PRINT: ISSN 0972-0073 ONLINE: ISSN 2456-6802
Anthropologist, 17(3: 811-822 (2014)
DOI: 10.31901/24566802.2014/17.03.13

Family Business Internationalisation: The Role of Entrepreneurship and Generation Involvement

Jane Tung[1], Sheng Chung Lo[2*], Tsungting Chung[3] and Kai-Ping Huang[4]

[1]Department of Marketing and Distribution Management, Hsing Wu University, Taiwan, ROC
Department of Business Administration, National Yunlin University of Science and Technology, Taiwan, ROC
[2]Department of Travel Management, Hsing Wu University, Taiwan, ROC
Department of Business Administration, National Yunlin University of Science and Technology, Taiwan, ROC
[34]Department of Business Administration, National Yunlin University of Science and Technology, 123 University Road, Section 3, Douliou, Yunlin 64002, Taiwan, ROC

KEYWORDS Entrepreneurial Orientation. Family Firms. Business Expansion. Generational Changes

ABSTRACT Effective entrepreneurship helps a firm in exploiting its present competitive advantage along with exploring various future competencies and opportunities. It is included in both starting a new business or strategic renewal of the existing business. However, while conducting research on the field of entrepreneurship, studies were also done on the factors which have contributed to the entrepreneurship in an organization. Corporate entrepreneurship is a critical factor in establishing the success of family firms. Family firms are those firms in which one or more members of one or more families have significant vested interests in ownership. The present study aims towards creating a relationship between entrepreneurial orientation with generational involvement and internationalization. The study suggests that entrepreneurial orientation within the organization increases its performance. Entrepreneurial orientation has a significant role in increasing acquisitive and experimental learning in an organization which in turn increases its performance. However, the case is different for family firms. The long term success of the family firm will not always be dependent on the five dimensions of entrepreneurial orientation. It has been found that there is a positive relation between the entrepreneurial orientation and the survival of family firms. When a relationship between entrepreneurial orientation and generational involvement is established, it is seen that the entrepreneurial orientation has a positive impact on the growth of a second generation family business. On the other hand, firms having high family ownership are expected to internationalize more as compared to the firms which have low family ownership. Finally, the firm's entrepreneurial orientation has a positive relation with internationalization.

INTRODUCTION

A family business is identified as a commercial entity that involves the influence or control of one or more families. With the advent of industrialization, the increase in professionalization and progress in the economy have made the commercial activities take place outside the private sphere of a family or home. With the growth of a family businesses, several researchers has shifted their attention towards how these firms secure continuity, manage their legacy and ensure survival (Kontinen and Ojala 2012). Succession is an event while running the family business and it signifies the transfer of management and ownership to the next generation. Little emphasis was provided towards understanding the families and the way in which they conduct their business activities, foster innovation and strategic renewal. The family business is seen as an organization in its conservative form, infrequently surrounding entrepreneurial dynamics (Nordqvist and Melin 2010).

Corporate entrepreneurship is an important factor behind the long or short term success of the firm whether it is a family run or non-family run firm. Entrepreneurial orientation (EO) is defined as the presence of organizational level entrepreneurship that has been explained using five dimensions which are namely autonomy, innovation, competitive aggressiveness, proactiveness and risk taking. The main assumption be-

Address for correspondence:
Sheng Chung Lo
Department of Travel Management,
Hsing Wu University, Taiwan, ROC No.
101, Sec.1, Fenliao Rd., New Taipei
24452, Taiwan, ROC, Department of
Business Administration, National Yunlin
University of Science and Technology, Taiwan, ROC

hind entrepreneurial orientation is that the entrepreneurial business shows unique and different characteristics that vary from others. The strength of the entrepreneurial orientation of the firm shows a vigorous positive effect on its performance. Therefore, the presence of Entrepreneurial Orientation leads to the accomplishment of the success of the firm (Yildirim and Saygin 2012). Family firms are established due to the entrepreneurial behaviour of one or more founders who realize and take advantage of opportunities. In order to survive and grow in their business, they need to retain and increase their entrepreneurial orientation over generations. Thus entrepreneurial orientation is an important aspect for the success of the family firm (Zellweger and Sieger 2012). On the other hand, the involvement of the next generation in the family firm helps in their survival. The commitment and willingness shown by the next generation helps in continuing the business successfully and sustaining it in a competitive environment. Internationalization is the procedure in which the organizations are involved in dealings and conducting business transactions with organizations located in other countries (Okoroafo and Koh 2010; Fan and Phan 2007). Increases in international market liberation have created the necessity of diversification in family firms as it will help them in diversifying the geographical scope in the business activities (Tsao and Lien 2013). This study aims towards establishing a relationship between the entrepreneurial orientations, generational involvement and internationalization of the family firm.

Literature Review

The process by which family firms enter the international market is one that is complex, ever changing, and not to be taken lightly. There are multiple economic issues to consider, as well as cultural and logistical barriers to overcome. The risk is high, but the potential for success and the need to remain competitive continues to drive family firms to gain more of an international presence. No longer do family firms need to remain rooted to one community, country, or even continent. With careful planning and needed capital, in addition to entrepreneurial skills and generation involvements, such companies can thrive and reverse trends of declining business. This section will detail numerous studies that explore how such entrepreneurial orientation and generational involvement affects the process of internationalisation.

