.484
Alliance	0.644	0.021	0.256
Resources	0.633	0.407	-0.492
Resist	0.631	0.077	0.144
Owners	0.618	0.145	0.176
Market	0.190	-0.902	-0.040
Customer	0.359	-0.770	-0.346
Techno	0.218	-0.050	-0.673
Struggle	0.151	0.243	0.197
Com	0.035	0.187	-0.198

Percentage of the total variance explained

	1	2	3
	35.180	14.700	11.269
	Rinter	Rmarcus	Rtec

Here we report the factors that explain more than 5% of the common variance. According to these data, the most important factor for this group of businessmen in their perception of rigidity is the «Rinter» factor (which accounts for 35.2% of the variance). This factor consists of FB-internal variables, such as:

- Lack of family members and non-family members prepared for internationalization.
- Lack of international cultural awareness and/or experience within the family
- Lack of support by the highest governing body of the company, and unwillingness to enter into alliances with third parties.
- Lack of financial resources.
- Resistance to internationalization on the part of managers and owners.

Here we see that rigidity stems from causes internal to FBs, basically people's opposition to internationalization and their incapacity to carry it out.

The second most important factor, «Rmarcus» (which explains 14.7% of the variance), is a negative perception of external opportunities. It is focused on what we called strategic factors. The local market is felt to offer more opportunities for the FB, and the firm's products and services are thought to be oriented more towards local customers than foreign ones.

The third most important factor (which accounts for 11.3% of the variance) is «Rtec». This is an internal weakness located in the FB's «technology system». It is complementary to the «Rinter» factor, which lies in the FB's «entrepreneur system» (Miles and Snow, 1978).

The factorial analysis indicates that two of the proposed variables explain only a very small part of the common variance. The first of these is the «resistance» of institutions such as unions or local authorities: because they perceive a risk that internationalization will destroy local jobs and economic activity, they put up resistance to it. This variable has been cited on some occasions as a restraint to companies' starting operations in other countries (Nueno, 1981). The second insignificant variable is the «power struggle» among the owners, leading to a crisis in the organizational structure that tends to last a long time and can seriously block important decisions. Both these variables were regressed individually against the internationalization magnitudes and neither of them showed any significant result. Therefore, in the remaining part of the study we decided not to include them.

Table 8 shows the results of the correlation matrix corresponding to the elasticity variables. Table 9 shows the results of the factorial analysis of the elasticity variables which explain more than 69.33% of the total variance.

Table 8. Correlation Among Elasticity Variables

Pearson Correlation Matrix

	<i>Concern</i>	<i>Speed</i>	<i>Risk</i>	<i>Opp</i>	<i>Power</i>
Concern	1.000				
Speed	0.490	1.000			
Risk	0.353	0.300	1.000		
Opp	0.151	0.064	0.200	1.000	
Power	0.301	0.295	0.199	0.199	1.000
Interest	0.295	0.116	0.074	0.319	0.412
Possib	0.221	0.149	-0.024	0.374	0.134
Prepare	0.161	0.300	0.010	0.405	0.147
Country	0.175	0.153	-0.036	-0.032	0.060

	<i>Interest</i>	<i>Possib</i>	<i>Prepare</i>	<i>Country</i>
Interest	1.000			
Possib	0.071	1.000		
Prepare	0.524	0.072	1.000	
Country	0.064	0.024	0.232	1.000

Bartlett chi-square statistic: 110.063 Prob: 0.000

Table 9. Factorial Analysis of the Elasticity Variables

	<i>Weights of the variables</i>			
	1	2	3	4
Concern	0.674	0.440	0.005	0.135
Interest	0.653	-0.396	0.151	-0.399
Prepare	0.619	-0.472	0.351	-0.059
Speed	0.610	0.474	0.148	0.165
Power	0.599	0.096	-0.058	-0.287
Opp	0.558	-0.460	-0.436	0.063
Risk	0.412	0.547	-0.289	-0.285
Country	0.245	0.032	0.696	0.458
Possib	0.368	-0.187	-0.497	0.672

Percentage of the total variance explained			
1	2	3	4
29.674	15.049	13.082	11.526
Einter	Erisk	Ecountry	Epossib

According to these data, the most important factor for this group of businessmen in their perception of elasticity is the «Einter» factor (which explains 29.7% of the variance). This factor is made up of variables internal to the FB, such as:

- The owners' commitment to the long term.
- The interest and preparation of the family members, and the work opportunities that internationalization offers them.
- The speed in decision-making and the concentration of power in the hands of an individual interested in internationalization.

