Spotlight
by CeFEO

How do legacy, emotion, and strategy collide when family businesses go global?

What makes some family firms flourish abroad while others hold back?

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Family businesses generate over half of the world's GDP and employ a significant portion of the global workforce. They are integral not just to local economies, but increasingly to the global marketplace. In fact, the share of large multinational companies owned or controlled by families is expected to nearly triple between 2015 and 2025.

Yet, international expansion is no easy task for family businesses. Emotional attachments, long-term legacies, and desire for control often clash with the unpredictable, high-risk nature of global markets. While some family firms scale international heights, others are hesitant or selective. Why? What drives these different trajectories?

To provide clarity, this article summarizes a landmark study that systematically reviewed 220 academic articles spanning three decades, identifying patterns, tensions, and key lessons in how family firms internationalize.

WHAT WE STUDIED

The study—published in the *Journal of International Business Studies*—conducted a **systematic review** of **220 conceptual and empirical articles** published between 1991 and 2020. Using PRISMA-P methodology, the authors categorized findings using seven **core international business (IB) themes**:

1. **Scale** of internationalization
2. **Scope** of international reach
3. **Entry mode** (e.g., exporting, joint ventures, acquisitions)
4. **Location choices**
5. **Process and timing** of international expansion
6. **Pace and rhythm** of expansion
7. **Performance outcomes**

They also applied an **integrative framework** that bridges traditional IB theories (e.g., Uppsala model, OLI paradigm) with **family business concepts** like **socio-emotional wealth (SEW)** and **bifurcation bias**. This cross-disciplinary approach provides a comprehensive lens through which to assess how family firms behave when they go global.

KEY INSIGHTS

1. Family Firms Are Not Uniform Players in Globalization

Family businesses show tremendous variation in their international strategies. This diversity stems from:

- **Emotional ties to the business** (e.g., desire to preserve family legacy)
- **Levels of family control and involvement**
- **Intergenerational differences** in values and risk appetite
- **Contextual factors**, such as home country institutions and industry type

This makes sweeping generalizations about family firm internationalization both difficult and misleading.

2. Scale vs. Scope: Going Big vs. Going Broad

- **Scale** refers to how much of a firm's business is international. Some family firms go deep into one or two markets, especially where trust-based networks are strong.
- **Scope** concerns how many countries or regions the firm operates in. Here, family firms often show

narrower reach than non-family firms due to risk aversion and limited social capital abroad.

Interestingly, family firms with **non-family managers** or **outside board members** tend to expand more broadly.

3. Entry Modes: From Joint Ventures to Wholly Owned Subsidiaries

Entry mode decisions are among the most contested areas:

- **SEW preservation** often leads family firms to **prefer control** (e.g., wholly owned subsidiaries).
- At the same time, concerns about **financial risk** push many toward **low-commitment modes** like exporting or joint ventures.
- **Entry mode preferences shift** over time as firms gain experience and resources, highlighting the **dynamic nature** of internationalization.

4. Location Choices: Proximity Isn't Everything

Contrary to assumptions, family firms don't always prefer culturally similar or nearby markets. Instead:

- **Strategic objectives**, not distance alone, shape location decisions.
- The **personal preferences** of family leaders and existing **family or ethnic networks** abroad often determine where and when to expand.

5. The Internationalization Process: A Journey, Not a Formula

While some family firms follow the **Uppsala model** (gradual internationalization), others show **"born global"** behavior, especially:

- Under **second-generation leadership** with global education or experience
- When pursuing **high-quality niche markets**
- In sectors where **speed is critical**

The process is influenced by internal governance, stewardship orientation, and succession dynamics.

6. Pace and Rhythm: Slow and Steady, or Bold and Fast?

- Family firms typically **start slower** than their non-family counterparts but can accelerate once trust and experience are built.
- **Succession events** often act as turning points, affecting the speed and rhythm of expansion.
- Firms with **greater ownership concentration** may move faster—but not always in a straight line.

7. Performance: Profits, Legacy, or Something Else?

The impact of internationalization on performance is **inconclusive**:

- Some studies report **lower financial returns** due to cautious strategies or limited scalability.
- Others find **enhanced resilience, innovation, and CSR activity**, especially when firms stay regionally focused.
- **Non-financial goals** like legacy building, philanthropy, and succession are often **overlooked** but vital for family firms.

TAKEAWAYS FOR FAMILY BUSINESS LEADERS

Recognize Your Firm's Unique Profile

Before expanding internationally, assess:

- Generational involvement
- Family goals and values
- Governance structure
- Available resources (financial, managerial, relational)

Balance Control with Collaboration

Control is important—but don't let it limit growth. Consider:

- Partnerships that build local knowledge
- Phased approaches (e.g., exporting → JV → WOS)

Invest in International Experience

Hiring or developing talent with global exposure can bridge knowledge gaps and boost confidence in foreign ventures.

Use Social Capital Wisely

Leverage family networks but avoid **insularity**. Seek diversity in decision-making and governance.

Define What "Success" Really Means

Is it profit, legacy, succession, or social impact? Clarify your objectives before choosing your strategy.

IMPACT

This landmark review makes a strong case for **moving beyond one-size-fits-all models**. It also demonstrates the value of **interdisciplinary research** in capturing the complex interplay of family, business, and global strategy.

Family firm internationalization:

- Needs tailored strategies rooted in context
- Is shaped by both **rational economics** and **family emotion**
- Offers fertile ground for **theoretical innovation** in international business

It also offers **social insights**: when family firms internationalize well, they often reinvest in

communities, promote values-led leadership, and model sustainable growth.

RECOMMENDATIONS

1. **Use a family-aware international strategy framework** (e.g., OLI + SEW).
2. **Build capabilities** through education, external hiring, and board diversification.
3. **Engage advisors** who understand both IB strategy and family dynamics.
4. **Measure international success** using both financial and non-financial KPIs.
5. **Champion research** that explores legacy, social impact, and innovation—not just exports and profit.

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