Family-related Factors and Export Intensity

Rob Erven MSc
Windesheim
Louise van Weerden MSc
Lectoraat Internationale handel voor het MKB
Dr. Erik Wierstra
Lectoraat Kennisinnovatief Ondernemerschap

Introduction

The intensifying globalization of the world's economics leads to growing international business involvement particularly for SMEs (Morgan and Katsikeas, 1997). From the various modes of internationalization like joint-ventures, foreign production, imports and international strategic alliances, exporting is considered to be the most common foreign market entry mode (Reynolds, 1997) among SMEs given the low operational resource commitment and the opportunity to grow with minimal business risk (Young et al, 1989).

In this paper the relationship between family-related factors and family firms' export intensity in Dutch SMEs will be analyzed. Main inspirers for this research are the works of Graves and Thomas (2008), Flören (2001) and Claver, Rienda and Quer (2009). Based on the results of their study, Claver, Rienda and Quer acknowledge limitations of their research which could be due to defining international commitment, referring to the Uppsala model (Johanson, Vahlne, 1977), as the choice of several foreign entry modes involving different degrees of resource commitment: exports, contractual agreements (agents, distributors), joint-ventures and wholly owned subsidiaries. In this study we will relate the independent family-related variables to export intensity: the share of export turnover in comparison to the total turnover.

In addition to the research study of Claver, Rienda and Quer the ability to develop organizational capabilities when exports are growing and the international competences of a family firm's CEO, will also be related to export intensity.
In this empirical research a sample of Dutch SMFEs, active in exports, will be (statistically) analyzed, examining these relationships.
In this research study, the following definition of family business will be used:

- a majority of the capital is in the hands of one or more families;
- at least two family members are involved in the company governance.

Firms with only one employee being the director of the firm at the same time, will not be part of this research. SMFEs in Dutch economy are family firms with 2 to 250 employees.

First model

Claver, Rienda and Quer (2009) use in their work several determinants in relation to family firm's international commitment: risk aversion, family generation, long-term vision, family members in other countries, nonfamily managers and self-financing.

In analogy with the hypotheses formulated by Claver, Rienda and Quer, the hypotheses in this first model are:

Hypothesis 1	Risk aversion in family firms reduces export intensity
Hypothesis 2	The number of family generations increases export intensity
Hypothesis 3	A long-term vision in family firms increases export intensity
Hypothesis 4	Presence of family members abroad increases export intensity
Hypothesis 5	Presence of nonfamily managers in family firms increases export intensity
Hypothesis 6	Self-financing in family firms reduces export intensity

Table 1: Hypotheses Model 1

Second model

International competences

In the context of global competition, managers not only have to deal with different nationalities, languages and cultures but they also face an increasing complexity of organizational structures, innovations in information and communication technology and accelerated product life cycles (Mendenhall, Kuhlmann and Stahl, 2001). This implies that international competences of managers are important for commercial transactions and maintaining international business relationships. Consequently, globally competent managers are essential in the success of internationalizing SMEs as illustrated by the research on fast growing firms (Van Essen en Meijaard, 2009) stating that 74% of the companies employ international experienced managers.

In the work of Vonk international competences consist of three dimensions: knowledge, capabilities and personal characteristics (Vonk, 2006). Knowledge of foreign languages, business cultures and markets are especially mentioned. Commercial and communication skills and experience with internationalization (e.g. having an international network) are also important, as well as an international attitude. Flören stated that affinity, involvement and experience of the family firm's CEO with exports is important for internationalization (Flören, 2001).

In view of the above, the following questions arise: how important are CEO's international competences in SMFE? *Is it essential that a CEO has international competences when a company is active in exports? Or is a shortcoming in CEO's international competences compensated by one or more employees who do have these competences?*

With the knowledge that many CEOs in SMFEs are member of the family firm, we add a new determinant to the first model and study the importance of the CEO's international competences for the internationalization process.
The hypothesis is:

- H7: CEO's international competences in family firms increase export intensity.

Organizational capabilities at growing exports

Graves and Thomas (2008) identify another determinant, namely the ability to develop the organizational capabilities required for internationalization. When exports are growing, there will be a need for adjustment of the organization at different levels. For example, at the production level, some investments in production facilities could be necessary to increase the capacity. At management level, especially in small enterprises, specific know how and experience on e.g. international contracts, logistics or languages helps to handle all work related to exports. Having the internal organization managed with the export activities is seen by SME entrepreneurs as an important condition for successful internationalization (Van Essen en Meijaard, 2009) and hence will be added to the model.
The hypothesis is:

- H8: The ability to develop organizational capabilities with international growth in family firms increases export intensity.

The six hypotheses in Table 1 in are final model are extended with the above mentioned hypotheses H7 and H8.

Methodology

In order to stay as close as possible to the questionnaire of Claver, Rienda and Quer, the Spanish questionnaire was translated by a professional translator. The new variables were added to the questionnaire.

To be sure that all export managers understood H7 "international competences" in the same way, four well known examples of international competences were added: foreign languages, knowledge of international markets, knowledge of international business cultures and the availability of international networks.

Problems arose with the operationalisation of the hypothesis H8 'ability to develop organizational capabilities at international growth in family firms increases export intensity.' Testing the questionnaire resulted in the feedback that this question was not clear. In the questionnaire the question is rephrased by:

- How important is it to you to adjust the business organization to growing exports? (on a scale from 1 = not important at all, to 5 = very important)

A face to face survey was conducted with Dutch SMEs in November and December 2011.

