INTERNATIONALIZATION VIA STRATEGIC ALLIANCES IN FAMILY BUSINESSES

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Abstract

It has been observed in previous studies that certain characteristics of family businesses may impede internationalization. These characteristics include the concentration of decision-making in the hands of a single shareholder or small group of shareholders, delays in the succession process, aversion to internationalization, etc. Despite these obstacles, a large number of family businesses have chosen to internationalize as a means of revitalizing themselves.

The results of the study reported here indicate three important pre-requisites for family businesses that are seriously considering internationalization as an aid to growth: they need to have a market-leading product, adequate financial resources, and a suitable organizational structure.

Apart from these preliminary conditions, the example of the family businesses studied here demonstrates that success in forming and developing strategic alliances for internationalization also leads to: 1) an enhanced ability to manage in contexts in which objectives are not necessarily shared; 2) stronger personal preferences for the use of alliances; and 3) a deeper trust in the partner organization.

The most interesting result of this study is that, contradicting previous literature in the family business field, it shows that family firms’ intrinsic characteristics are not the real barrier to internationalization. Rather, the most powerful determinant of successful internationalization appears to be the owner-manager’s personal commitment to the long-term survival of the family business.

Keywords: Family business, strategic alliances, internationalization, emerging economies
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Introduction

If we compare the internationalization of family businesses and non-family businesses, it is easy to see that family businesses have lower exports and fewer investments in countries outside their country of origin.

That said, some of the most highly internationalized firms in many industries are family businesses, both worldwide (e.g., Cargill) and in Spain (e.g., FICOSA). It is also true that a good number of small and medium-sized family businesses operate for lengthy periods of time in market niches with local products, which are often mature markets and products.

The growth of the global economy, and the corresponding opening up of business activities to internationalization, is often a good opportunity for the much needed strategic revitalization of the family business (a revitalization which is essential if it is to survive as a business, and specifically as a family business).

On the other hand, certain “inherent” characteristics of family businesses, such as the concentration of decision-making power in the hands of a single shareholder or a small group of shareholders, delays in the succession process, or the prolonged presence of the same people at the head of the organization, are often cited as the cause of their slowness to internationalize compared to non-family businesses. Furthermore, family businesses change more slowly than non-family businesses.

Advances in the development of strategic alliances between companies from different countries and the resulting increase in knowledge on how to make such alliances work offer an opportunity to speed up the internationalization of family firms.

In this research project we have not attempted to compare the behavior of family businesses with respect to their use of strategic alliances for internationalization with that of non-family businesses, among other reasons because it is difficult to find comparable situations. Instead, we have studied different patterns of behavior among the family businesses in our sample, and tried to relate these different patterns of behavior to certain

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* The award is given annually in recognition of the most innovative paper with the most outstanding quality of research.
characteristics that are peculiar to family businesses, such as life cycle stage, generational changes, owners’ aversion to losing control, and difficulties in fostering growth and evolution.

In accordance with the exploratory nature of this study, data were obtained from semi-structured interviews with managers of Spanish family businesses that either have formed strategic alliances to enter various emerging markets other than those of Latin America, or have tried unsuccessfully to carry such alliances through to completion. Thirteen family businesses took part in the study in the chosen industries (4 in food and beverages, 4 in textiles and 5 in machinery).

The results of the study indicate that, when it comes to internationalization, the firm’s product, financial resources and organizational capacity are key. They also indicate that in order to succeed in forming and developing a strategic alliance for internationalization, family firms must: improve their ability to manage in contexts in which objectives are not shared; build personal preferences for the use of alliances; and develop trust towards partners.

The status of the field: conceptual framework

The field of family business internationalization has not yet been closely studied. Among the small number of current publications with a clear connection to family business, the following are worth mentioning:

Gallo and Sveen (1991) discuss the important change that internationalization signifies for a family business and point to features of the company’s culture, strategy and organization that may hinder the internationalization process. They also discuss the characteristics of the different stages of the company’s life cycle and the qualities of the owning family that may assist the process.

Gallo and Estapé (1992), working with a rather small and partly opportunistic sample of businesses, found that family businesses tended to internationalize later and much more slowly than non-family businesses.

