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Internationalization of Family Businesses: The Effect of Institutional Environment

By

Elham Kalhor

Dissertation

Submitted in Partial Fulfillment of the Requirements for the Degree of

PhD in Business Economics

Department of Business and Management

University of Southern Denmark

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Dedication

To my rock, my hero, my best friend, my mom, Simin. There are not enough words to show my appreciation for you. Without your endless love and support, I couldn’t imagine of coming this far. You are sorely missed every day, every minute and every second.

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Abstract

This dissertation contributes to the cross-section of international business and family business studies. It is undisputed that family businesses are important economic and social actors. Yet, studies in the context of family business internationalization fail to tackle fundamental questions on the drivers of family firms' strategies and performance, including the effects of institutions on family firms' internationalization. Internationalization is considered a high risk (high reward) business strategy and family firms and nonfamily firms approach such activities differently due to differences in their objectives as well as their attitude towards risk. International business studies are mainly based on economic theories that tend to overlook the non-economic elements associated with family-type governance. Comparative analyses that use firm-level characteristics only seem to arrive at conflicting results. The country-level and contextual variables could provide a more conclusive view on the factors that support or hamper family firm internationalization. Hence, the institutional perspective is an appropriate framework to reconcile international business studies with family business studies as it accounts for both economic and social institutions.

This dissertation is based on four papers that together make up the contribution of this dissertation as a whole. The first paper conceptually examines how home country institutions and processes play an essential role in the internationalization of family firms. The second paper compares the internationalization of family businesses vis-a-vis nonfamily firms in four developing countries, namely, Egypt, Madagascar, Morocco and, Turkey. The third paper of this dissertation examines the impact of country context, more specifically of culture, on family business internationalization in China, Iran and, Sweden. Lastly, these investigations are followed by a systematic literature review on studies incorporating formal and informal institutional factors regarding family business internationalization.

The first paper has conceptually examined how home country institutions and processes play an essential role in family firms' internationalization. The quantitative research design, pertaining to the second and third papers, constitutes a regression analysis that lends itself to a comparative approach among different countries and contexts. The common ground among the four papers is the focus on the effects of various institutional environments on family and nonfamily businesses internationalization. Overall, the findings indicate that the internationalization of family businesses can be promoted by a combination of relevant formal and informal institutions so that economic and noneconomic objectives align.

Resumé

Denne afhandling bidrager til studier indenfor internationale og familieejede virksomheder. Familieejede virksomheder er uden tvivl vigtige økonomiske og sociale aktører. Alligevel lykkes det ofte ikke for studier af familieejede virksomheders internationalisering at tackle helt grundlæggende spørgsmål omkring, hvad der driver de familieejede virksomheders strategier og performance - inkl. sociale institutioners effekt på deres internationalisering.

Internationalisering betragtes som en højrisiko (høj belønning) forretningsstrategi, og både familieejede og ikke-familieejede virksomheder har forskellige holdninger til internationalisering afhængigt af deres mål og deres risikovillighed.

Internationale virksomhedsstudier er primært baseret på økonomiske teorier, som kan have en tendens til at overse de ikke-økonomiske faktorer, der er forbundet med familieledelse. Komparative analyser, som baserer sig på firmabaserede karakteristika synes at nå til modstridende resultater, mens de lande-baserede og kontekstuelle variabler giver en mere overbevisende tilgang til, hvilke faktorer, der understøtter eller hindrer de familieejede virksomheders internationalisering. Derfor er det institutionelle perspektiv, som redegør for både økonomi og sociale institutioner, en formålstjenlig tilgang til at kombinere internationale virksomhedsstuder og studiet af familieejede virksomheder.

Denne afhandling består af fire artikler, som tilsammen udgør afhandlingen. Første artikel undersøger konceptuelt, hvordan hjemlandets institutioner og processer spiller en central rolle i internationaliseringen af de familieejede virksomheder. Anden artikel sammenligner internationalisering af familieejede virksomheder og ikke-familieejede virksomheder i fire udviklingslande: Ægypten, Madagaskar, Marokko og Tyrkiet. Tredje artikel undersøger effekten af den nationale kontekst, mere specifikt kulturens indflydelse på familieejede virksomheders internationalisering i henholdsvis Kina, Iran og Sverige. Endelig følges disse undersøgelser op af en systematisk litteraturoversigt over studier, som har inkorporeret

formelle og uformelle institutionelle faktorer i forbindelse med familieejede virksomheders internationalisering.

Den første artikel undersøgte konceptuelt, hvordan hjemlandets institutioner og processer spiller en central rolle i familieejede virksomheders internationalisering. Det kvantitative undersøgelsesdesign i anden og tredje artikel udgør en regressionsanalyse, som giver et komparativt blik på en række lande og kontekster. Det fælles omdrejningspunkt for de fire artikler er fokus på forskellige institutionelle og kulturelle omgivelsers effekt på familie- og ikke-familieejede virksomheders internationalisering.

Generelt indikerer resultaterne, at internationalisering af familieejede virksomheder kan styrkes gennem en kombination af relevante formelle og uformelle institutioner, så de økonomiske og ikke-økonomiske mål afstemmes.

List of Publications

This dissertation is based on the following four papers (numbered as they are referred to throughout the dissertation):

1. Kalhor, E. & Strandskov J. (2021). "Family Firms' Internationalization: The Importance of Home Country Institutions", In: *Leppäaho T., Jack S. (eds) The Palgrave Handbook of Family Firm Internationalization.* Palgrave Macmillan, Cham. https://doi.org/10.1007/978-3-030-66737-5_16
2. Kalhor, E. & Yassine, S. (2021). "Internationalization and family and nonfamily governance of businesses in developing countries: a comparative study in Egypt, Madagascar, Morocco and Turkey", *European Journal of International Management,* 16(2), 276-293. https://doi.org/10.1504/EJIM.2021.117119
3. Liu, Y. & Kalhor, E. (under second review). "Internationalization of family businesses in Sweden, China and Iran", *European Journal of International Management* (SI).
4. Kalhor, E. (under revision). "Institutional Effects on Family Business Internationalization: A Systematic Review", *The German Journal of Economic Geography*.

In addition to the above papers, the author has contributed to the following publications, though not included into this dissertation:

5. Kalhor, E. & Ghalwash, S. (2020). "Innovation mediating and moderating internationalization in family and nonfamily businesses: embeddedness in Egypt, Madagascar, Morocco and, Turkey". *Sinergie Italian Journal of Management*, 38(2), 91-111. https://doi.org/10.7433/s.112.2020.05
6. Kalhor, E. & Adsbøll Wickstrøm, K. (Under review). "Are family businesses frequently born global? Embeddedness in the family business institution" *The German Journal of Economic Geography*.

7. Ashourizadeh, S. & Kalhor, E. (2021). "Pull of opportunity and push of necessity on family businesses and nonfamily businesses: Embedded in society in Egypt, Madagascar, Morocco and Turkey", *European Journal of International Management*, 16(2), 222-238. https://dx.doi.org/10.1504/EJIM.2021.117117
8. Kalhor, E., Ashourizadeh, S., & Schøtt, T. (2019). "An experiment of institutional change in the ecosystem of entrepreneurship: easing sanctions against Iran", *European Journal of International Management*, 13(4), 435-453. https://dx.doi.org/10.1504/EJIM.2019.100811
9. Liu, Y., Kalhor, E., Huezo-Ponce, L. & Schøtt, T. (Work in progress). "The institution of family business in Latin America: the role of culture in internationalization of family businesses"

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Chapter 1. Introduction

1.1. Motivation and background

Early research in international business studies began with multinational corporations and has advanced to broader theoretical and empirical investigations into internationalization (Cheong et al., 2015). Although early studies focused on multinational organizations and their achievements, internationalization still matters for all firms as a strategic choice of expansion and risk diversification (Cheong et al., 2015). Recently, there has been a significant research interest in internationalization in the family business context (Arregle et al., 2017; Casprini et al., 2020; Kontinen &Ojala ,2010). This interest is based on the observation that internationalization presents family firms with exclusive opportunities and threats. However, research in family business internationalization is in its nascent stage compared to general management literature (Casprini et al., 2020).

Although family businesses dominate the world economy, the international business studies have been slow to adopt the internationalization of family businesses as an established area of research (Arregle et al., 2021). A possible reason is that the majority of international business studies are based on the core economic theories that don't distinguish between family and nonfamily businesses and tend to overlook special features and characteristics of family firms (Arregle et al., 2021; Kano et al., 2021). Johansson et al. (2020) discuss why family businesses are overlooked by economic theory: 1) A historical lack of paradigmatic pluralism in the field of economics; in that, economics mainly revolves around neoclassic paradigm and ignore other alternatives or paradigms. 2) The majority of entrepreneurs are family businesses. However, the mainstream economics has excluded entrepreneurship due to incompatibility with the axioms of most economic theories, e.g., disruptive entrepreneurship (Baumol, 1968). Hence family business has been neglected in economics because of its close link to entrepreneurship. 3) Path dependency in research, meaning that research tends to be self-replicating and the same knowledge is reinforced along the way. In the same way, the family business could be

dismissed in favor of well-established topics in economic research 4) the lack of empirical data on family firms. While economics research applies large-scale data and uses empirical analysis, large-scale data on family firms is unavailable.