Entrepreneurial Orientation

A large collection of literature related to corporate entrepreneurship have proposed that entrepreneurial behaviour and attitudes are important antecedents behind a firm's short term as well as long term success. Effective entrepreneurship helps a firm in exploiting its present competitive advantage along with exploring various future competencies and opportunities (Zellweger and Sieger 2012). The phenomenon of entrepreneurship in an organization has always been a topic which has gained the interest of scholars as well as the practitioners (Yordanova 2011). It tends to include the starting of new businesses or the strategic renewal of existing businesses. There lies an important and significant role of entrepreneurship in the economies. The researchers have devoted their attention in identifying the role of entrepreneurship in the organizations. However, while conducting research studies in the field of entrepreneurship, little attention was given on the factors which have contributed to entrepreneurship in an organization. While reviewing the literature on entrepreneurship, it has been seen that the entrepreneurial orientation of a firm is a well defined concept which has been broadly studied in the past few decades (Casillas and Moreno 2010). The research related to entrepreneurial orientation revolved around three main factors: 1) Entrepreneurial Orientation, which is composed of five main dimensions – Risk taking, innovativeness, competitive aggressiveness, autonomy and proactiveness, 2) All the dimensions of entrepreneurial orientation are independent but related to each other and 3) The relationship between entrepreneurial orientation and the performance of a firm might vary in direct nature because of the mediating and moderating variables. Among all these three factors, the factor which is gaining the most importance is the relationship between Entrepreneurial Ownership and performance. Prior research provided an excellent compilation of extensive literature related to the relationship between entrepreneurial orientation and organizational learning (Dess et al. 2011). He has focused on the role that entrepreneurial orientation plays for increasing the level of acquisitive and experimental learning in an organization which in turn helps in increasing the organization's performance. According to the research made in this literature, it has been found that entrepreneurial orientation has the strongest impact on these two types of learning. The two dimensions of entrepreneurial orientation, that is, proactiveness and innovativeness have a huge impact on acquisitive and experimental learning. Entrepreneurial orientation provides learning to the firms related to the alignment of resources for taking advantage of the present product market as well as proactively exploring new opportunities. Both acquisitive and environmental learning are critical factors in an organization. There needs to be a balance between both types of learning for establishment of an effective business environment. Risk taking (another important dimension of entrepreneurial orientation) also has an impact on the businesses. According to the researchers, every entrepreneur takes on a considerable amount of risk (Naldi et al. 2007). In today's extremely uncertain and rapidly changing markets, the entrepreneurial firms must have the will to accept risk as without risk-taking the prospects of the business would diminish. The entrepreneurial firms which are engaged in product market innovation always undertake some risk involving ventures and develop various proactive innovations for beating their competitors. Entrepreneurial firms are mainly those firms in which the managers possess entrepreneurial management style. The performance level of entrepreneurial firms can be attributed to the management or leadership style. The entrepreneurial strategic position gives an advantage to these firms in achieving a competitive advantage in the hostile business environment of emerging economies (Yildirim and Saygin 2012). Entrepreneurial orientation is the existence of organizational level entrepreneurship and can be explained with all five dimensions. The main assumption that is considered in entrepreneurial orientation is that the entrepreneurial businesses vary in their features or characteristics from each other. The strength of entrepreneurial orientation of a firm has a remarkable positive effect on its performance. Thus, it can be inferred that the presence of entrepreneurial orientation helps in the accomplishment of a firm's success. It is because these firms having entrepreneurial orientation remain alert by taking on and detecting the latest technologies and follow the market tendencies by efficiently assessing the approaching probabilities. One of the biggest advantages of Entrepreneurial Orientation firms is that their organizations are suitable for discovering and exploiting the opportunities that are provided by the market. It is due to this reason that a firm with a strong entrepreneurial orientation generally shows high performance. The primary evidence related to entrepreneurship and its activities beyond the core business suggests that additional studies on the business activities of family firms are justified.

Entrepreneurial Orientation in Family Firms

Family firms are established due to the entrepreneurial behaviour of one or more founders who realize and take advantage of opportunities. In order to survive and grow in their business they need to retain and increase their entrepreneurial orientation over generations. Relationships have been established between entrepreneurial orientation and family firms. The five dimensions of entrepreneurial orientation are as follows: autonomy, competitive aggressiveness, innovativeness, proactiveness and risk taking. Although they were discussed in the previous section, they were turned down by Zellweger and Sieger (2012) who claimed that the long term success of the firm is not necessarily dependent upon the five dimensions. The level of entrepreneurial orientation is adopted gradually over time and the original scales of entrepreneurial orientation do not sufficiently capture the entrepreneurial behaviour in the family firms that have operated for some time. The firms are seen to exhibit either lower or medium levels of the five dimensions of entrepreneurial orientation. This in turn is seen to contradict with the previous assumption which states that lower levels of entrepreneurial orientation may lead the firm into a danger zone. Zellweger and Sieger (2012) provide a more fine-grained and different perspective of several dimensions of entrepreneurial orientation. Regarding autonomy, they have segregated it into internal and external anatomy. As a whole, internal autonomy cannot provide an explanation about the success of the firm, which in turn is better explained by the presence of external autonomy. In innovativeness, the corresponding scale of entrepreneurial orientation is also insufficient. In this regard, the generational factors are also quite important. The levels of external and internal innovativeness increase for a family firm with the level of generational changes. They proposed that a risk taking factor should be made multidimensional by extending it to overcome fragmentation. The proactiveness was also given by two dimensions; firstly it adopts a wait and see strategy. The firm waits for the right moment and then takes the correct steps to move ahead of their competitors. The non-operating family members are seen to impact the proactive moves of the firm's CEO. Lastly, high levels of competitive aggressiveness are not necessarily required for the generation spanning success. Moreover, it is seen to reduce with later generations. Thus, by segregating the dimensions of entrepreneurial orientation, a better explanation with the family can be achieved.