Simon (1996), in his analysis of a group of 500 German companies that he describes as “hidden champions”, does not focus primarily on family businesses as such. He does, however, indicate that a good number of them are family-run and that when they reach the end of the first generation, the major problem is inheritance. He identifies the following characteristics as being important in such family businesses:

- A level of internationalization exceeding 50% of sales, achieved by means of fully owned subsidiaries rather than with the collaboration of importers or distributors.
- Certain emergent (rather than established) strategies based on patience and persistence, and lasting and intense relationships with customers.
- The capacity to “exit” from its mature market niche via intensive innovation.
- An effort to keep a low profile over time.
Gallo and García Pont (1996), using factorial analysis and analysis of declines in a sample of 57 companies, affirm that a focus on products aimed principally at the local market and an inadequate level of technology appear to be the main causes of the “rigidity” of family businesses with respect to internationalization. At the same time, they observe that multi-generational family businesses achieve higher levels of internationalization and that family firms’ managers find that their “reluctance to debut on the international stage” diminishes when there are other family members to back them up.

Davis and Harveston (2000), using information from the survey conducted in 1997 by the Arthur Andersen Center for Family Business and Mass Mutual-The Blue Chip Company, demonstrate the hypothesis that the level of internationalization of first-generation family businesses run by their founder is directly proportional to the age and education of the founder and the degree to which he or she invests in technology and uses the Internet.

The strategic alliance literature (Parkhe, 1993a; Ring and Van de Ven, 1994; Gulati, 1995) has not paid sufficient attention to the influence that certain characteristics of the partners such as the fact of being a family business can have on the decision to form a strategic alliance, as well as on the evolution of the alliance. Research carried out in this area shows that the decision to enter into a strategic alliance is influenced by the partners’ perceptions of compatibility between their strategic goals and corporate cultures, in the widest sense of the word. Although the fact of being a family business may not a priori influence a company’s strategic goals, it will influence its cultural characteristics: its values, management processes, use of control mechanisms, etc. It is reasonable, therefore, to expect some of these characteristics to have a bearing on the formation of strategic alliances.

One basic characteristic of family businesses is the fact of having one family with a controlling interest in the business, whose members usually are unwilling, or even afraid, to lose the control and power that comes with ownership. This circumstance may affect not only the choice of partner for a strategic alliance, but also the legal form of the alliance. The desire to have family members hold key positions in the alliance may result in the alliance being structured according to the availability of family members to assume such positions. It may also affect other aspects of the alliance’s management structure such as the degree of independence granted to the alliance’s management. Although at the time the strategic alliance is formed the family’s control is assured, the balance of power between the partners will vary over time and the family business’s determination to retain control may affect the partner relationship. This, in turn, will affect the crucial trust-building process.

A second feature of family businesses is the fact that family members perform managerial roles and exercise governance responsibility over the company. On the one hand, this allows flexibility and speed of strategic decision making, but on the other, it can lead to rigidity and delay in making organizational changes. Although speed and flexibility can be beneficial for the formation of strategic alliances, the slightest organizational development can expose the lack of professional management systems. When combined with less flexible management styles, this can be a source of conflict that will influence the creation of strategic alliances, family firms being perceived as being more “bureaucratic”. In successful family businesses, only family members who are suitably trained, educated and prepared reach key positions, and decisions about the company are not impaired by any lack of economic acumen. The degree to which this is true may influence a family business’s success in forming strategic alliances.

Lastly, a third characteristic of family businesses is that at least the second generation of the family is actively involved in the business. As a consequence, the company
is highly influenced by values that are shared by members of the family. In particular, their attitudes toward risk taking (in business and financial terms), the payback period of investments, etc., may influence their alliance decisions, both with respect to partner selection and with respect to alliance development.

Methodology

Given the scarcity of research on the internationalization of family businesses in general and their involvement in strategic alliances in particular, this research is exploratory in nature. The method chosen was the analysis of qualitative data collected by means of semi-structured interviews.