Microeconomic theories are based on utility maximization. However, whereas those theories can account for different utility functions for customers, i.e., based on their socio-economic profiles, they fall short of modeling intricacies of ultimate decision-makers in family-governed firms, i.e., family owners (Johansson et al., 2020). From the microeconomics perspective, firms' only objective is profit maximization. In family business studies, on the other hand, it is accepted that non-economic objectives often guide business decisions in family firms (Berrone et al., 2010; Gómez-Mejía et al., 2007; Gómez-Mejía et al., 2010; Miller et al., 2015). As a result, microeconomics falls short of correctly modeling family firms' decisions and strategies (Johansson et al., 2020). Family firms are characterized by their Socioemotional Wealth (SEW) (Gómez-Mejía et al., 2007; Gómez-Mejía et al., 2010) in that non-economic objectives and owners' preferences influence family business decisions and outcomes. Family owners act altruistically toward family members by using firms' resources. They tend to cultivate family values, satisfy the need for belonging and intimacy, and build a family-related reputation (Kano & Verbeke, 2021; Kotlar, 2012).

In addition, the main assumption in most, if not all, macroeconomic theories are the homogeneity of the firms. As a result, most macroeconomic theories assume no difference between family and nonfamily firms. However, family firms respond differently to shocks and policies (Soluk et al., 2021); for example, family firms have different financing and human resource management mechanism than nonfamily firms (Bornhäll et al., 2016; Johansson et al., 2020). As a result, similar to microeconomics, macroeconomics also falls short of modeling family firms and consequently a significant portion of the supply market (Johansson et al., 2020). Accordingly, conventional economic-based theories of internationalization

(prominently, the transaction cost approach) ignore the non-economic elements associated with family-type governance (Arregle et al., 2021; Kano & Verbeke, 2021).

Institutional context is a prominent subject in international business studies and can explain underpinning institutions shaping firms' internationalization behaviors and performance (Peng et al., 2008). The institutional perspective is an appropriate framework to reconcile international business studies with family business studies as it accounts for both economic and social institutions. The former is concerned with the efficient macro-level institutional framework, and the latter refers to isomorphic pressures arising from norms and values (North, 1990; DiMaggio & Powel, 1983). Hence, institutional theory lends itself to integrating economic considerations from the international business realm with the non-economic aspect of family business studies.

Due to their unique features, family firms interact with the institutional environment differently than other types of businesses (Casillas & Moreno-Menéndez, 2017; Soleimanof et al., 2018). Family businesses depend on family resources such as capital and network; as a result, they are less dependent on formal institutions that support organizations to acquire capital or secure property rights among different generations (Soleimanof et al., 2018). On the other hand, the role of informal institutions is more salient for family firms' outcomes and behaviors (Basco et al., 2019; Berrone et al., 2020). The reasoning lies in preference to preserving socioemotional wealth, social capital, and family business legitimacy, all of which arise from informal institutions (Berrone et al., 2020; Soleimanof et al., 2018).

Arregle et al. (2017) specifically highlight the effect of formal and informal institutions on family businesses' internationalization. They explain that the internationalization of family firms is highly context-dependent, and various formal and informal institutions impact international operations in family-controlled firms (Arregle et al., 2017; Kalhor & Strandskov, 2021). Hence, institutional factors may elaborate on the long-lasting mixed empirical results in

the intersection of family governance and internationalization (Arregle et al., 2017). Still, very few studies have examined how the interaction between family businesses and their surrounding institutional environment shapes the internationalization of family firms (Kalhor & Strandskov, 2020). This poses a knowledge gap at the intersection between the family business and international business studies. Furthermore, a cross-country analysis using a comparative approach to examine the effects of formal and informal institutions on family business internationalization is called for (Arregle et al., 2017).

Formal institutions refer to the written rules that define the legal framework and supporting apparatuses, such as utilities, labor market, and monitoring structure (North,1990). Prior studies often rely on formal institution arguments to explain variation in family business prevalence, performance, and strategies (e.g., Carney, 2005; Liu et al., 2012; Sorensen, 1986). They argue that family businesses are a prevalent type of firm in less-developed contexts to respond to underdeveloped formal institutions. This stream of research poses that family firms' prevalence and strategic choices are dependent on formal institutions. As a result, cross-country differences in family firms' prevalence and outcomes are due to different formal institutions. Family involvement presents several advantages to firms and counteracts the adverse effects of underdeveloped formal institutions by reducing agency and transaction costs (Soleimanof et al., 2018). For instance, hiring family members reduces the risk of agency cost, including principal-principal and principal-agent. Similarly, Webb et al. (2015) state that less developed formal institutions constrain the ability of firms to acquire resources through efficient market transactions and urges firms to rely on family ties to acquire and develop their resources. Nonetheless, it has not been specified whether the reliance on family ties and resources in the absence of solid formal institutions can also support family business internationalization endeavors in less developed countries (Kalhor & Yassine, 2021). In other words, just as institutional voids nurture the emergence of family businesses, whether or not less developed

contexts also encourage internationalization in family businesses over nonfamily businesses is unclear. Hence, there needs to be more work done on family business internationalization in less-developed contexts.

On the other hand, informal institutions entail societies' (unwritten) norms, values, and beliefs that define social legitimacy, which means being accepted by social standards and systems (North, 1990). Family business scholars have recently emphasized the role of informal institutions on family firms' prevalence and strategic choices (Berrone et al., 2020; Basco et al., 2019). The sociological aspects of institutions are more applicable in family business studies due to the correlation between Socioemotional Wealth as well as other non-economic goals of family businesses and informal institutions (Soleimanof et al., 2018).

Nonetheless, the effect of informal institutions on family firms' outcomes and strategies has received less attention than formal institutions (Berrone et al., 2021). The effect of cultural context on family business internationalization and performance is especially called for (Ramírez Solís et al., 2017; James et al., 2020). Only a few studies (Cesinger et al., 2014; Chiu, 2015; Del Bosco & Bettinelli, 2020) measure the cultural distance between the home and host countries based on Hofstede's cultural dimensions with respect to the speed of internationalization and mode of entry in family firms. However, the effects of the cultural context of the home country have rarely been addressed in the empirical studies of family business internationalization. For example, Verbeke & Kano (2021) develop a conceptual framework based on Schwartz's dual theory of cultural values to explain individual and social values leading to different levels of bifurcation bias as well as the degree of bifurcation bias that hurts family business internationalization.

This dissertation aims to contribute to the cross-section of international business and family business studies by exploring how home country institutional mechanisms shape family business internationalization. In addition, drawing on a comparative approach, we compare

internationalization between family and nonfamily businesses in less developed countries. Furthermore, we measure the effect of cultural contexts based on Inglehart's theory by using traditional vs. secular-rational culture on family business internationalization in different contexts. The ultimate objective is to pinpoint formal and informal institutional factors facilitating family businesses' successful internationalization.

In short, identifying relevant institutional elements leads to incorporating compensatory institutions that can potentially boost the family businesses' ability to overcome resource restrictions and other barriers repeatedly recognized by the literature in family firms' internationalization. (e.g., Allio, 2004; Arregle et al., 2017; Fernández & Nieto, 2006; Thomas & grave, 2008; Grassby, 2000; Gomez-Mejía et al., 2010; Sciascia et al., 2012; Verbeke & Kano, 2012).

1.2. Research Question

This desertion is guided by the following main question:

How do institutions at the home country shape family businesses' internationalization, worldwide?

The overall research question is divided into three sub-questions that address a specific aspect of the contextual influence on family firms' internationalization:

i. How do home country institutions influence family firms' internationalization? And how do the institutional mechanisms affect and potentially delimit the internationalization of family firms?
ii. How does family business internationalization differ from nonfamily firms in developing countries?

iii. How do family and nonfamily internationalization differ in traditional vs. modern societies?

These investigations are followed by a systematic literature review on studies incorporating formal and informal institutional factors regarding family business internationalization.

1.3. Conceptualization of family business

A fundamental issue in family business studies is the variety of family business definitions. This issue was raised in the first issue of the editorial note of Family Business Review (Landsberg et al., 1988), where the editors posed the question on the definition of the term "family business" (Chua et al., 1999; De Massis et al., 2012). In early 1989, Handler claimed that defining a family business is the first significant challenge in the family business study. Until today, this topic is an open dialogue yet an essential part of any family business research. There are some agreements on two broad definitions of the family business (Steiger et al., 2015; De Massis et al., 2012, Basco, 2013). First, a definition based on components of family involvement in the business, AKA the demographic approach (Basco, 2013), considers that ownership, management, and governance by family members is necessary for the family to influence essential business outcomes (Basco, 2013, Steiger et al., 2015; De Massis et al., 2012). The second definition is based on the essence of family influence on the business (Basco, 2013, Chrisman et al., 2005). It argues that the primary difference between family and nonfamily businesses is not a family's involvement but rather its behavior and aspiration to be a family business. Basco (2013) recognizes two streams of research regarding the identification of family firms according to the essence of family influence, namely, socioemotional wealth and Familiness. The Familiness stream accounts for the bundle of resources and capabilities as well as the particular behavior of family businesses. Whereas, the socioemotional wealth stream refers to family businesses' motivations to behave differently and use specific resources and capabilities.

In this dissertation, following the demographic definition, a family needs to be involved in both ownership and management to be categorized as a family firm. The ownership factor of the demographic approach appears to be the most adopted in the literature (De Massis et al., 2012). Another essential criterion of family involvement is their share of management role. Most studies represent family business by using more than one criterion. It is accepted among family business researchers that these two dimensions, family ownership and, management, are critical for family members' legitimacy and power to influence the business (De Massis et al., 2012). Usually, multiple criteria are applied to divide sample firms into dichotomous family and nonfamily since the main aim is to address particularistic family firms' behavior compared to firms without family involvement (De Massis et al., 2012). Although this dichotomous division makes it difficult to integrate the results from different studies (De Massis et al., 2012), the choice of demographic approach serves the comparative nature of most analyses for this dissertation.