A sample of family firms in the Dutch SME was received with n = 102 companies..

The following variables are used in the survey:

Variable	**Measurement level**	**Dependent/Independent**
Firm size: number of employees (log)	Ratio	Independent
International experience: number of export countries (log)	Ratio	Independent
Risk aversion: 5-point Likert scale	Ordinal	Independent
Family generation	Ordinal	Independent
Long- term vision: 5-point Likert scale	Ordinal	Independent
Family members abroad: 5-point Likert scale	Ordinal	Independent
Nonfamily managers: dichotomous [1, 2]	Nominal	Independent
Family funds: 5-point Likert scale *Profit reinvestment:* 5-point Likert scale	Ordinal	Independent
International competences: 5-point Likert scale	Ordinal	Independent
Ability for adjustment: ability to develop organizational capabilities at international growth: 5-point Likert scale	Ordinal	Independent
Export intensity	Ratio	Dependent

Table 2 Dependent, independent variables and measurement level

Note: 5-point Likert scale with 1 = not important at all, to 5 = very important

Used control variables are

- firm size (lognormal). In research about family firms and internationalization firm size is an influential control variable (Arteaga Ortiz, 2009). Flören found (Flören, 2010) that a lot of Dutch family firms have 2 till 10 employees, significantly more than nonfamily firms.

- International experience: the number of export countries (lognormal), anticipating at the difference in export experience between the family firms in Dutch SME (Flören, 2001).

The data will be analyzed by means of hierarchic multiple regression.

Conclusions and Discussion

In both models there is no statistical evidence for a relationship of risk aversion with export intensity. So hypothesis 1 is not supported. Remarkable is that this is in line with the results of Claver, Rienda and Quer, who recommend further research on this issue. In the work of Basley (2007) there was no evidence of direct influence of conservatism of family SME and the level of internationalization knowledge. Combining this with Papadopoulos conclusion that there is a significant relationship between international commitment and international performance, (Papadopoulos, Martín, 2010) this could possibly be evidence why hypothesis 1 is not supported.

There is also no statistical prove for a relationship between family generation and export intensity in both models. Hypothesis 2 is not supported, just like the conclusions in the model of Claver, Rienda and Quer. Motivation of this result according to Claver, Rienda and Quer is that the generational transfer process is not always easy, the different interests of family may diffuse the influence of family generation on the internationalization process. Also Graves and Thomas (2008) found in qualitative research that family generation does not influence the internationalization process.

The positive influence of a long-term vision on export intensity is supported by statistical evidence in both models (hypothesis 3), just like in the model of Claver, Rienda and Quer. The importance of a long-term vision seems to be a vital element in the internationalization models.

The importance of presence of family members in an export country and its influence on export intensity (hypothesis 4) is significant at the 5% level of significance in model one; but only at the 10% level of significance in model two. In the results of Claver, Rienda and Quer the maximum level of significance was 5% with the result that there is no significance, so there is a difference with model 1; it is not clear if there is a difference with model 2.

The relationship of presence of nonfamily managers and export intensity is not significant in both models, in contrast to the conclusions of Claver, Rienda and Quer. There is no statistical prove for hypothesis 5. Cross-national business cultures may explain this difference (Hofstede, 1994).

In hypothesis 6 two variables are involved: the importance of family funds and the importance of profit reinvestment. The hypothesis that family funds is negatively related to export intensity is not supported; the hypothesis that profit reinvestment is negatively related to export intensity is supported. In the research of Claver, Rienda and Quer family funds is significant at the 5% level of significance, but profit reinvestment not. This different conclusion is remarkable and could be interest of further research. Possible explanation could be found in the financial crisis that started in 2008.

The relationship of CEO's international competences and export intensity (hypothesis 7) is not supported with statistical evidence. Possible explanation could be that the presence of an export manager compensates the lack of CEO's international competences. In several small companies the CEO and the export manager are one person, the lack of CEO's international competences could have a negative influence on export intensity. But there are also many firms in our research with two different persons for the CEO and the export manager. This difference could diffuse the relationship of CEO's international competences and export intensity.

The last hypothesis 8 about the relationship of the ability for developing organizational capabilities when exports are growing and export intensity is not supported. Important reason for this is that almost all companies think that this ability is important with the effect that there is no significance with export intensity. So it would be better to rephrase the question in the actual ability instead of the importance of the ability for developing organizational capabilities when exports are growing.

Future Research

Because of the comparison our independent variables are the same as in the research of Claver, Rienda and Quer. But during the research attention was paid to the operationalization of these variables. The question about the presence of a nonfamily manager focuses on an actual situation in a family firm. But the other six variables are operationalized by questioning about the *importance* of a certain aspect, but not about the actual or *perceived* situation of this aspect. For future research this gives the idea for operationalizing all independent variables in an actual or perceptual way versus an ideal way. These two approaches could result in different conclusions, because the actual or perceived situation and the ideal situation can be different.

Another limitation and recommendation for future research is the question about the CEO's international competences. There is only one question with four examples of international competences to make the concept of international competences clear. But it will be better to elaborate on these competences to get a more detailed view of the relation of international competences and export intensity.

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