Sample selection

In our sample we included Spanish family businesses that either had formed strategic alliances to enter emerging markets other than those of Latin America, or had tried unsuccessfully to develop strategic alliances, or were seriously thinking about doing so. Spain is particularly suitable for our purposes owing to the weight of family businesses in the Spanish economy. Strategic alliances aimed at enabling family businesses to enter emerging markets were chosen because emerging markets offer great opportunities for companies wishing to start out on their geographical expansion. Latin American countries were excluded from the study because the cultural distance between these countries and Spain is smaller than the cultural distance between Spain and other emerging economies, which means that forming and developing strategic alliances with countries outside Latin America represents a bigger challenge. We chose family businesses at different stages of the strategic alliance formation process because this would make it easier to identify which characteristics of family businesses influence the different phases of the process. To control for possible industry effects on the results (such as each industry’s internationalization potential) the study was limited to three industries: Textiles, Food and Beverages, and Machinery. Out of a total of seventeen selected companies, thirteen agreed to participate in the study. Table 1 summarizes the characteristics of the companies in the sample.

Numerical Data

1. Generation

a) Generation at the time the strategic alliance was formed

<table>
<thead>
<tr>
<th>Generation</th>
<th>Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>8%</td>
</tr>
<tr>
<td>1 – 2</td>
<td>2</td>
<td>17%</td>
</tr>
<tr>
<td>2</td>
<td>5</td>
<td>42%</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td>25%</td>
</tr>
<tr>
<td>4 or more</td>
<td>1</td>
<td>8%</td>
</tr>
<tr>
<td>Total</td>
<td>12*</td>
<td>100</td>
</tr>
</tbody>
</table>

* In one case the alliance was never formally constituted.
b) Current generation

<table>
<thead>
<tr>
<th>Generation</th>
<th>Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 &amp; 2</td>
<td>3</td>
<td>23%</td>
</tr>
<tr>
<td>2</td>
<td>4</td>
<td>31%</td>
</tr>
<tr>
<td>2 &amp; 3</td>
<td>2</td>
<td>15%</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
<td>15%</td>
</tr>
<tr>
<td>4 or more</td>
<td>2</td>
<td>15%</td>
</tr>
<tr>
<td>Total</td>
<td>13</td>
<td>100%</td>
</tr>
</tbody>
</table>

2. Ownership

Percentage of shares owned by the family

<table>
<thead>
<tr>
<th>Family ownership</th>
<th>Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>7</td>
<td>54</td>
</tr>
<tr>
<td>99-50%</td>
<td>4</td>
<td>31</td>
</tr>
<tr>
<td>&lt;50%</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>13</td>
<td>100%</td>
</tr>
</tbody>
</table>

3. Alliance

Type of alliance

<table>
<thead>
<tr>
<th>Type</th>
<th>Characteristics</th>
<th>Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity alliance</td>
<td>majority*</td>
<td>6</td>
<td>50%</td>
</tr>
<tr>
<td>Equity alliance</td>
<td>50/50</td>
<td>3</td>
<td>25%</td>
</tr>
<tr>
<td>Equity alliance</td>
<td>minority</td>
<td>1</td>
<td>8%</td>
</tr>
<tr>
<td>Contractual alliance</td>
<td>contractual</td>
<td>2</td>
<td>17%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>12</td>
<td>100%</td>
</tr>
</tbody>
</table>

4. Nationality of the partner

<table>
<thead>
<tr>
<th>Emerging markets</th>
<th>Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>5</td>
<td>42%</td>
</tr>
<tr>
<td>W. Europe</td>
<td>4</td>
<td>33%</td>
</tr>
<tr>
<td>E. Europe</td>
<td>3</td>
<td>25%</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>100%</td>
</tr>
</tbody>
</table>
Data collection and analysis

Data were collected from semi-structured interviews conducted between December 1999 and March 2000. The script followed in the interviews can be found in the Appendix. In most cases, the questions were faxed to the interviewees in advance of the interview so that they would have time to think about the topics beforehand. In all cases the person interviewed held a top-level management position in the company (managing director, general manager, manager of international operations etc). During the interview the interviewee was encouraged to comment on issues that were not addressed in the script but which he or she considered relevant. After each interview the notes were checked to make sure that they were complete and accurate. If there were any doubts, the person was contacted again. The information from the interviews was complemented by archive data obtained during visits to the companies and also, in some cases, from press-cuttings. The data were analyzed using the data analysis tools and techniques suggested by Miles and Huberman (1984). The procedures these authors suggest include using descriptive and analytic matrices designed ad hoc by the researchers to facilitate data reduction, deduction of conclusions, and verification. The research team members held various meetings at this stage to compare partial conclusions and draw further conclusions.