1.4. Brief introduction to papers and their linkage

1.4.1. Institutional mechanisms and family business internationalization

Literature has sporadically investigated the role of home and host country institutions on firm internationalization (Gaur et al., 2018; Li & Ding, 2017). Nonetheless, few studies have measured the influence of home country institutional factors on the internationalization of different ownership forms. (Estrin et al., 2015, Arregle et al., 2017), For instance, Hernández et al. (2018) examined the impacts of the institutional distance between home and host countries on decision-making in family and nonfamily firms pertaining to the choice of location. They mainly analyzed the effect of host country institutions and institutional distance between home and host country.

Some research on family firms' internationalization focuses on the ownership structure as a home country institutional factor and its effects on the internationalization process (e.g.,

Geppert et al., 2013; Luo et al., 2009; Panicker et al., 2019). Still, there is little to no investigation of how various contextual factors can moderate the effects of family ownership and management on the internationalization process. Identifying factors that promote or demote internationalization in family firms can be a breakthrough in family firms' studies, as generally, family firms tend to internationalize less than nonfamily businesses (e.g., Arregle et al., 2017; Fernández & Nieto, 2006; Graves & Thomas, 2006; Kontinen & Ojala, 2010; Sciascia et al., 2012; Verbeke & Kano, 2012; Gómez-Mejía et al., 2010)

This conceptualization paper contributes to international business and family business studies in several ways. Firstly, it extends the institutional perspective by exploring how home country institutions influence internationalization in family-owned firms. Secondly, we have adopted both a sociological and an economic perspective on institutions by 1) focusing on institutional mechanisms and pressure pertaining to the internationalization of family businesses (as irrational and path-dependent constraints of firms' decision alternatives), and 2) drawing on three pillars of institutions that specifically support or restrain family firms' internationalization, namely regulative, normative, and cognitive. We do so on the basis that there is a need to expand the research domain to include the importance of institutions and the institutional and legitimacy processes (Kalhor & Strandskov, 2021). Thirdly, we suggest seven specific home country institutions expected to have moderating effects on family firms' internationalization, namely (1) laws and regulations facilitating the business transfer, (2) associations of family businesses, (3) protection of minority shareholders, (4) generalized trust towards family business, (5) taxation of reinvested profits, (6) networks, and (7) culture. Some of these institutional factors have already been studied. However, we have identified and discussed additional home country institutions that have not yet been studied (Kalhor & Strandskov, 2021).

Adopting institutional economics and neo-institutional theory, this paper describes the internationalization of family firms. We have discussed three institutional mechanisms or pillars and isomorphic pressures arising from institutional environment driving and forming family firms' adoption of internationalization strategies vis-a-vis nonfamily firms-in certain common direction. Finally, the paper proposed a conceptual model that presents essential home country institutions that moderate family firms' internationalization.

1.4.2. Family business internationalization in less-developed contexts

Internationalization is a powerful instrument for less-developed countries to stimulate economic development and alleviate poverty (www.un.org). However, less-developed contexts face more challenges toward international operations (www.worldbank.org). The reasoning lies in inefficient, inadequate, and nontransparent logistic systems; weak institutions such as financial markets and technology; and imperfect regulatory mechanisms that discourage new investments (www.worldbank.org). Presumably, the institutional void is the main obstacle for international investment in less-developed countries. Nonetheless, prior research (e.g., Janko et al., 2007, 2008; La Porta et al., 1998; Jøsrgensen et al., 1986) suggests that the inefficient formal systems and control mechanism or institutional void in less-developed economies promote the emergence of family firms. The prevalence of family businesses in less developed contexts stems from particular advantages that families provide for businesses (Carney, 2005; Liu et al., 2012). For instance, family businesses' access to family resources such as network, capital, and labor make them less dependent on formal institutional development that supports nonfamily organizations to monitor the workforce, acquire capital, and secure property rights among different generations (Soleimanof et al., 2018). Specially, the trust-based interactions among family members is very valuable to overcome the institutional voids in less-developed contexts (Soluk et al., 2021).

Moreover, family firms' access to low-cost labor and low administrative overhead due to their direct supervision make them cost-efficient in underdeveloped economies. Concentrated ownership and management in a family cater to organizational propensities that benefit less developed economies and provide more latitude to decision-making and more flexibility in opportunistic investments (Carney, 2005). Family involvement in business reduces the risk of agency costs deriving from a lack of interpersonal trust, underdeveloped monitoring mechanisms, and inefficient labor (Soleimanof et al., 2018; Webb et al., 2015).

Since the family business has been pervasive in less developed countries, they exert a remarkable impact on the internationalization in these contexts (Zhou et al., 2019), and consequently, the economic development. However, previous studies have mainly analyzed the internationalization of family businesses in developed economies as well as China, and developing contexts have not been extensively studied concerning family firms' internationalization (Ray et al., 2018). Moreover, country context influences family business prevalence and strategic choices of internationalization (Berrone et al., 2020). Therefore, it is of great interest to investigate whether, in less-developed countries, family businesses internationalize more than nonfamily firms. (Kalhor & Yassine, 2021).

In sum, developing countries have significant importance for family business internationalization for three reasons; firstly, internationalization is a powerful instrument for economic development, particularly in less developed countries. Secondly, family firms are the prevalent type of business in developing contexts. Therefore, they have an essential role in economic growth in these economies. Lastly, research on the internationalization of family firms in developing countries is insufficient, and more needs to be done (Gaur et al., 2014; Rattan, 2014).

1.4.3. Family business internationalization in traditional and modern societies.

As mentioned before, some studies pose that formal institutions influence family businesses less than their nonfamily counterparts due to governance advantages that family brings to business (Li et al., 2012; Carney, 2005). However, informal institutions strongly influence family firms' performance (Soleimanof et al., 2018; Basco et al., 2019). A recent meta-analysis study by Berrone et al. (2020) identifies the role of informal institutions in family business prevalence, performance, and strategic choices. They explain that the endeavors of family business vis-à-vis nonfamily businesses can be promoted in countries where the family business institution is firmly embedded in informal institutions and tend to be constrained in countries with the weaker institution of the family business.

Furthermore, they introduced the concept of family business social legitimacy (FBL), which stems from informal institutions, including social orders, social relationships, and values. As a result, entrepreneurs prefer investing in family firms in countries with solid family business legitimacy, and family firms have higher support and funding and lower failure rates. These results underline the importance of informal institutions for family firms. Furthermore, their findings indicate a positive interaction effect of formal and informal institutions on family firms' performance, meaning informal institutions cannot be regarded as compensatory and substitute components for inefficient formal institutions. Instead, formal and informal institutions complement one another: they reinforce each other's effects on family firms' performance in an institutional system where formal and informal components are efficiently developed.

The impacts of informal institutions are specifically more prominent for family businesses due to the inherent inconsistencies between family and business systems. Family businesses are constantly challenged to prioritize between family norms and business norms (Landsberg, 1983). While family norms focus on family beliefs and values, business norms deal with efficiency and effectiveness (Soleimanof et al., 2018).

In addition, socioemotional wealth, which reflects the non-economic goals of family firms, is founded within informal institutions (Soleimanof et al., 2018). Besides, the reliance of family firms on social capital highlights the strong effect of informal institutions on family firms. Access to family ties and family social networks and flexibility to construct a long-term relationship with stakeholders provide a social capital advantage for family firms (over nonfamily firms) which arises from informal institutions (Soleimanof et al., 2018). Therefore, although formal institutions are effective elements for family businesses' strategic choices, informal institutions are also crucial (Berrone et al., 2020).

Consistent with the importance of informal institutions for family businesses' strategic choice of internationalization (Arregle et al., 2017), the third paper of this dissertation examines the impact of country context, more specifically of culture, on family business internationalization. Culture has been identified as an essential factor for family business performance (Basco et al., 2019). Basco et al. (2019, page 2) explicitly express that "culture may affect not only firm's entrepreneurial orientation and family resources but also the relationship between them and firm performance." More specifically, culture can be one of the fundamental forces driving the development of formal institutions (Mache, 2018; Jackson & Deer, 2008). Prior literature indicates that culture influences family values and norms, and consequently, family business behaviors (Basco et al., 2019; Mache, 2018). However, there are very few studies to measure the effect of culture on family firm internationalization (e.g., Verbeke & Kano, 2020). Notably, the analysis of the impact of culture on family business performance is often based on Hofstede's cultural dimensions (e.g., Basco et al., 2019; Debicki et al., 2019; Del Bosco & Bettinelli, 2020).

Although Hofstede's dimensions classify countries based on different social values, these dimensions cannot distinguish between family and business norms. Therefore, a cultural dimension that groups countries according to prevalent family values and business norms can

be more relevant to the family business context. This consideration leads us to apply a broader cultural dimension based on Inglehart's theory (1997). This dimension distinguishes family-orientated contexts that support family norms rather than business norms from those that promote business objectives more than family norms.

We heed scholars' call for research on the effect of culture on family businesses outcomes (James et al., 2020; Ramírez Solís et al., 2017). The third paper measures the moderating effect of country context by focusing on the impact of national culture on family vs. nonfamily internationalization across different countries.

1.5. Structure of the thesis

This dissertation contains four papers that, together, make up the contribution of this dissertation as a whole.

i. Chapter 2 presents the underlying theoretical foundations that guide this research and showcases theoretical frameworks to answer the research question in each paper.

ii. Chapter 3 represents the methodological design, including research philosophy, paradigmatic positioning, data sources, and methods of analysis.

iii. Chapter 4 includes four published/publishable journal articles. Each paper addresses a sub-research question.

iv. Chapter 5 summarizes the main findings and reflects on the four papers. Moreover, this chapter concludes with the overall theoretical contribution, practical and managerial implications, limitations, and suggestions for future research studies.