As can be seen, Einter is a factor with an internal structure similar to that of the rigidity factor «Rinter», but its variables have the opposite value. The variables are positive towards internationalization in the case of «Einter» and negative in the case of «Rinter». From the percentage of the common variance accounted for by these two factors, it can be inferred that rigidity and elasticity towards internationalization in FBs have more to do with the capabilities and attitudes of people, i.e. the «entrepreneur system», than with «strategic» factors.

The second important factor is «Erisk» (which explains 15% of the variance). It consists of the FBs' desire to decrease the economic risk when operating in other countries.

The third factor, «Ecountry» (which explains 13.1% of the variance), is the elasticity that having family members living in other countries can provide for the FB. This is surely due to the fact that FBs trust their family members to assess the opportunities and risks in a

market which they do not know well themselves. They give these family members responsibility for business activities in the country where they are living.

Finally, the factor «Epossib» (which explains 11.5% of the variance) derives from the elasticity of internationalization. It consists of valuing the possibility of entering into alliances with FBs in other countries. This adds force to the view that FBs have the opportunity to form strategic alliances with FBs in other countries. Due to the shared characteristics of family businesses, FBs have certain values in common, and strategic alliances allow them to avoid direct competition in their own local markets (Swinth and Vinton, 1993).

Looking at the results of the factorial analysis, it would seem advisable that future studies introduce variables that make it possible to analyze the relationship between the internationalization of FBs and two commonly occurring situations that impede international expansion. The first of these situations is that in which the owner puts the FB on «automatic pilot». He becomes oversure of himself due to the success he has achieved and tires of always «doing the same thing», so he devotes himself to social and sporting activities (Malone, 1991). The second situation is one in which the owner sells off part of the FB by selling shares, partially disinvesting etc., and uses this money for other activities. He feels that he will have greater financial security in the future if he does not «put all his eggs in one basket».

Regressions

Following the factorial analysis, a stepwise regression was carried out using the set of factors that explain more than 61% of the rigidity variance and 69% of the elasticity variance. They were combined with the following control variables: Foundation year of the FB («Foundation»), Total sales volume («Sales»), and Latest generation of the family to join the FB («Generation»). Previous studies show that these factors influence the level of internationalization reached by FBs.

Three dimensions of internationalization have been studied in the analysis. The first indicator is the scale of exports from the company's country of origin. The second is the relative importance of total international sales, and the third is the level of sales originating from the company's foreign investments (see Table 10).

Table 10. Regressions Analysis

<i>N=57</i>	<i>Exports / Total sales</i>	<i>International sales / Total sales</i>	<i>(International sales - Exports) / Total sales</i>
Foundation	-	-	-
Sales	-	-	-
Generation	0.258 *	0.287 * *	-
Number	0.016 *	0.010	-
Rinter	-	-	-
Rmarcus	0.798 * *	0.777 * *	0.019
Rtec	-	-	0.020
Einter	-0.145	-0.074	-
Erisk	-	-	-
Ecountry	0.255 * *	0.051	-0.039 * *
Epossib	-	-	-0.032 *
constant	-0.710 *	-0.724 *	-0.037 * *
F-ratio	18.169	16.429	6.442
p	0.000	0.000	0.000
adjusted $\sqrt{^2}$	0.637	0.612	0.280

* Significant to 95%

** Significant to 99%

The results indicate that the «Exports/Total Sales» ratio is negatively correlated, as was to be expected, with the rigidity factor «Rmarcus», which shows the company's strategic orientation towards the local market. By contrast, it is positively correlated with the «Generation» factor, supporting the view that FBs tend to internationalize when generations following that of the founder have joined the company. Later generations tend to be better trained in international matters and to look for new responsibilities, such as internationalization, which did not exist in the original structure of the firm. The impact of this generational progress on the internationalization of FBs emerges more clearly when we look at the correlations in the «International Sales/Total Sales» dimension.