Positive synergies in internationalization

Analysis of the strategic alliances of the companies in our sample, the ways the companies behaved initially and in later stages, and the results and influence of the alliances on the internationalization process allows us to identify three “variables of synthesis”. These turn out to be critical for the success of family business internationalization (Figure 1), because of what each means in itself and because of the circular relations between them that reinforce them.

Figure 1

“Variables of synthesis” critical for internationalization

By “variable of synthesis” we mean a variable that gives rise to a “virtuous spiral” resulting on the one hand from positive synergies between different dimensions and, on the other, from the learning skills and adaptability of some of the many players (owners, different generations of family-member managers, etc.) who influence the strategic management of the family business.
**Product**

This first virtuous spiral originates from synergies between the following dimensions.

- The family business controls the technologies of a process and a product whose market potential is much greater than the niche in which the company has initiated its activity. This control is, moreover, acquired early in the company’s life cycle, normally thanks to the imagination and technical capabilities of the founder.

- The family business attains leadership in a market which in proximity and size can be described as its natural market.

- Leadership in its natural market and control of a product or process that has a bigger potential market “encourage” the firm to study the opportunities available not only in markets which are geographically and “psychologically” close, but also in more competitive markets where the company’s control of technology will be put to the test, or in emerging markets where all of its organizational and management capabilities will be challenged.

As the company advances in these three dimensions (process, product and market), it reaches a point where it becomes clear that a strategic alliance is not only possible but desirable. This realization is achieved not so much through a theoretical analysis carried out by the organization’s managers, possibly with the help of outside advisors, as through a positive learning process that takes place in the person or persons leading the family business, the other owners, and the directors. It is a learning process that causes a viable internationalization strategy to “emerge”.

**Financial resources**

This second virtuous spiral causes the family business to move forward in its evolution, and advance beyond the type of financial policy that family businesses traditionally adopt: one of avoiding using financial resources that could lead to any loss of control by the family. In family businesses that have succeeded in their internationalization, we observe the following synergetic relationships:

- Viable foreign markets are found, and the resulting increase in sales is accompanied by an increase in the personal commitment of the people who represent the organization in these markets. This encourages the family business to invest its financial resources as far as possible to foster internationalization.

- Having worked successfully in association with people and companies from other countries, normally with a different culture from their own, the owners and managers of the family business know from experience that it is possible to have a company that is shared with other partners. They have also learned that to manage the alliance it is not absolutely necessary to have the political power that comes from owning a majority of the capital; that it may be enough to demonstrate professional competence and utter integrity.
1. In such circumstances the family business is quite likely to see that it is desirable to allow third parties to have a share in the capital, which up until then has been owned exclusively by the family.

2. As the company develops in these three dimensions (investment, political power and non-family partners), it becomes increasingly apparent that shared ownership is the best option.

Allowing another large company or financial institution to acquire a share of the family business’s capital, especially by going public on the stock exchange, normally marks a “point of no return” in the internationalization of a family firm. That is because the new partner usually knows very well how growing the company through international expansion can increase its value.

**Organization**

The financial resources that we referred to as the second virtuous spiral are a necessary condition for internationalization that stimulates the first spiral, but not a sufficient condition. To put any strategy into effect, the company needs to have the right kind of organization. The third virtuous spiral leads precisely to the creation of the appropriate organizational structure, thanks to the synergy between the following dimensions.

- A first-generation founder or second-generation successor who has the leadership skills to manage organizational change, as internationalization is one of the biggest changes a family business can undergo.

- A leader who embodies the values that have been found to be characteristic of successful multi-generational family businesses and that are captured in the acronym ELISA: Excellence in management, DiLigence, Initiative, Simplicity of life style, and Austerity (Gallo and Cappuyns, 1999).

- A leader who, as a practical application of his determination to change and embody the values of ELISA, refuses to rest on his laurels (Malone, 1991), as may easily happen. A leader who is ready to learn, take risks and trust others, nurturing not only financial but also human resources.