Naldi et al. (2007) considered risk taking as an important dimension under the entrepreneurial aspect which has a high impact on the family firm. They found that it is positively associated with innovation and pro-activeness of the entrepreneurial orientation of family firms. As compared to non-family firms, even if the family firm takes a risk while they are engaged in entrepreneurial activities, that risk is much less than those of non-family ones. Moreover, it is seen that as far as the entrepreneurial orientation is concerned, the risk taking ability of the family firm are negatively associated with performance (Naldi et al. 2007).

The competitive orientation of the firm is its strategic position and comes under the entrepreneurial orientation. In this context the performance of the small firms can be attributed to the management philosophy that signifies leadership style. When a relationship between entrepreneurial orientation and transformational leadership of the business owners are established, there is a strong correlation between the two. Higher levels of transformational leadership lead to higher entrepreneurial orientation. This relationship indicates how the character of the family firm owners can affect the performance of the business in the present competitive environment and also in the future. This implies that improvement in the transformational behaviour can improve the performance of the firm (Yildirim and Saygin 2012). Yordanova (2011) claimed that development of entrepreneurial orientation is enhanced by environmental dynamism. The research has proved that there is no effect at the CEO's level, tenure and education on the enhancement of entrepreneurial orientation. For adopting high entrepreneurial orientation, organizational factors like growth strategy and learning orientation are of great importance. The family firms who are planning growth strategy are more inclined towards development of entrepreneurial orientation. However, the impetus to innovate, behave proactively and take risks is affected if the owners of the family firm have the presence of foreigners or foreign legal entities. Therefore, one can conclude that the size of the firm, presence of foreign owners and environmental dynamism are major parameters that create significant differences between the entrepreneurial ownership of family and non-family firms. A lower entrepreneurial orientation is exhibited by the family firms since they are smaller in size; do not operate in a dynamic environment and are less likely to have foreign ownership.

Long term orientation is defined as "the tendency to prioritize the long-range implications and the impact of decisions and actions that come to fruition after an extended time period" (Lumpkin et al. 2010: 241). Long term orientation is seen to be a common characteristic in the family firms. Lumpkin, Brigham and Moss (2010) determined that under a given long term orientation to which extent a family business can be entrepreneurial. In this context, the concept of entrepreneurial orientation is drawn and the proposition of short and long term time horizons of family firms related to the five dimensions of entrepreneurial orientation are developed. They proposed a positive association between long term orientation and autonomy, proactiveness and innovativeness. However, a negative association was established between long term orientation, competitive aggressiveness and risk taking.

Research has shown that entrepreneurial orientation of the family farm is projected in the shareholder's letter, which is a document that communicates to the external and internal stakeholders of the firm (Short et al. 2009). The family firms are seen to use less language in their shareholder's letter pertaining to risk taking, autonomy and proactiveness. Thus, the family firms can enhance their performance by following business practices that can create competitive advantages. The pattern of succession, governance and ownership in the family firms help them in creating a distinct set of identities. These differences will help the firm in creating unique issues as they attempt to implement various business strategies.

Thus, the above literature suggests that entrepreneurial orientation is seen to exist in family firms and the following proposition has been developed.

Proposition 1: Entrepreneurial Orientation is positively related to the survival of family firms.

Generational Involvement in Family Firms

The involvement of the next generation in the family firm is the primary element that helps in the survival of the firm. The involvement may be in the form of owners or employees (Lungeanu and Ward 2012). The willingness and commitment shown by the next generation helps in continuing the business run by the family firms. Commitment of the next generation has contributed effectively towards the smooth and efficient succession of the leadership. Eddleston and Kidwell (2012), claims that the relationship between the parent and children leads to the differentiation of leader-member exchange (LMX) in the family firm. This differentiation helps in shaping the behaviour of the child towards the firm. Altruism further increases the effect of leader-member exchange differentiation on workplace behaviour by nurturing the feeling of rebellion and entitlement in out-group and in-group children by enhancing the commitment to the firm. Recent research has shown that children of business owners are more inclined to be self-employed (Fairlie and Robb 2007). The success of small businesses are weakly correlated with the engagement of self-employed family members but strongly correlated with having self employed family members (Fairlie and Robb 2007). Björnberg and Nicholson (2012) have investigated the involvement of the next generation in the family firm and its connection with emotional involvement. This investigation is substantiated because intergenerational survival is seen in the family businesses. They claim that in the business, some amount of emotional attachment is necessary. However, ownership stake is neither necessary nor sufficient for the creation of emotional ownership. It may be the case that the owner has almost zero attachment to the firm. Therefore, employment status or ownership is insufficient to explain the process that may shape and sustain emotional ownership. Hence the researcher states that emotional ownership finds its origin in the family and is shaped by the family climate.