The «Exports/Total sales» ratio is also negatively correlated with the elasticity factor «Ecountry». This indicates that the fact of having family members resident in other countries does not help exports, although it does, as we shall see later, favor the setting up of operations in other countries, since FBs prefer to have these family members looking after investments rather than acting as export agents.

Finally, although its impact is not great, the «Exports/Total sales» ratio is negatively correlated with the FB's position in the industry. FBs that are local industry leaders tend to devote themselves more to the local market, while the non-leaders turn to international markets.

Finally, the «International Sales minus Exports/Total Sales» ratio, which measures the sales achieved as a result of foreign investment, reflects a deep and lasting level of internationalization. The factors analyzed explain only 28% of the variance, indicating that there are other more significant factors that have not been included in this study. It is interesting to note that the willingness of firms to enter into alliances has a significant impact on the level of business due to foreign investment, given that this is the only place where this variable becomes significant. Moreover, managers do not feel that what we called strategic factors –the importance of the local market and the orientation of the firm's products towards local markets– are important when establishing business abroad through foreign direct investment. Once again, top management's attitudes to business are a key issue in developing foreign bases.

The «International sales minus Exports/Total Sales» ratio also has a positive correlation with «Ecountry», i.e. with the fact that there are members of the owning family who live abroad. There is also a positive correlation with the «Epossib» factor, which has to do with the possibility of establishing strategic alliances with FBs in other countries.

Concluding Remarks

A strategic orientation towards products destined for local markets together with inadequate technology seem to be the main reasons for the perception of rigidity in relation to the internationalization of FBs.

In order to overcome this rigidity, it is very important that the owning family be «international» –in its outlook and experience, in its willingness to live in other countries, and in its attitude towards strategic alliances with foreign FBs.

Multigenerational FBs are those that display the highest levels of internationalization. We could argue that internationalization provides a management development tool for the older generations, as well as a way for newcomers to make their mark in the business.

This paper elaborates upon what is known as the theory of the multinational firm, developing it in a new direction. It emphasizes the importance of managerial attitudes in developing foreign business and so increasing the international economic presence of a country. Strategic factors are not important when evaluating foreign direct investment, nor is the amount of business it generates.

The results highlight the importance of two issues. On the one hand, family businesses reduce international uncertainty through the use of foreign-based family members. On the other hand, this uncertainty can be offset by a willingness on the part of managers to take on calculated risk by establishing strategic alliances as a means of entering other markets.

Further research is needed into the specifics of these uncertainty reduction phenomena. However, it is important to recognize the limitations of this study. It is a single country study, and local factors may have affected the results. More specifically, the isolation of the Spanish economy until the 1980s might have made it easier for firms that had no international activity to survive, given that they might have raised entry barriers through their gradually accumulated knowledge of the local environment. The study has the usual limitations of questionnaires in that the sample may be biased. However, the data lead us to think that if there is a bias, it is towards more internationally exposed companies rather than otherwise. Therefore, we expect that the factors we have identified will be more relevant to companies that have a certain tendency towards internationalization. □

Exhibit 1

THE INTERNATIONALIZATION OF THE FAMILY BUSINESS

Family Business Chair

IESE
Avenida Pearson, 21
08034 Barcelona

Prof. M. A. Gallo

Questionnaire

(If a Group of companies, give the data of the «mother» company or the one regarded as the leader of the Group. If the questionnaire could also be completed for other large companies in the Group, this would be an advantage.)