In this sense it can be affirmed that, for many years, the figure of the founder will be critical for the internationalization of the family business, perhaps because the founder is the real driving force behind the business, or perhaps because he truly and intensely encourages the members of the following generation.

As the company advances along the three spirals described above, it acquires three strengths that are key to success in strategic alliances (Figure 2).

The leader focuses on increasing the management capabilities of the people in his organization who are critical to the internationalization process. He brings in suitable executives, allots responsibilities, and gives people the power to decide. In a word, he strives to adapt the fit between strategy and organization to allow the internationalization strategy to emerge.
When people develop personal preferences for internationalization as a result of expanding their “knowledge” of other markets (the characteristics of their customers, the strengths and weaknesses of their competitors, growth possibilities, market opportunities), the organization tends to become more committed to making the company’s incipient foreign activities a permanent feature.

The head of the family will win the trust of the other members of the family –in the case of the founder, his spouse and children; in the case of a second-generation successor, his siblings and the rest of the family, who moreover are used to being the owners– and bring home to them the possibility and desirability of internationalizing the firm, with a view to increasing the family’s assets.

The existence of trust has many consequences for internationalization. For example:

- Young family companies do not usually have highly developed control systems. This makes it all the more important to trust people, so that although control is not systematic, it still provides useful information.

- It makes it easier for several members of the family to become involved in internationalization, possibly leading to lengthy stays abroad. It has been found that the family businesses with the greatest international presence are often those that, for various reasons, have family members established in the destination countries.
– It means that the team of directors can be confident in its management of the company’s investments. This team is made up of family members and non-family members, and trust is relied upon even though the control systems have not yet been sufficiently developed.

– It starts from the conviction that associates in the destination country, while looking after their own interests, will act professionally in pursuing the objectives of the family business, and thus also of its owners. The same applies to new associates, whose behavior has given no indication that “they are going to deceive us”, or have shown no signs of impatience or immaturity. All this assists cooperation with business partners.

– There is security in the fact that some other dormant partners will consider it not only acceptable but positively desirable, for them as shareholders, that the business should continue to grow without ceasing to be a family business, or in this case, a “successful international family business”.

**Level of commitment to internationalization**

Except in very exceptional circumstances, companies do not usually internationalize overnight. That is to say, internationalization is not an abrupt change along the lines of “local today, international tomorrow”. Rather, it is a process involving several stages, with advances and setbacks, depending on the company’s knowledge and the rate of realization of its commitment to foreign markets.

Analysis of the companies in our sample reveals broad differences on two commonly cited aspects (Figure 3): the aspects of “when this process will really get started”, and “the pace of the process.” The combination of these two aspects can be termed “level of commitment to internationalization.”

**Figure 3**

Level of commitment to internationalization

<table>
<thead>
<tr>
<th>Initiation</th>
<th>Early 1st - 2nd Gen.</th>
<th>Late 3rd, ... Gen.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quick</td>
<td>“Maximum speed”</td>
<td>“Slowly but surely”</td>
</tr>
<tr>
<td>Slow</td>
<td>“Disorientated”</td>
<td>“A desire without commitment”</td>
</tr>
</tbody>
</table>
“Maximum speed” is the type of commitment one finds in a family business whose founder is convinced of the desirability and necessity of internationalization: a founder who manages to advance in all, or at least most, of the variables and aspects discussed in the previous section, and who also achieves the “circular” synergies among them that reinforce the positive effect. A founder who also possesses the leadership qualities outlined above.

“Slowly but surely” is a positive commitment that is not as decisive as the previous one, but that frequently is the only commitment that can be obtained from a family business that has problems starting out on the path of internationalization. This may be because there is no family member capable of convincing the others. Or because some important owners insist on having everything sorted out in minute detail before starting. Or because the owners specify that the company must reach a certain “minimum size” before going international. Or because they cannot find a partner in the destination country who is acceptable to everyone, etc. Once these problems have been resolved, however—once they have “learned”—these family businesses follow the path to internationalization with tenacity and intensity, sometimes even making up for “lost” time.