Chapter 2. Theoretical Background

2.1. Institutional theory

In 1959, Robert Solow developed the neoclassical growth model explaining that economic growth is directly related to the accumulation of the factors of production. Douglass North (1990) claimed that input factors are merely a proximate cause of growth. Instead he attributes the ultimate cause of growth to the incentive structures that encourage individual endeavors; boost investment in physical and human capital and new technologies, and facilitate higher productivity levels (Douhan & Henrekso, 2010). The rules of the game in a society or the institutional setup determine this incentive structure (North, 1990). Moreover, in recent years, institutions have been known to be the underlying factors guiding the strategic choices of organizations (Garrido et al., 2013; Peng et al., 2008), leading to either economic prosperity or decline.

William Baumol (1990) was a pioneer in studying the role of institutions in entrepreneurial behavior. He analyzed how social structure directs entrepreneurial talent to activities that may be productive, unproductive, or destructive. The critical conclusion from Baumol's analysis is that inefficient institutions constrain opportunities for social benefits by inhibiting productive entrepreneurship and can mislead entrepreneurial activities, thus resulting in lower aggregate productivity and social welfare. Generally, institutional perspective is rooted in institutional economic theory (North, 1990; Williamson, 1985) as well as sociological factors and neo-institutional organization theory (DiMaggio & Powell, 1983; Scott, 1995) incorporating the role of institutions in strategic management (Li & Ding, 2017; Peng et al., 2008).

Institutional theory underlines the influence of systems that embed organizations and consequently shape organizational decisions and behaviors (Scott, 2001). Whether formal or informal (Li and Dang, 2013), institutions are defined as human-devised constraints that drive and structure human interactions (North, 1990). Formal institutions refer to the written rules that define the legal framework and supporting apparatuses. Such as utilities, labor markets,

and monitoring structure, illustrating incentives to act legally or discourage illegal venues (Webb et al., 2015) by establishing a penalty system (Di Maggio & Powel, 1998). Informal institutions entail societal norms, values, and beliefs that define legitimacy. (North, 1990). As a result, legitimate organizations can more easily access resources and opportunities (Soleimanof et al., 2018). On the other hand, informal institutions are self-enforced, and violating them leads to losing legitimacy (Berrone et al., 2020). However, what is defined as legitimate may not be the same as efficient and/or effective (Soleimanof et al., 2018). Hence, both formal and informal institutions influence the profitability of economic actions through transaction and production costs, but they arise from different origins (Berrone et al., 2020).

By incorporating institutional theory into international business studies, scholars explain that internationalization strategy is not merely determined by ownership advantage (according to international business traditional theory) but, formal and informal institutional factors are of significant importance (Li & Dang, 2013, Peng et al., 2008). Furthermore, research on family businesses indicates that they have a unique interaction with their institutional environment (Arregle et al., 2017; Berrone et al., 2020; Soleimanof et al., 2018). More specifically, the internationalization of family businesses is highly context-dependent and driven by formal and informal institutions (Arregle et al., 2017; Berrone et al., 2020).

2.2. Family businesses and social legitimacy

Research family business context shows cross-country variation in family business prevalence, behavior, and strategic choices regarding international expansion (Basco et al., 2019; Berrone et al., 2020; Soleimanof et., 2018). Institutional theories have been primarily applied to explain these cross-country differences based on formal and regulatory institutions as necessary contingencies affecting family firms' strategies and performance (Berrone et al., 2020). However, the growing literature on the effects of institutional environment mainly compares family firms' behaviors and outcomes between less developed and developed societies (e.g.,

Carney 2005; Khanna & Yafeh, 2000; Liu et al., 2012; Luo & Chung, 2013; Peng & Jiang, 2010). In particular, research suggests that family businesses are a prevalent type of business in less developed economies with formal institutional voids (Djankov et al., 2007, 2008; Jøsrgensen et al., 1986; La Porta et al., 1998). Furthermore, family firms are more pervasive in less developed countries due to governance advantages that family provides for firms (Soleimanof et al., 2018). For instance, family involvement in business can decrease agency and transaction costs in systems with weak property rights and inefficient contract enforcement mechanisms (Webb et al., 2015). In sum, in less developed contexts, family involvement in business can "provide a level of trust, solidarity and available resources that is otherwise inefficient and risky to secure" (Webb et al., 2015, p. 120).

In addition to the effect of formal institutions on the prevalence and behavior of family firms, some studies (e.g., Berrone et al., 2020; Soleimanof et al., 2018) highlight the importance of informal institutions for family businesses performance and strategic choices. For instance, Soleimanof et al. (2018) explain the importance of informal institutions concerning the three specific characteristics of family businesses:

- Family firms have a contradictory situation caused by the conflict between family norms and business norms, for instance, "long-term generalized reciprocity of family vs. short-term balanced business reciprocity" (Stewart, 2003, p. 383). This conflict stems from informal institutions, and family firms constantly face dilemmas of prioritizing between family norms and business norms (Lansberg, 1983).
- Socioemotional wealth (SEW) or non-economic goals derive from informal institutions. Family firms strive to protect their SEW, and this desire to preserve SEW may influence family firms' decisions to diverge from economic rationality. SEW promotes family businesses' tendency to gain legitimacy among stakeholders, where

such legitimacy-seeking intentions can make family firms more sensitive to informal institutions and isomorphic pressures (Soleimanof et al., 2018)

- Family firms significantly rely on their social capital to overcome business obstacles. They benefit from family networks and historical and/or social ties with their communities. They also tend to construct long-term reciprocal relationships with their stakeholders. Hence, family firms benefit from social linkages and are more sensitive to social factors connected to informal institutions (Soleimanof et al., 2018)

Corresponding to the importance of informal institutions, Berrone et al. (2020) proposed that the mixed empirical results from family business studies arise, at least in part, from various informal institutions. They refuse the substitutional role of informal institutions—to make up for weak legal institutions— rather, they argue that family businesses emerge at the intersection of formal and informal components. They indicate that supporting informal institutions promotes family-centric goals within the range of choices offered by formal institutions. Berrone et al. (2020) defined the concept of family business legitimacy (FBL) deriving from informal institutions as follows:

FBL reflects the degree to which a country's environment is characterized by a set of social ordering systems, social relationships, and values that recognize the family firm as the basic unit of economic production and kinship ties – as the predominant conduit of social and economic exchange. (p. 2)

Accordingly, the level of FBL can determine the pervasiveness, performance, and strategic choices of family businesses apart and beyond relevant formal institutions (Berrone et al., 2020). Items that comprise the family business legitimacy index as proposed by Berrone et al., are listed in Table 2.1.

Table 2.1: Family Business Legitimacy Index make up (Adopted from Berrone et al., 2020, Appendix C)

Dimension	Item	Relative weight
Intergenerational survival orientation	A context where family is very important on people's life A context where religion is very important on people's life A context where people always love and respect their parents regardless of what qualities and faults of their parents are A context with low divorce rate A context where people agree that marriage is an up-to-date institution	0.25
Continuity orientation	future oriented culture collectivist culture A context where parents may inheritance wealth to a single child An uncertainty avoidance culture A high-power distance culture	0.24
Network-based relations	A context where people decide their goals based on other's expectations A context where government frequently show favoritism to well-connected firms and individuals when deciding and contracts A context where senior management positions in firms are generally hold by owners' relatives or friends A context with high embeddedness of the relation between the person and the group	0.21
In-group solidarity	A context where people only trust others they know personal A context where people only trust their families A context where people do not trust others they meet for the first time A context where people generally trust their neighborhood	0.21
Patriarchal domination	A context where people agree that women need to have children in order to be fulfilled A context where people agree that children need to have a home with both a father and mother to group up happily	0.09

2.3. Traditional culture and family business performance

According to Basco et al. (2019), cultural context matters specifically for family firms, as it can affect family and business systems as well as the linkage between the two. Furthermore, norms and values related to the family institution vary worldwide. For instance, patrilineal family patterns in Asia present different family models than the western countries with nuclear family patterns (Basco et al., 2019). Different norms and values influence the relation between family and business systems and alter managerial decisions and, consequently, entrepreneurial orientations and the development of family resources (Basco et al., 2019).

The study in the effect of culture mainly has adopted the Hofstede cultural dimensions (e.g., Basco et al., Debicki et al., 2019; Del Bosco & Bettinelli, 2020). Hofstede's cultural dimensions measure cross-country variability of individual values. However, they cannot classify countries based on the prevalence of family-centric values vs. business logic. Family logic is related to the sense of loyalty to family, obedience to parent's family-based source of legitimacy, parental authority, and uniformity of values in a family (Thornton, 2004). In contrast, business logic is concerned with legitimacy based on performance, authority based on merit and competency, values of economic success and self-interest, and norms of competition (Thornton et al., 2012).

The prevailing logic in a context shapes organizational behavior, governance choices, attitudes toward competition, and business performance and affects strategic choices (Miller et al., 2017). Therefore, research on the effects of cultural contexts in family business studies should adopt a cultural dimension that classifies countries based on predomination family logic, as opposed to predomination of business logic. This dimension can distinguish family-centric culture that cultivates family business emergence and shapes family business strategic choices such as internationalization. This cultural dimension is the "traditional culture", where the focus of action is the family (Li, 2020).

2.3.1. Inglehart theory of value change in modern societies

In 1997, Inglehart expressed that value change is a primary consequence of economic growth and technology development (Inglehart, 1997; Inglehart & Baker, 2000). The central assumption of Inglehart's theory of social change in modern societies holds that socioeconomic development is related to certain value orientations (Inglehart & Welzel, 2005). Inglehart classifies countries based on where they stand regarding the following two dimensions: (a) traditional vs. secular-rational dimension and (b) survival vs. self-express dimension.

Inglehart and Welzel (2005) devised a global cultural map based on these two dimensions. They demonstrated that economic development is strongly linked with societies' values and that the value systems of high-income (defined by the World Bank) countries are substantially different from those of lower-income countries. High-income countries tend to lean towards secular-rational values and self-express. In contrast, lower-income countries favor traditional values over secular-rational values and survival values over self-expression.

