Spotlight
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How do family SMEs expand abroad without losing their local roots?

Four Swedish firms show how local ties can become a springboard for global growth.

EDWARD GILLMORE · MARTY REILLY · ERIC CLINTON

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Going international is supposed to be a growth story. For a lot of family-owned small and medium-sized firms, it feels more like a loyalty test. These are businesses woven into the towns and regions where they were founded: the employer everyone knows, the sponsor of the local team, the name that has supplied the same customers for decades. Reaching abroad threatens to pull time, attention and identity away from the very place that made the firm what it is.

That tension is what this study is about. Gillmore, Reilly and Clinton followed four Swedish family SMEs over roughly six years to answer a deceptively hard question: can a firm grow into global markets without loosening its grip on home? Their answer reframes the problem. Local roots are not the price you pay for internationalization. Handled well, they are the thing that gets you in the door.

WHAT THE STUDY LOOKED AT

The researchers built four longitudinal case studies of family SMEs in central Sweden, across the Närke, Västmanland and Södermanland regions, areas crowded with large multinationals in automation, power, and paper and pulp. Two firms came from each industry, and within each pair the authors deliberately chose one product-oriented and one service-oriented business so they could compare across very different operating models. None of the four had more than 200 employees.

This was not a quick snapshot. On-site visits began in 2017, with follow-up rounds in 2019 and 2021, and data collection continued through 2022. In total the team ran 39 interviews with founders, second-generation managers and non-family managers, sat in on 42 strategy meetings, board meetings and industry events, and worked through thousands of pages of company reports, press coverage and archival material. Two researchers coded everything independently, with a third settling disagreements. That is the kind of procedure that makes findings hard to wave away as one analyst's reading of the data.

KEY INSIGHTS

The real currency is two kinds of social capital

The study rests on a simple but powerful distinction. Bonding social capital is the dense web of strong, trusted local relationships: suppliers, regional partners, the surrounding community. Bridging social capital is the looser, outward-facing set of ties that connect a firm to new markets and partners abroad. Family SMEs tend to be rich in the first and short on the second. The firms that internationalized well did not trade one for the other. They used their bonding ties to manufacture bridging ones.

Local multinationals are the on-ramp

This is the mechanism that makes the paper distinctive. Three of the four firms grew internationally by piggybacking on the large MNEs already sitting in their own backyard. Calli spent years becoming a trusted local supplier of engine components to Swedish automation giants; once it had proven itself, those partners introduced it to procurement counterparts in their foreign subsidiaries, opening doors in Germany, South Korea and the USA that the firm could never have opened on its own. Milli's first export market, Finland, arrived the same way, brokered by a Swedish MNE partner who vouched for it to Finnish buyers. Palli reached Poland and Spain on the back of relationships built at home and at Scandinavian trade

fairs. In each case the domestic relationship was the asset, and the international opportunity was the dividend it paid.

Generations pull in different directions, and that can be productive

Across the cases, founders anchored the local bonding ties and were often cautious about expansion that might put regional jobs at risk. Their children, frequently veterans of those same local multinationals, arrived with an appetite for foreign markets. Unmanaged, this is a recipe for conflict, and the study documents plenty of it, including open arguments about how far and how fast to go. What stands out is that founders generally chose not to rein in the next generation's networking. They let the successors' relationships run, betting that those ties would surface opportunities no one could have planned for. Bonding and bridging did not develop in a fixed sequence so much as the firms pivoted between them, leaning local or global depending on what the moment demanded.

Non-family managers quietly hold it together

The understated protagonists of the study are the non-family managers. They worked as both lieutenants to the founders and mentors to the successors, translating between a local-first instinct and a global-first ambition. The instructive contrast is Dilli, the one firm that lacked this mediating layer. Dilli grew aggressively in North America, but its local embeddedness withered. With no one to counterbalance the second generation's international focus, the founder was left tending home-region ties largely alone, and the firm's Swedish identity began to thin. The absence taught the researchers as much as the presence did.

WHY IT MATTERS

The conventional story about family firms and internationalization is a cautionary one: family attachments make these businesses risk-averse, parochial and slow to expand. This study pushes back. It shows family SMEs treating localness as a strategic resource rather than a brake, cultivating it on purpose and then converting it into reach. The authors give the capability a name. They call it a balancing competence that works as a form of network governance: rather than resolving the tension between local and global once and for all, successful firms keep managing it, deciding case by case which relationships must stay protected at home and which can be stretched abroad.

There is a sharper point worth pulling out. The clearest difference between the firms that kept their local character and the one that lost it was not strategy or sector. It was whether someone was explicitly responsible for guarding the home relationships while others chased the new ones. That is the most useful finding in the paper, and also the easiest to overlook.

TAKEAWAYS FOR FAMILY BUSINESS LEADERS

For owners weighing international growth against their standing at home, the cases point to a few practical moves:

- Treat your strongest local relationships as international infrastructure, not just as heritage. Ask which of your domestic partners already operate abroad; they may be your cheapest route into a new market.
- Decide, deliberately, who owns what. Give responsibility for protecting local ties to people deeply embedded in the community, and free the next generation to build outward-facing relationships without feeling they are betraying the founder's world.
- Take non-family managers seriously as bridge-builders. Their credibility across generations is often what keeps expansion from fracturing the firm.
- Keep score on both sides of the ledger. Watch not only whether international ties are developing, but whether local ones are quietly eroding from neglect. Dilli is what happens when no one is watching the home front.

RECOMMENDATIONS

1. Map your local network for international leverage: identify which regional partners and nearby multinationals could plausibly introduce you to global value chains.
2. Distribute relationship responsibilities formally across the founder, the successors and key non-family managers, so that neither local nor international ties are left unattended.
3. Use trade fairs, industry events and existing MNE relationships as low-risk first steps into new markets, then follow them up with sustained, personal relationship-building rather than one-off contacts.
4. Protect the markers of local identity such as employment, community sponsorships and regional partnerships as the firm scales, treating them as part of the competitive advantage rather than as overhead.

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CEFEO AUTHORS



Edward Gillmore

Assistant Professor

Jönköping International Business School

edward.gillmore@ju.se

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