“Disoriented” is the type of commitment found in family businesses that start to internationalize without meeting the conditions described in the previous section. This may be because they simply follow the crowd (“everyone is internationalizing”), or because an owner who lacks the leadership qualities described above nevertheless feels called upon to play an exaggerated leadership role. Disoriented commitment may also be due to failures in internationalization, past or present, that nobody in the company is able to explain or resolve.

“Desire without commitment” is when the owners are not truly committed to internationalization, and yet they find arguments to justify their attitude. Arguments such as: none of our potential partners in the destination country appreciates the value of “our” contribution to the alliance; we have not been able to find anybody we can trust; the cultures of the two countries are so different that collaboration is impossible, etc.

Such a lack of commitment is the worst possible situation, as without commitment there can be no learning, and lack of commitment awakens mistrust. Furthermore, in contrast to the virtuous spirals described earlier, these three deficiencies—“no commitment”, “no learning” and “no trust”—generate a negative spiral that frustrates every attempt at internationalization.

In view of the above, we formulate the following propositions:

– Proposition 1a: family businesses that internationalize at “maximum speed” have greater personal commitment, and greater trust in the process and in their own capacity for internationalization.

– Proposition 1b: family businesses that internationalize “slowly but surely” display an initial lack of capacity for internationalization.

– Proposition 1c: family businesses that are “disoriented” have no commitment to the internationalization process and also often display an initial lack of capabilities.

– Proposition 1d: family businesses that display “desire without commitment” have a lack of trust in the process.
Structure of strategic alliances

Analysis of the data reveals a certain parallelism between the level of commitment to internationalization and the structure of strategic alliances. The enhanced managerial capabilities, personal preferences and trust that were found to crucially determine the level of commitment to internationalization also affect the way family businesses structure (or fail to structure) their strategic alliances and the type of strategic alliances they choose. In this case, commitment refers to the extent to which the founder of the family business or his first successor is personally committed to the use of strategic alliances as a tool for internationalization. Management capabilities and learning refer to the effort made in a context of partly unshared aims. Finally, personal preferences refer to the family members’ trust in the strategic alliance, and thus also in the strategic partner.

Our analysis also suggests that differences between family businesses with respect to these strengths is a consequence of a further two aspects. The first is the level of family ownership, that is to say, whether the family owns 100% of the company’s capital or whether there are non-family shareholders. The second is the level of organizational development of the family business, that is to say, whether the company has an active and effective board of directors (who are not there merely to meet legal requirements), and whether it has a well trained and professionally organized management team.

Figure 4

Use of strategic alliances for internationalization

<table>
<thead>
<tr>
<th>Organizational development</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shared Ownership</td>
<td>50/50 joint venture</td>
<td>Contractual alliance</td>
</tr>
<tr>
<td>Majority joint venture</td>
<td>Failed attempts</td>
<td></td>
</tr>
<tr>
<td>100% family</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

50/50 joint venture. Highly developed family businesses in which ownership is shared with non-family entrepreneurs or institutions tend to form 50/50 joint ventures, in which ownership is shared equally between the family business and the partner. Because ownership is shared, these family businesses have learned to manage in contexts in which the partners’ aims may conflict and have developed the ability to trust in others. Because of their high organizational level, their founders or successors devote the necessary resources to maintaining growth, and when the need to internationalize arises, they are committed to the process. The combination of these three strengths makes these family businesses unafraid to share ownership with non-family partners or even relinquish overall control.
Joint ventures with majority participation. This type of strategic alliance is preferred by family businesses with high organizational development but 100% family ownership. The fact that the business is wholly owned by the family indicates a fear of losing control, and a difficulty in developing the capacity to manage in a context in which goals are not completely shared. These family businesses regard strategic alliances as a provisional option and prefer them to take a form in which they retain overall control. As soon as the alliance is thought to have outlived its usefulness, they prefer to buy out the partner’s share.

Contractual alliances. This type of alliance is adopted by family businesses with shared ownership but relatively low organizational development. This may reflect a lack of commitment on the part of the founder or his successor to implement more sophisticated organizational solutions. These companies prefer contractual alliances, because the relationship with the partner is more closely regulated than in a joint venture.