Between these two dimensions, the traditional vs. secular dimension is more relevant to the context of family businesses as well as this study. The traditional vs. secular-rational culture dimension assesses societies based on their deference to family values, patriarchy, and authority patterns. The importance of family is the prime theme in traditional societies. The primary value in traditional societies is respect for parents regardless of their behavior; conversely, parents must do their best for children, even at the cost of their wellbeing, and family is crucial to surviving. Traditional cultures have higher national pride levels, favor more authority, and accept national authority passively (Inglehart and Welzel, 2005).

Furthermore, social norms and values support the family institution in traditional systems, which is the central component of family businesses. In traditional societies, family logic

prevails rather than business logic. This cultural context enhances the performance of family businesses compared to nonfamily counterparts (Liu, 2020).

In contrast, secular-rational culture is more advantageous towards nonfamily businesses. Nonfamily firms pursue business logic and are less focused on family logic driven by kinship ties, altruism, and stewardship attitudes, which are core values in traditional societies (Liu, 2021). Secular-rational culture places less emphasis on family values and authority. It is mainly based on autonomy, rationality, and secularism. In secular-rational culture, social relationships are guided by cost and benefit and are primarily based on science and professionalism (Kalhor & Strandskov, 2021). Whereas traditional culture is more prevalent in Asia and Africa, secular-rational culture is more predominant in Europe and North America (Inglehart and Welzel, 2005).

To measure the predominance of the traditional vs. Secular-rational values in a country, Inglehart and Welzel use the following questions from the World Value Survey:

1- How important is God in your life? God is very important in traditional cultures.
2- Whether you think abortion can always be justified, never be justified, or something in between? According to traditional culture, abortion is never justified.
3- How proud are you of your nationality? Traditional values emphasize a sense of national pride.
4- Is greater respect for authority a good thing, a bad thing, or something you don't mind? In traditional cultures, people favor more respect for authority.
5- Among qualities children can be encouraged to learn at home, do you consider obedience and religious faith more important than independence and determination[1]?

[1] This value is measured by the autonomy index.

In traditional cultures, children are encouraged to learn obedience and religious faith than independence and determination.

The traditional vs. secular values index is then calculated by factor analysis. The factor loading for the above questions are 0.70, 0.61,0.60,0.51, and 0.61, respectively.

2.3.2. Family business legitimacy and traditional culture

Comparing Inglehart's traditional-oriented culture with Berrone's family business legitimacy index (FBL) reveals that countries with traditional values have strong family business legitimacy and vice versa. According to Berrone et al. (2020), FBL arises from social order systems, social relationships, and values embedded in society. In countries with solid FBL, social order systems are based on informal hierarchical arrangements and authority patterns (Berrone et al., 2020). Hence, social relationships are built on patriarchy, long-term social ties, and cultural values, such as deference, reciprocity, and saving face (Bertrand & Schoar, 2006). Such societies support leaders who follow patriarchal traditions and promote in-group collectivism (Berrone et al., 2020). These values are in line with traditional culture and opposite to the secular-rational culture. The value system of traditional societies recognizes family firms as constitutively legitimate and more favorable channels for managing and controlling firms. The FBL scores in 83 countries (Berrone et al., 2020) were graphed against their Inglehart cultural map (World Value Survey) to illustrate the consistency between the high FBL score and traditional culture (Figure 2.1). The graph shows that there is a correlation between the two indices (-0.63) – the negative correlation is due to the fact that the larger values for the traditional vs. secular index indicate more secularism. The correlation between the two indices is not surprising as there are similarities in the measurement of the two.

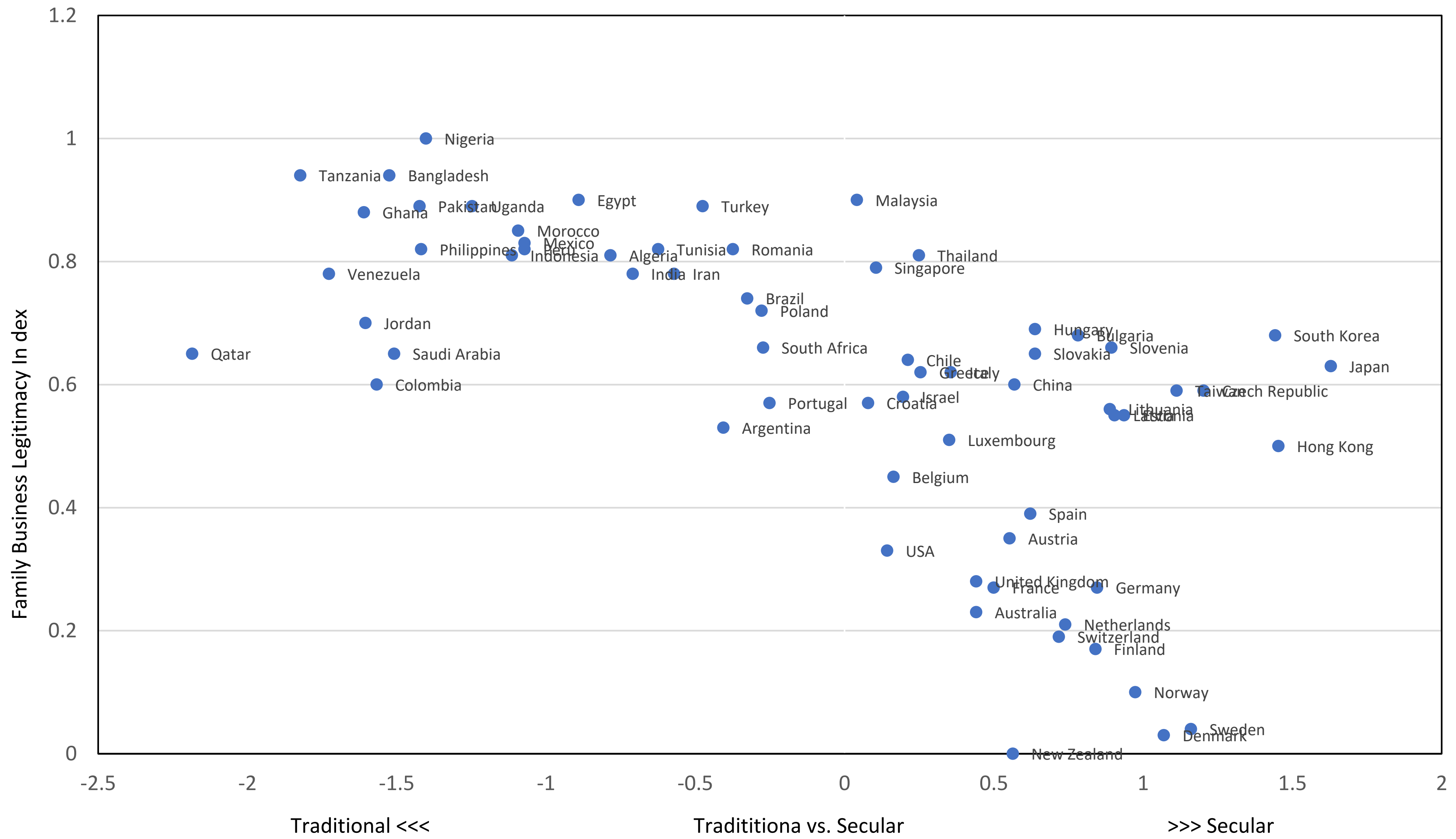

Figure 2.1: Correlation between family business legitimacy proposed by Berrone and Inglehart-Welzel traditional culture index

2.4. Family business internationalization and contextual environment

Along with the embeddedness of family businesses in a contextual environment, research particularly highlights the role of macro-institutions on strategic choices regarding internationalization of family businesses (Arregle et al., 2017).

Research in family business internationalization mainly focused on family involvement as the primary contributor to internationalization outcomes and behaviors. Accordingly, literature in this field encompasses both negative and positive views on the effect of family involvement on internationalization. The positive perspective that draws on stewardship, trust, and social capital theories explains family involvement facilitates and boosts internationalization. For instance, the strong attachment of family owners/managers to the firms encourages them to follow stewardship behavior (Miller et al., 2008) and international opportunities (Sciascia et al., 2012). Furthermore, solid social capital and long-term relationship among family members facilitate the flow of knowledge and experience and promote an organizational culture increasing flexibility, speedy decision making, and risk-taking concerning long-term return strategies, such as internationalization (Arregle et al., 2007; Sciascia et al., 2012). In addition, the long-term horizon and patient capital (Sraer & Thesmar, 2007) of family owners/managers boost their willingness to internationalize (Minetti et al., 2015).

Contradictory, the opposing view refers to internationalization constraints generated by family involvement. Agency theory, transaction cost economies, and resource dependence theory have been applied to explain the negative channel of influence. It has been argued that internationalization requires knowledge, skills, and human and financial resources, often not viable within the family firms. The resource restrictions in family firms have been addressed in prior research, namely, lack of financial resources (Chandler, 1990; Grassby, 2000) and lack of managerial capability (Graves & Thomas, 2006). Moreover, family firms suffer from risk avoidance and conservative attitudes (Allio, 2004; Daily & Dollinger,1992;). In general, family

owners/managers prioritize non-economic over economic objectives that limit strategic choices of internationalization (Gomez-Mejía et al., 2010).

