

Can an active, diverse board help family businesses expand globally?

How board characteristics shape family SMEs' international success

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In today's global market, expanding internationally presents both opportunities and challenges for family-owned businesses. Family SMEs often encounter unique constraints, such as bounded rationality and bifurcation bias, which affect decision-making and growth strategies. This research investigates how the board of directors, as a governance mechanism, can influence the international expansion of family SMEs, focusing on the characteristics that make boards effective in navigating these challenges.

WHAT WE STUDIED

This study examines 328 Belgian family-owned SMEs, assessing how board diversity, international experience, and meeting frequency affect internationalization. Grounded in Transaction Cost Theory (TCT) and Upper Echelons Theory (UET), it aims to understand how board attributes can alleviate biases inherent to family firms. The research uses survey data combined with the Bel-First database, offering insights into board composition's role in family SMEs' global strategies.

KEY INSIGHTS

1. The Importance of Diversity on the Board

Diversity, including non-family representation, gender, and age, brings varied perspectives that broaden decision-making and reduce bias. In family SMEs, a diverse board allows for more comprehensive evaluations of international opportunities. Non-family and gender-diverse boards, in particular, foster international expansion by introducing new ideas and reducing family-centric decision-making.

2. Value of International Experience

Boards with international experience provide critical insights into foreign markets, which are often unfamiliar to family firms. This experience helps family SMEs navigate complex international markets and overcome resistance to adapting products or strategies for foreign audiences.

3. Board Engagement and Activity

An active board, meeting frequently, brings increased accountability, leading to more informed decisions. Regular engagement strengthens board members' understanding of business challenges and allows for continuous input on international strategies, particularly beneficial when a family CEO is involved.

TAKEAWAYS

1. Cultivate Board Diversity

Family SMEs should consider appointing non-family and female board members to enrich perspectives and encourage a broader view of international opportunities.

2. Prioritize International Experience

Adding board members with prior international experience can bridge the knowledge gap for family SMEs, providing valuable insights that smoothen market entry.

3. Increase Board Activity

Frequent meetings ensure that boards stay engaged and proactive, allowing them to effectively guide and oversee international strategies. Regular interaction fosters stronger governance and supports family-led international initiatives.

IMPACT

The findings underline the role of board characteristics in supporting family SMEs' global ambitions. For family businesses in smaller economies, like Belgium, international expansion is essential for growth. Implementing a diverse, active board with international experience equips family SMEs with the governance strength to pursue broader market opportunities confidently. Future research could explore how similar board dynamics influence family SMEs in other regional and cultural contexts.

RECOMMENDATIONS

Family SMEs aiming for internationalization should:

- Integrate non-family and female board members for diverse insights.
- Seek board members with international experience to guide cross-border activities.
- Increase the frequency of board meetings to maintain consistent and proactive governance.

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