1. Positioning

Approximate year of the company's foundation:

Last generation of the family to have joined the firm (2nd, 3rd, etc.):

What industry does the company mainly operate in?.....

Is it among the top ten companies in this industry? (Yes/No)

Approximately what position does the company occupy in this industry?

Total sales volume in 1991 (in millions of pesetas):

Total number of people employed in 1991:

Does the company have an «International Division» or «Department»? (Yes/No)

Approximate year this division was created:

The person in charge of international activities is:

A family member (Yes/No)

A manager who is not a family member (Yes/No)

How old is he/she?.....

Exhibit 1 (continued)

2. Level of Internationalization

	1985	1991	1995
Export volume from Spain (million ptas.):			
Import volume into Spain (million ptas.):			
Volume of foreign investment (million ptas.):			
Total sales volume outside Spain (million ptas.):			

In what countries does the company operate?

.....

.....

In what countries does it expect to operate in 1995?

.....

.....

Compared with the main companies in your industry in Spain, do you consider the level of internationalization of your company to be:

- Above average:
- Below average:
- Average:

Exhibit 1 (continued)

3. Causes of Rigidity and Elasticity

In your opinion, what influence have the following factors had on the level of internationalization of your company?

Causes of Rigidity (factors that have delayed the export and internationalization process or made it more difficult)	Influence			
	High	Medium	Low	Zero
Greater growth opportunities in the domestic market				
Products and services oriented towards the domestic customer				
Inadequate level of technology for foreign markets				
Lack of family members prepared for internationalization				
Resistance of the management team to internationalization				
Lack of non-family managers prepared for internationalization				
Lack of financial resources				
Unwillingness to enter into alliances with third parties				
Lack of support for internationalization from the Board of Directors				
Internal power struggles				
Opposition to internationalization from main owners				
Family with little international culture and experience				
Community resistance (unions, etc.) to the internationalization of the business				
Others				

Exhibit 1 (continued)

Causes of Rigidity (factors that have delayed the export and internationalization process or made it more difficult)	Influence			
	High	Medium	Low	Zero
Greater growth opportunities in the domestic market				
Products and services oriented towards the domestic customer				
Inadequate level of technology for foreign markets				
Lack of family members prepared for internationalization				
Resistance of the management team to internationalization				
Lack of non-family managers prepared for internationalization				
Lack of financial resources				
Unwillingness to enter into alliances with third parties				
Lack of support for internationalization from the Board of Directors				
Internal power struggles				
Opposition to internationalization from main owners				
Family with little international culture and experience				
Community resistance (unions, etc.) to the internationalization of the business				
Others				

Bibliography

- Alcorn, P.B. «Success and Survival in the Family Owned Business», MacGraw-Hill, 1982.
- Aronoff C.E. and Ward J.L. «Family Business Source Book», Omnigraphics, 1991.
- Dyer, W.G. «Cultural Change in Family Business», Jossey-Bass, 1986.
- Gallo, M.A. and Estapé, M.J. «Family Business among the top 1000 Spanish Companies», IESE, Research paper n° 231/bis, 1992.
- Gallo, M.A. and Estapé, M.J. «The Internationalization of the Family Business», IESE, Research paper n° 230/bis, 1992.
- Gallo, M.A. and García Pont, C. «The Family Business in the Spanish Economy», IESE, Research paper n° 144, 1988.
- Gallo, M.A. and Sveen, J. «Internationalizing the Family Business: Facilitating and Restraining Forces», Family Business Review, Summer 1991.
- Goodman, Edward, Julia Bamford and Peter Saynor. «Small firms and Industrial Districts in Italy», Routledge: London, UK. 1989.
- Johanson, J. and Vahlne, J.E. «The Internationalization Process of the Firm: A Model of Knowledge Development and Increasing Market Commitments», Journal of International Business Studies, 1977.
- Lansberg I. «Managing Human Resources in Family Firms: The Problem of Institutional Overlap», Organizational Dynamics, Summer 1983.
- Luostarinen, R. «Lateral Rigidity in International Business Decision-Making», Helsinki School of Economics, FIBO working paper, 1978.
- Luostarinen R. and Gallo M.A. «Internationalization: A Challenging Change for Family Business», Proceedings of the 2nd. Family Business Network Conference, Barcelona 1992.
- Malone, S. «Resting on your Laurels: The Plateauing of the Owner-Manager», European Management Journal, 1991.
- Miles, R.E. and Snow, C.C. «Organizational Strategy, Structure, and Process», McGraw-Hill, 1978.
- Nueno, P., Martinez, N. and Sarlé, J. «Las inversiones españolas en el extranjero», EUNSA, 1981.
- Swinth, R.L. and Vinton, K.L. «Do Family-Owned Businesses Have a Strategic Advantage in International Joint Ventures?», Family Business Review, Spring 1993.
- Ward, J.L. «The Impact of Private Ownership on Marketing Strategy and Performance: A First Look at the PIMS Data Base», Loyola University, Chicago.