However, the contradictory views first represent that family governance does affect internationalization (Arregle et al., 2017). Second, the inconsistency in findings refers to the existence of some mediators and moderators influencing the relationship between family governance and internationalization (Rey et al., 2018). To reconcile these opposing findings, scholars examined the effects of the level of family involvement in management and ownership (Basly, 2015; Gedajlovic et al., 2012; Sciascia et al., 2013), alternative governance modes (Miler et al.; 2007), and many other relevant factors. These factors mainly arise from the resource-based view and the agency theory and, recently, integrating agency theories and behavioral stewardship lens with transaction cost economics (e.g., Kano et al., 2021). Nevertheless, these frameworks' lack of attention to institutional contexts calls for the institutionalism approach in the current studies.

Moreover, due to the variation of institutional contexts worldwide, a single country analysis cannot be generalized to family businesses in another country. Hence, the prior research calls for a cross-country and comparative approach to examine the effects of country of origin on family firms' internationalization (Arregle et al., 2017). Accordingly, by using a comparative approach, this dissertation aims to measure the effects of different home country contexts on family and nonfamily businesses' internationalization.

2.5. Toward a model of contextualization of family business internationalization

Theoretically, both institutional theory perspectives, including institutional economics and neo-institutional theory, can be adopted to explain firms' internationalization (Li & Dang, 2013). Some studies have applied institutional economics to explain necessary conditions for firms' internationalization, analyzing country-level systems, supportive government policies, and state control and laws (Hessels & Terjesesn, 2010; Lu et al., 2010). Other investigations

use institutional theory's sociological perspective, including social norms and values and isomorphic pressures shaping international endeavors (Leu et al., 2010; Li & Ding, 2013). Accordingly, firms are likely to pursue internationalization for responding to isomorphic pressures imposed by social norms and values.

In the context of the family business, social norms and values or sociological orientation of institutional theory can be more effective in explaining the legitimacy of family firms in the market to deal with challenges and issues associated with business performance (Berrone et al., 2020; Soleimanof et al., 2018). however, Family business strategic choices are driven by both economic and non-economic objectives, the latter rooted in the sociological orientation of institutional theory (Kalhor & Strandskov, 2021).

The neo-institutional theory includes institutional isomorphism (Di Maggio & Powell, 1983) and the concept of three-pillar institutions (Scott, 2001). The family firms' internationalization model first accounts for institutional isomorphism as a family business concern and then focuses on institutionalization through the three pillars of institutions. Institutional isomorphism elaborates on rational and environment-bounded choices of firms based on isomorphic pressure. The three pillars of institutions describe the relational consequences of different institutions in specific contexts that influence firms' strategic choices (Kalhor & Strandskov, 2021). Isomorphic forces push organizations to common structures and processes through three mechanisms in which isomorphic institutional change occurs. These mechanisms include coercive, mimetic, and normative isomorphism (DiMaggio & Powell, 1983). Coercive isomorphism is derived from government policies and legitimacy requirements, mimetic isomorphism results from rational reactions to uncertainty, and normative isomorphism is concerned with professionalization.

Furthermore, according to Scott's definition of three pillars (Scott, 2001), institutions are grouped into regulative, normative, and cognitive. However, Trevino et al. (2008) suggest that

the institutional pillars should determine the processes by which institutions affect organizational action rather than the typological view based on classification of the type of institution. Therefore, following Trevino's suggestion (Trevino et al., 2008), our model considers the classification of the institutional processes instead of grouping the institutional types. Hence, the theoretical model can explain how family business internationalization can be shaped by the process associated with all three pillars, perhaps simultaneously but not necessarily equally (Kalhor & Strandskov, 2021).

To illustrate the role of institutional contexts in family firms' internationalization, we propose a conceptual model that delineates essential determinates enhancing family firms' internationalization. This model elaborates on the relations between the family firms' institutions and the three pillars of institutions based on Scott’s definition (Figure 2.2)

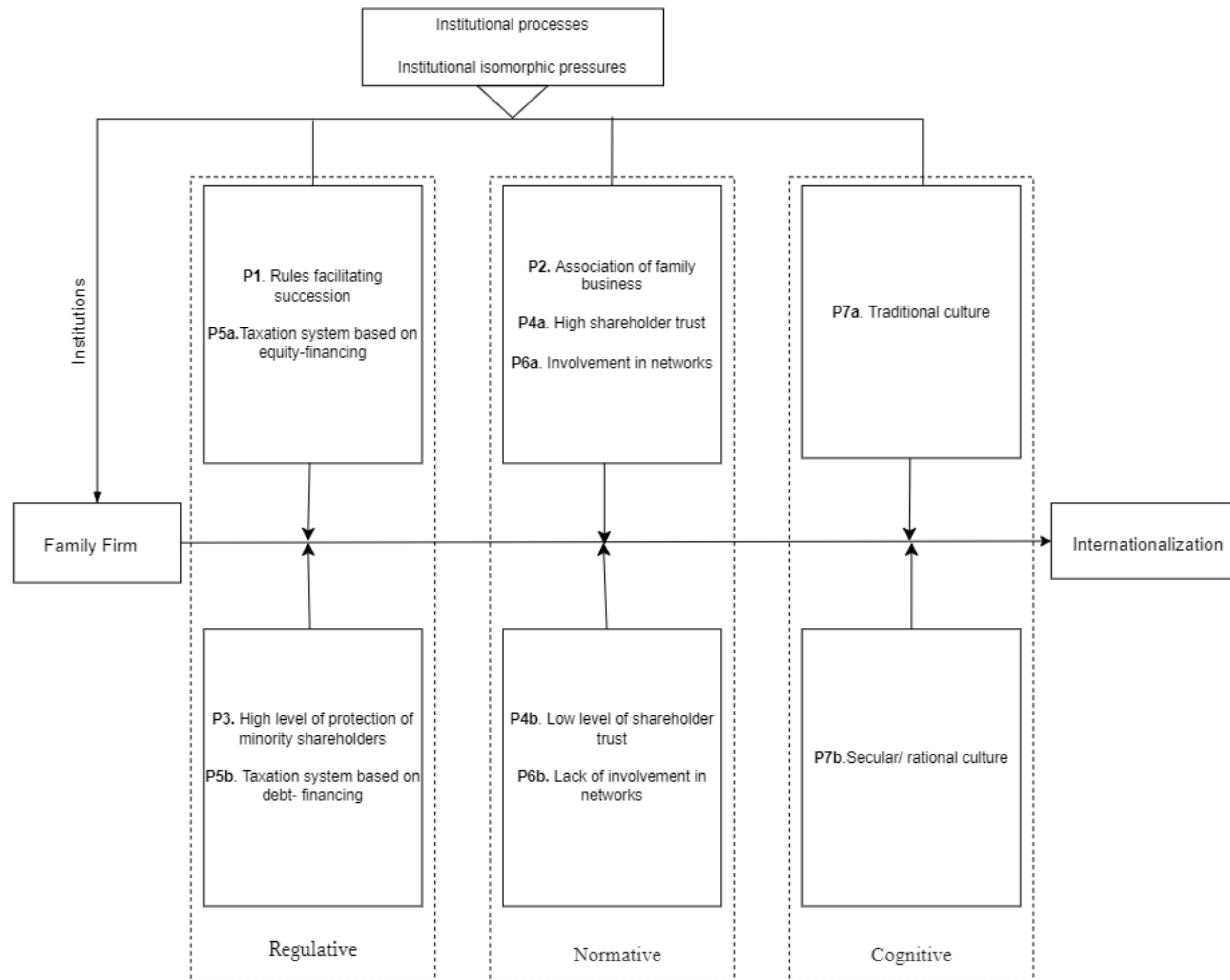

Figure 2.2. Moderating effects of home country institutional processes on family firm internationalization. A conceptual model (Kalhor & Strandskov, 2021)

Chapter 3. Research design and methodology

3.1. Paradigm, ontology, epistemology - Post-positivism and critical realism

A paradigm is a basic belief system and theoretical framework with assumptions about ontology, epistemology, and methodology. “Ontology and epistemology are to research what ‘footings’ are to a house: they form the foundations of the whole edifice.” (Grix, 2004, p. 59). According to Guba (1990), ontology is a way of viewing reality, epistemology is a way of discovering knowledge about reality, and methodology refers to the techniques and tools for finding knowledge (Guba,1990). Hence, ontological and epistemological positioning influence methodology, which in turn direct data collection and analysis methods. This dissertation adopts the post-positivism paradigm, and the ontological position of post-positivism is critical realism.

Post positivism "straddles both the positivism and interpretivism paradigm" (Grix, 2004, p.86). It poses that a reality exists independent of the observer (i.e., objective and not subjective); however, it can be apprehended imperfectly due to the complexity of social phenomena (Rehman & Alharthi, 2016). In other words, post-positivists value objectivity while recognizing that it can never be entirely attained (Danermark et al., 1997). This refers to the notion of modified objectivity that we can never wholly control external influence on social objects and remove all bias. Instead, we should focus on factors we can control and accept the ones we cannot (Ryan, 2019). This can be considered more aligned with interpretive values. However, the critical difference between modified objectivity and interpretive subjectivity is the epistemology of post-positivism. Post-positivism argues there is only one reality but that social actors have various perspectives/interpretations of it. Therefore, post-positivism does not take a relativist view of reality, nor does it take the positivist epistemological perspective, including naïve realism, logical realism, rationalism, or foundationalism (Ryan, 2017).

Realists believe that findings, whether examined objectively or subjectively, are merely different views on a single fact that exists whether we observe it or not. Philosophical conflict

occurs when one individual /group considers that their explanation of reality is more accurate than others. However, in critical realism, the different perspectives, previous theories and evidence, and the possibility of structures that cannot be seen may exist (Ryan, 2019).
According to the critical realist perspective, the reality is 'stratified,' encompassing three domains; empirical, actual, and real (Bhaskar, 2008). What we observe and critically examine or theorize in the empirical domain reflects the real domain, which is unobservable. However, we can never pinpoint the mechanisms in the real domain as we cannot possibly observe everything. The empirical domain is where the objects under inquiry can be observed (Ryan, 2019). The actual domain includes events and experiences (Collier, 1994; Bhaskar,2008), and this is where we start to use causal laws or assumptions that might explain a situation (Ryan, 2019). The main point here is to consider all these factors in relation to the best available theory, along with what has been observed (Ryan, 2019).