A positive relationship has been established between firm performance and firm ownership by taking into consideration the influence of firm size, family management and family control. A strong positive association is established when the family members are seen to serve as the director, chairperson, top manager and CEO of the firm. However, this association vanishes when family members are not involved. The effect of potential family ownership is much stronger if family control and management is combined with family ownership (Chu 2009). In the event when there is no growth in the family business, the next succeeding generation is seen to lose interest towards entrepreneurship. Families are often seen to have portfolios of interconnected businesses that range from formal family business groups to family members who are assisting each other in conducting individual businesses. Within the intra-family entrepreneurial framework, the membership and formation of a Family Entrepreneurial Team (FET) serves as an alternative for either independent family members establishing their own business or expanding the existing family business. FETs are formed when the senior generation family members are not willing to leave the business and at the same time when the next generation members pursue their entrepreneurial ambition out of the existing business. FETs have created a strong base by cognition, strong bonding structural and relational social capital that includes stewardship and commitment towards the family assets. In cases where the bonding social capital is less strong, the family members who have unfulfilled ambitions may quit and pursue their individual businesses (Cruz et al. 2013). Entrepreneurial stewardship helps in expanding the existing family business through intrapreneurship and innovation. Expansion is also facilitated by social capital but this expansion gets affected negatively when the junior generation looks into fulfilling alternative entrepreneurial ambitions.

In a family business, entrepreneurship is taken as a critical factor due to the drastic change in the social, competitive and economic environment. It has also been proved that corporate entrepreneurship is crucial for the growth, profitability, vitality and survival of the firm. It is seen that corporate entrepreneurship of a family firm is positively correlated with technological opportunities and willingness to change. Moreover, strategic planning is seen to have moderated the relationship between corporate entrepreneurship, technology, opportunity recognition and generational involvement (Kellermanns and Eddleston 2006). Corporate entrepreneurship can be classified into two parts: strategic renewal (SR) and corporate venture (CV). The CV is seen to be positive or negative and both states affect the individual and family level based on four moderating factors. If the succession process is present at an individual level, then the CV increases the capability of the present leader to effectively direct the development and selection process of the next generation family member and their human capital. However, the CV can reduce the commitment of next generation family members towards the core business. This risk appears to increase when the participation of the CV is low in the family business strategy (Marchisioa et al. 2010). Intergenerational differences are seen to affect the growth behaviour and capital structure of the family firms. Evidence shows that the managing generation does not create any direct impact on the capital structure but it is indirectly realised through the growth rate. The growth of the next generation firm is seen to be much slower since they have a tendency to forego that part of growth rather than risking the loss of family control because of the increasing proportion of debt (Molly et al. 2012).

Research has also proved that the developmental process within the family firm is exaggerated by involvement of the next generation family members in the planning process. This helps in developing business skills and knowledge, creating interpersonal relationships between next generation leaders and incumbents and establishing legitimacy and credibility for the next generation (Mazzola et al. 2008). The above literature review suggests that the involvement of the next generation is seen in the top management of family firms. This involvement is seen to generate a positive effect on the performance of the firm if the next generation is properly trained and committed towards the family firm. Thus, the following proposition is developed.

Proposition 2: Generational Involvement is related to the formation of the top management team in family firms.

Entrepreneurial Orientation and Generational Involvement in Family Firms

For the long term survival of the firm, entrepreneurial activities need to be incorporated in order to refresh the business and sustain competitiveness (Hu and Shieh 2013). This vision is seen to be prevalent in the family firm as they aspire to run a successful business over generations. Involvement of the generation helps in determining the level of entrepreneurial orientation in the organization. Casillas and Moreno (2010) have conducted research that is aimed towards enhancing the understanding regarding the relationship between growth of the family firm and entrepreneurial orientation in two areas. They have proposed that the relationship between entrepreneurial orientation and growth is dependent on various contextual variables like environmental hostility, environmental dynamism and generational involvement. Entrepreneurial orientation is seen to create a positive impact on the growth of the second generation family business and at the same time environmental hostility and dynamism creates a moderate positive relationship between growth and entrepreneurial orientation respectively. On the other hand, there is a moderate influence of generational involvement on the risk taking dimension (Casillas et al. 2010). It is seen that entrepreneurial orientation is closely associated with the founder of the organization who is the central character in the entrepreneurial activities. It is the founder entrepreneur on whose moves the success of the firm is dependent on and not upon the competitor's moves and industry characteristics. Cruz and Nordqvist (2012) claim that while the founder appears to be significant for the first generation; for the second generation, entrepreneurial orientation is subject to the interpretation of the existing competitive environment. On the other hand, for the third generation and onwards, the entrepreneurial orientation is seen to be more affected by non-family resources. A different correlation is established between the entrepreneurial orientation and the competitive environment in the family firms depending on the generational changes and is seen to be stronger in the second generational family firms. In the case of the third generation and beyond, non-family members in the top management and non-family investors create a strong positive effect on the entrepreneurial orientation. Sciascia et al. (2013) established an inverted U-shaped relationship between the generational involvement and the number of family generations involved in the top management of the family firm and entrepreneurial orientation. From the following echelons theory, they concluded that generational involvement acts as a substitute of knowledge diversity in the top management team of the multigenerational firm. Entrepreneurial orientation is seen to suffer whenever too many or too little generational involvement is present (Schjoedt et al. 2013). "Moderate levels of generational involvement stimulate task-related constructive conflicts for EO, increased kinship distance and relationship conflicts led by high levels of generational involvement are likely to undermine this potential advantage by damaging the relational context for EO" (Sciascia et al. 2013: 69). The generation spanning success of the firm is reached by achieving the maximum degree of entrepreneurial dimensions. Therefore, it can be said that entrepreneurial orientation is heavily impacted by generational changes (Zellweger and Sieger 2012).