Failed attempts. Family businesses that claim to be looking for strategic alliances but never find the right partner tend to be companies with 100% family ownership and a low organizational level. These companies have not developed the capacity to trust non-family firms to collaborate with them, as they are afraid that the partner will try to appropriate the family business’s assets, which they believe are more valuable than those contributed by the partner.

This discussion brings us to the following propositions:

– Proposition 2a: family businesses that form 50/50 joint ventures have high levels of personal commitment, trust in the partner and ability to manage in a context of unshared aims.

– Proposition 2b: family businesses that form majority joint ventures lack the ability to manage in a context of unshared aims.

– Proposition 2c: family businesses that form contractual alliances lack the personal commitment to use strategic alliances.

– Proposition 2d: family businesses that fail to achieve their efforts to form strategic alliances lack trust in potential partners.

Concluding remarks

The results of this study show, first, that there are three critical variables that together drive the internationalization process: possession of a product whose potential exceeds that of the local market; desire to grow the company, even if this entails greater indebtedness or accepting new equity partners; adoption of an organizational structure that enables growth, without stagnating in traditional forms. When all three conditions are met, the company will develop the strengths to enable it to successfully engage in strategic alliances, allowing the development of the necessary managerial capabilities for internationalization, which, in turn, favors the formation of personal preferences for internationalization and a conviction of its desirability.

Secondly, this study shows that although internationalization is often talked about, not many companies tackle it effectively. To internationalize quickly and effectively, a company
needs a high level of personal commitment to the process, combined with self-confidence and the necessary managerial capabilities. If a company lacks these capabilities, it may take steps to develop them and may eventually succeed. If it lacks commitment to the process, it will be unable to learn and will become disoriented. If it lacks trust in the process, all talk of internationalization is so much “hot air”, worthy intentions with no substance.

Lastly, the results of this study suggest that the use of strategic alliances as a vehicle for internationalization requires commitment, certain managerial capabilities, and trust that the partners will maintain a relationship consistent with the ownership structure and development of the family business. Sharing ownership with non-family partners will help to develop the ability to manage in a context of unshared aims, as is the case in a strategic alliance, and the capacity to trust partners. Strong organizational development fosters the necessary commitment to use strategic alliances. Different combinations of these characteristics are associated with the use of different types of alliances or, in some cases, the choice not to use alliances.

Bibliography


Appendix

Interview script

1. About the family business
1.1. Stage in life cycle, generation, etc.
1.2. Structure of capital
1.3. Management bodies: What bodies? Who are the members?
1.4. Do you have an active board of directors? Who are the directors?
1.5. Main features of strategy

2. About the activity of the strategic alliance
2.1. Brief description of the activities of the strategic alliance: mention at least the following points:
   – Aims of the strategic alliance
   – Units of the company involved in the strategic alliance
   – Units of the partner company involved in the strategic alliance
2.2. Legal form of the strategic alliance
   Purely contractual relationship?
   Joint venture? Percentage of ownership?
   Share of stock? Percentages?
   Others?

3. About the strategic alliance in relation to the family business
3.1. What goal are you pursuing with this strategic alliance?
3.2. What is the family firm’s contribution to the strategic alliance?

4. About the partners
4.1. Number and identity of the partners. Then, for each partner:
4.2. What basic characteristics do you look for in a partner?
4.3. What goals is the partner pursuing in this strategic alliance?
4.4. What are the partner’s contributions to the strategic alliance?
4.5. What cultural differences are there?
4.6. What organizational differences are there?

5. About the relationship with the partner
5.1. What previous relationship did you have with the partner?
5.2. What difficulties did you encounter in managing the relationship with the partner?
5.3. What steps have been taken to build trust between the partners?

6. About the management processes of the strategic alliance
6.1. What management and governing bodies does the strategic alliance have?
6.2. How often do they meet?
6.3. Who are the members?

7. About the characteristics of the country in which the strategic alliance operates
7.1. What country?
7.2. Does it have a tradition of family business?
7.3. What cultural differences are there in the following areas:
   – emphasis on short term vs. emphasis on long term
   – task orientation vs. people orientation
   – individualism vs. collectivism
   – other differences
7.4. Are there important differences in the legal system that could affect the strategic alliance?
7.5. What are the relevant risks (in this case, country risks)?