IESE**DOCUMENTOS DE INVESTIGACION - RESEARCH PAPERS**

No.	TITULO	AUTOR
D/ 238	Historical returns of stocks, bonds, bills and inflation in the Spanish capital markets. December 1992, 23 Pages	Sebastian A. Suárez J.L.
D/ 239	Sobornos y extorsiones en los negocios. Enero 1993, 17 Págs.	Melé D.
D/ 240	Elementos relevantes para el análisis del sector bancario en los años 90. Enero 1993, 58 Págs.	Noussan G.L.
D/ 241	A resource - Based view of information systems: A proposal for a resource based theory of IS and an agenda for research. March 1993, 38 Pages	Andreu R.
D/ 242	Formación, entrenamiento y desarrollo de capacidades y habilidades directivas en las empresas españolas en los primeros noventa. Marzo 1993, 48 Págs.	Pin J.R.
D/ 243	Initial public offerings (IPOs): The Spanish experience. March 1993, 20Pages	Rahnema A. Fernández P. Martínez Abascal
D/ 244	Outsourcing in Spain: An empirical study of top management's March 1993, 18 Pages	Valor J. Andreu R. Fonstad D.
D/ 245	La credibilidad de los códigos éticos. Abril 1993, 17 Págs.	Argandoña A.
D/ 246	Occasional ethical consultancy. April 1993, 13 Pages	Argandoña A.
D/ 247	La competencia en el mercado español de depósitos bancarios. Abril 1993, 28 Págs.	Gual J.

IESE**DOCUMENTOS DE INVESTIGACION - RESEARCH PAPERS**

No.	TITULO	AUTOR
D/ 248	Business, law and regulation: Ethical issues June 1993, 32 Pages	Argandoña A.
D/ 249	Corporations and the «social contract»: A reply to Prof. Thomas Donaldson. June 1993, 15 Pages	Melé D. Sison A.
D/ 250	La competitividad sectorial de la industria española. Junio 1993, 36 Págs.	Gual J. Hernández A.
D/ 251	¿Aprovecha sus activos estratégicos? Junio 1993, 22 Págs.	García Pont C. Enrione A.
D/ 251	Are you making the most of your strategic assets? BIS Junio 1993, 17 Pages	García Pont C. Enrione A.
D/ 252	¿Se puede mejorar el sistema monetario europeo? Septiembre 1993, 16 Págs.	Argandoña A.
D/ 253	La política monetaria española: Lecciones para el futuro. Septiembre 1993, 14 Págs.	Argandoña A.
D/ 254	Managing internationally: The international dimensions of the managerial task (Abridged version) September 1993, 12 Pages	Roure J. Alvarez J.L. García Pont C. Nuevo J.L.
D/ 255	The organizational tension between stahc and dynamic efficiency. October 1993, 32 Pages	Ghemawat P. Ricart J.E.
D/ 256	Factores importantes en la internacionalización de la Empresa Familiar. Noviembre 1993, 21 Págs.	Gallo M.A. García Pont C.