Thus, the literature review claims that there is a relationship between entrepreneurial orientation and generational involvement. The correlation between the two is seen to increase in the first and second generation while it is seen to decrease in other cases. Thus, the following proposition is framed:

Proposition 3: Generational Involvement is associated with the level of Entrepreneurial Orientation in family firms.

Internationalisation of Family Firms

Internationalization is a procedure by which companies increase the awareness of direct as well as indirect influences of different international dealings and consequently introduce and conduct business transactions with the companies located in other countries (Okoroafo and Koh 2010). In case of family businesses, their opinion on internationalization is unknown. The family businesses can be defined as those firms where the families possess control of the business' strategic direction and the businesses contribute to the income, wealth and identity of the families. These businesses characterize themselves as being one of the most dominating forms of organizations worldwide (Patel et al. 2012). Family businesses create almost 90 percent of the GDP globally and play an important role in generating economic growth across the world (Lin 2012). It has been found that 90 percent of the businesses in the United States are family businesses, responsible for almost 60 percent of the employment in the country. As family businesses are perceived differently from the non family businesses, it becomes very important to understand the extent of their internationalization. Family businesses often differ with respect to their involvement in the international markets. Some family businesses become global businesses at a very fast rate whereas others transform with international business expansion at a slow pace. On the other hand, some family businesses remain entirely local or national in scale. An increase in the international market liberation is the reason behind the necessity of diversification of family firms as it helps them in diversifying their geographical scope in business activities (Tsao and Lien 2013). According to various research studies, innovation and performance of the firms are two implications of the internationalization process where the citing factors are achievements of economies of scale and scope. These research stated that the involvement of the family in the business have positive as well as negative impacts on sales internationalization. Most of the internationalization research focuses only on the big multinational enterprises. While exploring the impact of the board characteristics, the involvement of the family in the board of directors have been strongly ignored as one of the potential determinants of sales internationalization. Bringing a change in family engagement at the board of directors appears to be more effective than changing the family ownership level. The family businesses intending to seek higher levels of internationalization should keep highly qualified non-family members in the board of directors. This will help in increasing the sales internationalization (Sciascia et al. 2013). On the other hand, some contend that family ownership has always had a positive impact on the firm's internationalization. It has been stated that the owner managers act as excellent stewards of the business resources at the time of internationalization. The ownership will give these managers the rights and power to make decisions related to the scope of business operations. The involvement of the owner family into the business operations will increase the knowledge base of the managers which they can draw upon while expanding internationally. The ownership will significantly enhance the identification of managers with the firm and encourage them to act selflessly by ensuring the organizational growth and survival through international expansion. Research focussing on the family controlled firms has also been done. The analysis in these studies demonstrated how the external parties can act as catalysts in the internationalization of the respective businesses, if they are present in the governance, that is, the ownership and the board of directors (Holt 2012). It has been stated that there should be differentiation in the roles of the external board members and the external owners as both have different patterns of influencing the family firms in the internationalization process (Arregle et al. 2012). Other studies reveal the effect of family ownership in internationalization and the decision of the family firms associated with the process of corporate internationalization. The findings suggest that family firms are expected to internationalize more as compared to the non-family firms (Chen 2011). It also suggests that firms having high family ownership have more chances to internationalize as compared to the firms having low family ownership. The study states that these family firms have some unique characteristics which enable them in undertaking risky, but profitable internationalization.

Factors Influencing Internationalization

The age, generation and size of the family businesses also have significant influence on internationalization. Some research focused on the entry strategy chosen by the family firms for starting their international venture. This study tried to combine the internationalization with the features of the family firms. This helped to generate as well as enlarge the existing theories of internationalization of the family firms. The findings reflect that the age, size and generation of the family firms have a significant role during the establishment of the international strategic alliances (Claver et al. 2007). Public Administration plays a significant role in the favour of expansion of the family firms in the external market. The study highlights the necessity of the Public Administration to adopt important measures for training and advising the new generations about internationalization where the aim of the training will be increasing the level of commitment of the family firms towards internationalization.