3.2. Methodology

Positivist methodology relies mainly on experimentations. Hypotheses are set up propositions or questions to measure the relationship between phenomena (Rehman & Alharthi, 2016). Empirical evidence is collected and analyzed to explain the effect of the independent variable on the dependent variable (Rehman & Alharthi, 2016). The approach of analyzing is deductive, meaning a hypothesis is proposed, and then based on the results of statistical analyses, it is either confirmed or rejected. The aim is to predict, control and generate laws and assign casualties (Cohen et al., 2007)

The results should be robust and stand against the efforts to refuse it empirically (Guba & Lincoln, 1994). Hence, researchers should ensure that extraneous variables do not manipulate the results; thus, they should control other variables that may affect the dependent variable (Rehman and Alharthi, 2016). The prevention of any interference of extraneous variables leads to the experiment's internal validity. However, external validity also matters. Rigorous efforts

to control for extraneous variables influence generalizability. External validity is when the results are generalizable (Guba & Lincoln, 1994). Research with good quality should also have reliability and objectivity. An analysis is reliable if the same results can be achieved in different times, places, and contexts. Finally, the research is considered objective when researchers study the phenomena without contaminating it with their apprehension (Rehman & Alharthi, 2016). According to Gall et al. (2003), positivist research mainly relies on numerical data. These scholars explicitly suggest the quantification approach: "The use of quantification to represent and analyze features of social reality is consistent with positivist epistemology. Because this epistemology assumes that features of social reality have a constancy across time and settings, a particular feature can be isolated, and it can be conceptualized as a variable, that is, as an entity that can take on different values. These values can be expressed as numerical scales" (page, 19-20).

3.3. Data sources

Comparative research lends itself to the goal of this research to identify how different national contexts influence the internationalization of different types of businesses, i.e., family vs. nonfamily. This interest in the contextual effects on organization/individual behaviors requires cross-national comparative surveys. In this regard, the Global Entrepreneurship Monitor (GEM) has surveyed family and nonfamily businesses and their exporting activities worldwide in 48 countries in 2018. GEM was launched in 1999 by Babson College (USA) and London Business School to survey entrepreneurship worldwide and understand why some countries have higher rates of entrepreneurship than others. GEM is a cross-national survey that lends itself to comparative entrepreneurship studies (Alvarez, Urbano & Amoros, 2014, Levie et al., 2014). GEM has collaborated closely with international institutions such as the United Nations, World Bank, World Economic Forum, providing reports and expert advice. GEM's "special topic" report of 2018 focuses on family-based entrepreneurship, facilitating the comparison

between family and nonfamily concerning entrepreneurial outcomes. However, the data is not publicly available yet. There will be a global press release 37 months after the data is published in the special report. One year after the global press release, data will be available to all GEM national teams.

In addition, The World Value Survey is the reference data source in this study to classify countries according to specific values, including traditional versus secular-rational culture.

3.4. Variables and measures:

3.4.1. Dependent Variable

The dependent variable – *internationalization*—was measured as the percentage of sales exported by the firm. The following question targets the measurement of internationalization which is in categorical format. The description of each category is provided in the same table.

Q. What percentage of your annual sales revenue usually comes from customers residing outside your business home country?	
1	More than 90%
2	75 to 90%
3	50 to 74%
4	25 to 49%
5	25 to 49%
6	10-24%
7	under 10%
8	None
-1	Don't know
-2	Refused

3.4.2. Independent variables

Family business

The definition of family firms is based on the demographic approach where both ownership and management criteria are required for the firm to be identified as a family firm. The dichotomous variable *family business*, will receive a value of 1 if the answer to both of the following questions is "yes" and 0, otherwise.

- Is this business for the most part owned by you and your family and relatives?
- Is this business mostly managed by you and your family and relatives?

Thereby, we operationalize a family business as a business that is both mostly owned and mostly managed by the family. A nonfamily business is identified as a business that is either not mostly owned or not mostly managed by the family. It is noteworthy that sole-person businesses are excluded.

Country context

Country context is operationalized using a country fixed-effect. This allows representing the entirety of the country's institutions and environments, formal or informal.

3.4.3. Control variables

We control for some business characteristics as well as some entrepreneurs' characteristics. Descriptions of the control variables are presented in Table 3.1.

Table 3.1: Descriptions of the control variables

Category	Variable	Description
Business	*Business sector*	The extractive sector, the transforming sector, and the business service sector are coded in binary variables accounting for the largest sector, consumer services, as the reference sector
	Business size	The natural logarithm of the total number of employees is used for the business size.
	Business Age	The natural logarithm of the number of years represents the business age.
Owner/manager	*Gender*	The gender of the owner/manager: female 0, and male 1
	Age	Age of the owner/manager
	Education	Number of years of schooling to the highest completed degree of the owner/manager.
	Motive: Opportunity	Motive is operationalized as a dichotomous variable, coded 0 for necessity and 1 for opportunity. The corresponding question for the motive is "Are you involved in this business to take an advantage of opportunity

3.5. Empirical Method of Analysis

Out of the four papers presented in chapter 4, two are of empirical quantitative nature. The main approach in both articles is the linear regression model:

$$y = \alpha_0 + \sum_{i=1}^{m} \alpha_i x_i + \varepsilon$$

Where,

v. y is the dependent variable,

vi. x_i is the ith independet variable,

vii. ε is the error term, and

viii. $\alpha_i's$ are the estimated coefficients.

The choice of the model is mainly based on the nature of the dependent variable (the export percentage). Linear regression is a powerful yet simple model to explain the variation in the dependent variable. Since the linear regression is quite well-known, it is not described in detail here. When investigating the moderating effect of the environment on family firm internationalization, we use an interaction term between the environment and the family firm variable (i.e. *family business* × *country context*), along with each variable (i.e. *family business* and *country context*). The advantage of using an interaction term is that it measures the combined effect of two (or more) beyond the sum of the individual variables hence, identifying a moderating effect.

Chapter 4. Papers

Chapter 5. Concluding remarks

5.1. Main findings

This dissertation examines the effects of home country institutions on family businesses internationalization. Studies in family business internationalization present mixed results regarding the effect of family governance on internationalization. On the other hand, prior research has indicated the importance of institutional context for family business performance and outcomes (Berrone et al., 2020; Basco et al., 2019; De Massis et al., 2018). Hence, the mixed results regarding the internationalization of family businesses may be explained by the moderating effect of the country-level institutions hosting the family firms. (Arregle et al., 2017).

The first paper proposes a conceptual model that delineates essential institutional factors enhancing family firms' internationalization. The conceptual model presents three pillars of institutional structure based on Scott's definition (regulative, normative, and cognitive) shaping family business internationalization. The second paper examines the internationalization of family and nonfamily businesses in four developing countries, namely Egypt, Madagascar, Morocco, and Turkey, adopting the institutional-based view and a comparative approach. Finally, the third paper focuses on cultural context. It compares the internationalization of family and nonfamily businesses in China and Iran, characterized as more traditional cultures, and Sweden representing a more secular-rational culture. Ultimately, a systematic literature review presents prior research and pinpoints fundamental institutions influencing internationalization in family firms.

5.2. Reflections on articles

5.2.1. Family Firms' Internationalization: The Importance of Home Country Institutions (conceptualization paper)

The first paper derived seven specific home country institutions expected to have moderating effects on the internationalization of family firms. These institutions are either primarily legitimized by the regulative pillar of institutions or by normative or cognitive pillars. We proposed three institutional factors which primarily legitimize through regulative pillars of institutions:

1) Regulations that promote business transfer in the family business, such as a reduction in inheritance and gift tax that facilitate the succession process. This can promote international investment in family businesses by securing socioemotional wealth and conserving capital for international investments.
2) The level of protection of minority shareholders affect the internationalization of family businesses in that a lower level of minority shareholders demotes internationalization of family businesses
3) Taxation of reinvested profits: The taxation system influences family firms' internationalization in that debt-financing systems downgrades internationalization in family firms. In contrast, equity-financing systems promote internationalization in family businesses.

In addition, four institutional factors were identified relevant to family firms' internationalization, primarily legitimizing through normative and cognitive pillars. These include:

1) Reginal association of family business institution builds a network among regional family businesses. Networking with regional family business actors can enhance family business knowledge and information relevant to international investments and foreign markets. Hence establishing the regional association of family businesses facilitates internationalization in family firms.

2) General trust in the family business in society increases the family business legitimacy and facilitates internationalization in family firms. Thus, the higher level of trust in family firms enhances the probability of family firms' internationalization.
3) Social networks can enhance the internationalization of family firms. Social networks provide a dynamic platform for exchanging opinions, knowledge, and experiences, thereby driving family firms from ethnocentrism towards globalization.
4) Traditional culture can facilitate family business internationalization. Traditional culture is a family-orientated culture where the social norms, orders, and systems align with the non-economic objectives of family forms. In contrast, secular-rational culture supports business performance and objectives. Hence, traditional culture caters to family business internationalization.

5.2.2. Internationalization and family and nonfamily governance of businesses in developing countries: a comparative study in Egypt, Madagascar, Morocco and Turkey

The second paper examines the effects of national context on family and nonfamily businesses in four less-developed countries, namely, Egypt, Madagascar, Morocco, and Turkey. According to the literature, family firms are the predominant type of firm in less-developed countries – due to institutional voids promoting family business emergence. This paper explicitly targets less-developed countries to examine whether less-developed contexts also promote the internationalization among family firms more than their nonfamily counterparts. The findings show that only Morocco's country context enhances family business exporting more than nonfamily firms. The interaction between country context and the family business is insignificant in Egypt, Madagascar, and Turkey.