Internationalization of Family SMEs

The small and medium sized enterprises (family business) make strategies for internationalization after strengthening their position in the domestic market. Once the small and medium sized enterprises (SME) have accumulated their resources and capabilities for growth and expansion in the domestic market, they might leverage them for the purpose of further expansion in the international market (Gunasekarana et al. 2011; Bayaga 2013). There are two main theories of internationalization for the small and middle enterprises (family business). One is known as the "internalization theory' and the other one is known as the "eclectic theory" (Roida and Sunarjanto 2012). The internalization theory came into existence when the development of big enterprises in the 1970's era threatened the SME's existence. This theory made efforts to incorporate benefits from localization, internalization and ownership. The eclectic theory, on the other hand, focuses completely on the possession or ownership of intangible resources and the knowledge of small and medium enterprises about the international market. This theory states that the sustainability of the resource endowment motivates the SME's to expand internationally. It is assumed that the family businesses will concentrate on the distinctive familiness for internationalizing the business operations. It is also believed that the various types of SME's that have been identified will allow the companies to develop their international marketing strategies, which will highlight their capabilities as well as the SME type (Segaro 2010). Moreover, the family SMEs' can enhance their global competitiveness by increasing the foreign market engagement. This will in turn increase the profitability of the businesses and ensure their long term survival and growth in the present competitive and global market.

Entrepreneurial Orientation and Internationalization

Internationalization is one of the key risk-taking strategic decisions adopted by the family firms for differentiating their performance from competitors (Sirmon et al. 2008). It allows the family firms to extend their present competitive advantages to highly competitive favourable international markets. It increases the scope as well as the economies of scale of the family firms and enables access of new knowledge from the international market for improving their existing products or producing new products in their domestic market. Internationalization helps the family firms in achieving high level performance.

Internationalization and different exporting strategies of the family firms are one of the main issues which require further investigation. Taking into consideration the risk adverse behaviour and export activities of the small and medium sized family enterprises, even if the risk involvement in their internationalization is less risky than in the non-family firms, the above mentioned factors are still perceived to be risky by the family firms (Calabro and Mussolino 2013). As a result, the export decision may result in various conflicts among the family members. Integrity based trust, an informal governance attribute, helps in understanding the extent of contribution of the board of directors in the export behaviour of the family SME's. While discussing informal governance mechanisms, integrity based trust is more frequently observed in the family firms. There are various participants involved in the decision making and governance of family owned small and medium sized enterprises. The owner/founder CEO of the business is the main decision maker having the responsibility of the family as well as the business dynamics around him. The involvement of the board members in making strategic decisions depends upon the degree of power/authorization of the owner/founder CEO. The board members are sometimes influenced by the character of the owner/founder CEO's legitimacy and authority relationship. In case of the founder managed firms, the owner/founder CEO has a huge influence on the other participants of the internationalization process. Integrity based trust is developed by emotional bonding between the individuals. When trust is linked with the informal governance mechanism, it is often associated with the owner's moral value, authority and entrepreneurial orientation. Integrity based trust arises from one's own emotion, motives and other feelings. It expresses concern and care for the well-being of the partners and beliefs in the fundamental values of such a relation. Moreover, in family firms the owner/founder CEO possesses authority, has high moral values and attitudes that are derived from the entrepreneurial orientation. This helps in generating integrity based trust which in turn positively influences the firm's export strategy. Thus, integrity based trust results in specific actions which express concern and care for the relationship other than performing actions focussing only on the task outcomes. Thus, the other participants involved in the internationalization process can completely trust the owner CEO in supporting his decisions. Hence the following proposition is formulated:

Proposition 4: There is a positive relationship between the entrepreneurial orientation and internationalization.

CONCLUSION

It has been observed that the inclusion of entrepreneurial orientations within the organization increases its performance. The entrepreneurial orientation is mainly associated with three main factors: 1) First, it encompasses five dimensions i.e. risk taking, innovativeness, competitive aggressiveness, autonomy and proactiveness; 2) All of the above mentioned dimensions are independent in nature but are related to each other and 3) The relationship between the entrepreneurial orientation and a firm's performance might vary in their direct nature based on the mediating and moderating variables. Entrepreneurial orientation has a high impact on the learning of an organization. Entrepreneurial orientation has a significant role in increasing the acquisitive and experimental learning in an organization which in turn increases its performance. However, when family firms are taken into consideration it is not necessary that the long term success of the firm will be dependent upon the above mentioned five entrepreneurial dimensions. These five dimensions have been further segregated for understanding their impact on the long term success of a family firm. Autonomy has been divided into internal and external autonomy. Internal autonomy could not provide appropriate explanations related to the firm's success. External autonomy, on the other hand, has provided a better explanation. In the case of innovativeness, the level of internal and external innovativeness of a family firm increases with the increase in generational changes. The risk taking dimension has been classified as being multidimensional by extending it to overcome fragmentation. Proactiveness has also been given a two dimensional aspect, where the firm will initially wait and see and then it will seize on the right moment and take the right steps for moving ahead of the competition. The risk taking dimension of the entrepreneurial orientation has been considered to be one of the most important aspects having a high impact on the family firms. On the other hand, innovativeness and proactiveness are the two dimensions which help in the learning of an organization. It has been found that there lies a positive relation between entrepreneurial orientation and the survival of the family firms. The pattern of governance, ownership and succession in the family firms help in creating a distinct set of identities which in turn helps in creating unique issues while making attempts for implementing various business strategies. The involvement of the next generation within family firms is the primary element which helps in the firm's survival. The generational involvement within the family firm is directly related to the formation of the top management team in the family firms. The relationship between the entrepreneurial orientation and growth of a family firm depends upon various contextual variables such as environmental hostility, environmental dynamism and generational involvement. Entrepreneurial orientation has a positive impact on the growth of second generation family businesses where environmental hostility and environmental dynamism help in the creation of a positive relationship between the growth of the family firm and entrepreneurial orientation. Internationalization is another important factor which contributes to the income, wealth and identity of the family firms. The businesses which practice internationalization initiatives consider themselves to be one of the most dominant forms of organizations around the globe. Innovation and performance are the two most important conjectures of the internationalization process for the purpose of achievement of scope and economies of scale.

While exploring the board characteristics and the level of family ownership in the internationalization process, there are a few important factors that should be taken into consideration. The involvement of the family in the board of directors should be ignored for the purpose of long term success of the firms. The family businesses should make plans for higher levels of internationalization by keeping high numbers of well qualified non-family members on the board of directors. In contrast, the owner managers in the family businesses increase the scope of business operations along with economies of scale. Ownership gives the managers the right and power for taking various business decisions which increase their knowledge base while planning for strategies to expand internationally. The involvement of external parties within the business decisions of the family firms acts as catalyst in their internationalization process. The roles of the external board members and the external owners should be differentiated as both have different degrees of influence on the internationalization process of family firms. The family firms have higher chances of achieving internationalization as compared to non-family firms. Firms having high family ownership are expected to internationalize more as compared to the firms having low family ownership. The various elements that should be taken into consideration by the family firms while achieving internationalization are age, generation and size of the family businesses. Once the small and medium sized family businesses have achieved success in the domestic market, they make plans for internationalization. The two theories established for the internationalization of small and medium sized family businesses are the 'internationalization theory' and the 'eclectic theory'. Entrepreneurial orientation, an important characteristic of the owner/founder CEO of the family firm, positively influences the firms' export strategy. It is due to this rationale that the firm's entrepreneurial orientation has a positive relation with internationalization.

REFERENCES

Arregle J, Naldi L, Nordqvist M, Hitt M 2009. Internationalization of family-controlled firms: A study of the effects of external involvement in governance. *Entrepreneurship Theory and Practice*, 36(6): 1115-1143.

Bayaga A 2013. Information and Communication Technology (ICT) risk models and Performance of Small and Medium Enterprises (SMEs). *Anthropologist*, 15(2): 177-183.

Björnberg A, Nicholson N 2012. Emotional ownership: The next generation's relationship with the family firm. *Family Business Review*, 25(4): 374-390.

Blodgett MS, Dumas C, Zanzi A 2012. Emerging trends in global ethics: A comparative study of U.S. and international family business values. *Journal of Business Ethics*, 99: 29-38.

Casillas JC, Moreno AM 2010. The relationship between entrepreneurial orientation and growth: The moderating role of family involvement. *Entrepreneurship and Regional Development*, 22(3/4): 265-291.

Cerrato D, Piva M 2012. The internationalization of small and medium-sized enterprises: The effect of family management, human capital and foreign ownership. *Journal of Management and Governance*, 16(4): 617-644.

Chen HL 2011. Internationalization in Taiwanese family firms. *Global Journal of Business Research*, 5(4): 15-23.

Chu W 2011. Family ownership and firm performance: Influence of family management, family control, and firm size. *Asia Pacific Journal of Management*, 28(4): 833-851.

Colli A, García-Canal E, Guillén MF 2013. Family character and international entrepreneurship: A historical comparison of Italian and Spanish new multinationals. *Business History*, 55(1): 119-138.

Cruz C, Nordqvist M 2012. Entrepreneurial orientation in family firms: A generational perspective. *Small Business Economics*, 38(1): 33-49.

Discua Cruz A, Howorth C, Hamilton E 2013. Intrafamily entrepreneurship: The formation and membership of family entrepreneurial teams. *Entrepreneurship Theory and Practice*, 37(1): 17-46.

Dess GG, Pinkham BC, Yang H 2011. Entrepreneurial orientation: Assessing the construct's validity and addressing of its implications for research in the areas of family business and organizational learning. *Entrepreneurship Theory and Practice*, 35(5): 1077-1090.

Fairlie R, Robb A 2007. Families, human capital, and small business: Evidence from the characteristics of business owners survey. *Industrial and Labor Relations Review*, 60(2): 225-245.

Fan T, Phan P 2011. International new ventures: Revisiting the influences behind the 'born-global' firm. *Journal of International Business Studies*, 38(7): 1113-1131.

Fernández Z, Nieto MJ 2005. Internationalization strategy of small and medium-sized family businesses: Some influential factors. *Family Business Review*, 18(1): 77-89.

Graves C, Thomas J 2006. Internationalization of Australian family businesses: A managerial capabilities perspective. *Family Business Review*, 19(3): 207-224.

Graves C, Thomas J 2008. Determinants of the internationalization pathways of family firms: An examination of family influence. *Family Business Review*, 21(2): 151-167.

Gunasekaran A, Rai BK, Griffin M 2011. Resilience and competitiveness of small and medium size enterprises: An empirical research. *International Journal of Production Research*, 49(18): 5489-5509.

Holt DT 2012. Strategic decisions within family firms: Understanding the controlling family's receptivity to internationalization. *Entrepreneurship Theory and Practice*, 36(6): 1145-1151.

Hu R, Shieh CJ 2013. Effects of overseas investment on core competence: From the aspect of corporate culture. *Anthropologist*, 16(3): 465-471.

Kellermanns FW, Eddleston KA 2006. Corporate entrepreneurship in family firms: A family perspective. *Entrepreneurship: Theory and Practice*, 30(6): 809-830.

Kontien T, Ojala A 2012. Internationalization pathways among family-owned SMEs. *International Marketing Review*, 29(5): 496-518.

Lin W 2012. Family ownership and internationalization processes: Internationalization pace, internationalization scope, and internationalization rhythm. *European Management Journal*, 30(1): 47-56.

Liu Y, Lin W, Cheng K 2011. Family ownership and the international involvement of Taiwan's high-technology firms: The moderating effect of high-discretion organizational slack. *Management of Organization Review*, 7(2): 201-222.

Lumpkin G, Brigham K, Moss T 2010. Long-term orientation: Implications for the entrepreneurial orientation and performance of family business. *Entrepreneurship and Regional Development*, 22(3): 241-264.

Lungeanu R, Ward J 2012. A governance-based typology of family foundations: The effect of generation stage and governance structure on family philanthropic activities. *Family Business Review*, 25(4): 409-424.

Marchisio G, Mazzola P, Sciascia S, Miles M, Astrachan J 2010. Corporate venturing in family business: The effects on the family and its members. *Entrepreneurship and Regional Development*, 22(3): 349-377.

Mazzola P, Marchisio G, Astrachan J 2008. Strategic planning in family business: Apowerful developmental tool for the next generation. *Family Business Review*, 21(3): 239-258.

Molly V, Laveren E, Jorissen A 2012. Intergenerational differences in family firms: Impact on capital structure and growth behavior. *Entrepreneurship Theory and Practice*, 36(4): 703-725.

Naldi L, Nordqvist M, Sjoberg K, Wiklund J 2007. Entrepreneurial orientation, risk taking, and performance in family firms. *Family Business Review*, 20(1): 33-47.

Nordqvist M, Melin L 2010. Entrepreneurial families and family firms. *Entrepreneurship and Regional Development*, 22(3): 211-239.

Okoroafo S, Koh A 2010. Family businesses' views on internationalization: Do they differ by generation? *International Business Research*, 3(1): 22-28.

Patel V, Pieper T, Hair J 2012. The global family business: Challenges and drivers forcross-border growth. *Business Horizons*, 55(1): 231-239.

Puig N, Perez P 2009. A silent revolution: The internationalisation of large Spanish family firms. *Business History*, 51(3): 462-483.

Roida H, Sunarjanto N 2012. Family ownership type and the international involvement of SMEs: Empirical study of agency theory in East Java Indonesia. *Chinese Business Review*, 11(2): 224-232.

Schjoedt L, Monsen E, Pearson A, Barnett T, Chrisman J 2013. New venture and family business teams: Understanding team formation, composition, behaviors, and performance. *Entrepreneurship Theory and Practice*, 37(1): 1-15.

Sciascia S, Maxxola P, Chirico F 2013. Generational involvement in the top management team of family firms: Exploring nonlinear effects on entrepreneurial orientation. *Entrepreneurship Theory and Practice*, 37(1): 69-85.

Segaro E 2012. Internationalization of family SMEs: The impact of ownership, governance, and top management team. *Journal of Management and Governance*, 16(1): 147-169.

Short J, Payne GT, Brigham K, Lumpkin GT, Broberg J 2009. Family firms and entrepreneurial orientation in publicly traded firms: A comparative analysis of the S and P 500. *Family Business Review*, 22(1): 9-24.

Sirmon D, Arregle J, Hitt M, Webb J. 2008. The role family influence in firms' strategic responses to threat of imitation. *Entrepreneurship Theory and Practice*, 32(6): 979-998.

Tsao S, Lien W 2013. Family management and internationalization: The impact on firm performance and innovation. *Management International Review*, 53(1): 189-213.

Yildirim H, Saygin S 2011. Effects of owners' leadership style on manufacturing family firms' entrepreneurial orientation in the emerging economies: An empirical investigation in Turkey. *European Journal of Economics, Finance, and Administrative Sciences*, 32(11): 26-32.

Yordanova D 2011. Entrepreneurial orientation in the family and non-family firms: Evidence from Bulgaria. *International Journal of Economic Sciences and Applied Research*, 4(1): 185-203.

Zahra S 2003. International expansion of U.S. manufacturing family businesses: The effect of ownership and involvement. *Journal of Business Venturing*, 18(1): 495-512.

Zellweger T, Sieger P 2012. Entrepreneurial orientation in long-lived family firms. *Small Business Economics*, 38(1): 67-84.

Zellweger T, Nason R, Nordqvist M 2012. From longevity of firms to transgenerational entrepreneurship of families: Introducing family entrepreneurial orientation. *Family Business Review*, 25(2): 136-155.

Zhang X, Venus J, Wang Y 2012. Family ownership and business expansion of small and medium sized Chinese family businesses: The mediating role of financing preference. *Journal of Family Business Strategy,* 3(1): 97-105.