5.2.3. Internationalization of family businesses in Sweden, China and Iran

The third paper compares the internationalization of family and nonfamily businesses in three entirely different institutional contexts. The classification of these counties is based on the

prevalent values and norms by using traditional vs. secular- rational culture dimension (World Value Survey). China and Iran have been classified as traditional countries, and Sweden cultivates secular-rational culture. Our findings show that Swedish firms generally export more than Chinese and Iranian firms in our sample. However, family businesses (vs. nonfamily firms) export more in China and Iran than Swedish family businesses vis-à-vis nonfamily firms.

Discussion

5.2.4. Theoretical contribution

This dissertation contributes to the intersection between family business and international business studies by adopting an institutional perspective. The institutional perspective entails both economic and social institutions. It can potentially merge the economic consideration of international studies with non-economic aspects of family businesses. However, an accompanying systematic literature review reveals that only a few studies have combined institutional perspective with the internationalization of family firms. Furthermore, research in this field has mainly been conducted on developed countries.

Moreover, these studies have primarily analyzed formal institutions rather than informal institutions, whereas the latter is more relevant to family firms. In addition, the analysis of formal institutions is mainly based on a generic approach proposed by the World Bank index. As a result, it rarely deals with specific formal institutions that overshadow family businesses' internationalization, such as inheritance tax or tax system based on debt and equity financing.

This research strives to reconcile international business research with family business studies. First, by drawing insight from institutional theory, we have conceptually examined how home country institutions and processes play an essential role in family firms' internationalization. The focus is explicitly on the impact of home country institutions on the internationalization of family firms. These institutions regulate family business internationalization with laws regarding the business transfer (succession), taxes, and alike, and promote and propagate

family business internationalization informally and implicitly through family business networks and associations as well as socio-cultural influences (norms and values).

Second, drawing on the institutional perspective, this research compares the internationalization of family and nonfamily businesses in four developing countries. Previous studies assume that the predomination of the family business in less-developed countries is due to the particular advantages that families provide for the firms (Carney 2005, Jøsrgensen et al.,1986; Liu et al., 2012; Peng &Jiang, 2010). Hence, underdeveloped formal institutions nurture family businesses more than nonfamily firms. In other words, family businesses benefit from informal institutions to compensate for institutional voids in these contexts. However, our results indicate that family involvement does not promote exporting in family firms beyond nonfamily firms in most developing contexts. More specifically, in a sample of four developing countries, only Moroccan family businesses export more than nonfamily firms. Borrowing from Berrone et al. (2020), we know that the family business institution is firmly embedded in social institutions in Egypt (0.90), Morocco (0.85), and Turkey (0.85) – Madagascar is not in the index. Hence, we suggest that favorable informal institutions cannot necessarily promote family firms' internationalization. Berrone et al. (2020) explain that family firms have more leeway and latitude in the presence of supportive informal institutions to pursue their interests of avoiding risk. Hence, the informal institutions may increase the number of family businesses as well as their domestic expansion (Berrone et al. 2020), but they don't necessary cultivate international expansion of family firms. This could be due to the fact that internationalization is considered a high-risk decision, and informal institutions don't necessarily change the risk threshold of family businesses. This can highlight the importance of formal institutions for family firms' internationalization in developing countries.

The third paper compares family and nonfamily firms exporting in China, Iran, and Sweden. Swedish firms in our sample export more than firms in China and Iran. However, family

businesses export more than nonfamily businesses in China and Iran than family firms visa-vis nonfamily firms in Sweden.

Sweden cultivates secular-rational values (World Value Survey), using the social legitimacy index proposed by Berrone et al. (2020); Sweden ranks much lower than China and Iran (0.04, compared to 0.6 and 0.78, respectively). China and Iran are traditional countries, and social values and norms develop and support the family business institution. On the other hand, Miller et al. (2012) argue that family businesses conform to nonfamily business strategies in countries with low family business legitimacy. However, our findings show that in Sweden, with a weak family business legitimacy, family firms' internationalization is still below their nonfamily counterparts. This result highlights the importance of informal institutions in family business internationalization. Moreover, it can be argued that developed formal institutions, apart and beyond informal institutions, cannot encourage the internationalization of family businesses.

This dissertation suggests that the typology view of institutions cannot explain the internationalization of family firms. Instead, the strategic choices of family business regarding internationalization result from a blend of formal and informal institutions. Previous research has focused on either formal or informal institutions to analyze the performance of family businesses (Carney 2005, 2007; Liu et al., 2012; Parada et al., 2010; Bird & Wennberg, 2014; Basco et al., 2019). They strive to explain which type of institutions can be more determinant for family firms' internationalization (Berrone et al., 2020; Xu & Hitt,2020). However, family business growth and development require an efficient combination of formal and informal intuitions to align the economic and non-economic objectives. Countries with desirable social institutions toward family firms and strong family business social legitimacy, such as less-developed countries, protect non-economic aspects of family firms. Still, they cannot support the economic efficiency of family firms. In contrast, developed countries with solid formal institutions and weak family business social legitimacy can only support the economic goals

of family businesses. However, they may not promote family businesses internationalization as they neglect non-economic aspects of family firms.

In summary, from the perspective of international business studies, this dissertation confirms that formal and informal institutions cannot be substitutes. Instead, they are complementary for enhancing internationalization in family businesses. Hence, relevant formal and informal institutions may counteract the effects of conservative patterns of decisions in family firms relating to international investments.

From the perspective of family business studies, scholars highlight family owners/managers' preference to protect SEW and pursue non-economic objectives. Further, they argue that family firms are reluctant to internationalize due to potential risks to their non-economic purposes. However, the present study shows that in countries with supportive social institutions where the non-economic objectives of family firms can be well secured, family businesses still do not present higher rates of internationalization than nonfamily firms. Therefore, although protecting family firms' non-economic goals is necessary, it cannot necessarily cater to international expansion.

5.3. Policy implications

This dissertation shows that family business internationalization is associated with great complexity and requires specific support from governments and policymakers. Our findings reveal that regulations, laws, and social institutions can assist family owners/managers overcome the internationalization obstacles. These results can inform policymakers about specific institutional factors influencing international operations of a ubiquitous and significant organization, i.e., family businesses.

Policymakers can promote the internationalization of family businesses by incorporating formal compensatory institutions to counteract the scarcity of family businesses resources. For instance, the reduction in inheritance taxation can promote internationalization by supporting

non-economic objectives of family firms and through conserving capital for international investments. Moreover, some specific public programs can prescribe management best practices in family businesses and support subsequent generations. Succession is often regarded as a trigger for internationalization. Therefore, supportive programs for business transfer can help family owners overcome challenges associated with succession and increase their willingness to international investments.

In addition, establishing a regional association of family business can promote family business internationalization and other growth strategic choices in family firms. Family business association expands networks among family business actors in a certain region. Family businesses tend to be strategically isomorphic to successful local family businesses, and due to their family social capital, they are reluctant to cooperate with other firms. The association of family business hence can increase their networks, especially with family business peers, and provide valuable opportunities by providing knowledge about foreign markets, access to international partners and resources, and increase their capabilities required for internationalization.

Consistent with the importance of informal institutions, reforming social constructs and values towards family business institutions requires time and can be a long process. Nevertheless, family businesses are important economic actors, and they have significant contributions to economic development. Therefore, it is essential to arrange some compensatory institutions to counteract the low social legitimacy of family businesses, especially in developed contexts where the family business institution is weakly embedded in social institutions.

Since family firms are a prevalent type of business in less-developed contexts and family business institutions are firmly embedded in social institutions, policymakers in less-developed countries can offer a range of formal institutions to promote family firms' internationalization.

5.4. Limitations

This dissertation examines institutional factors influencing family business internationalization. This study's primary limitation is the small number of countries that restrict analyses from generalizing the effects of specific formal and informal institutions affecting family business internationalization. The empirical papers could measure the fixed impact of country context but examining institutional components requires broader and more detailed measurements.

Another limitation is the internationalization measurement in this research. We measured internationalization in terms of exporting and did not account for entry modes such as foreign direct investment (FDI) and Joint capital investment (JV). Typically, exporting is the first stage of internationalization and is associated with the lowest risk among entry modes. Export requires less resource commitment whereas, FDI and JV are considered more advanced stages of internationalization with higher levels of risk and resource commitment (Johanson & Vahlne, 1997).

Another limitation is related to the lack of cross-country data on family businesses as well as data on government regulations and programs in different countries. Some GEM's policies on data sharing restricted analysis in more countries.

5.5. Future research

According to the limitations of this study, future research can investigate the determinant factors for various forms of internationalization in family businesses. For example, born global path and franchising in family businesses have received little attention in the literature. Furthermore, the accompanying systematic literature review shows that studies in the intersection of institutional environment and family business internationalization is spares, especially in less-developed countries, suggesting another research agenda.

This study proposed relevant formal institutions concerning family businesses that have not been empirically investigated. Further research can shed light on these institutions. For instance, taxation systems based on debt-financing and equity-financing can influence international investments in family businesses. Since, family businesses prefer to preserve their socioemotional wealth, they are reluctant to use debt financing. Hence, family firms' debt-to-equity ratio is lower than nonfamily businesses. Accordingly, the taxation system, which promotes debt-equity, is not advantageous for family firms' performance. In contrast, an equity financing-based tax system facilitates family business capital accumulation. Higher businesses capital may positively influence firms' investment decisions including international investments (Kalhor & Strandskov, 2020).

Furthermore, this study conceptualized the isomorphic institutional pressures concerning family business internationalization. Social institutions and external legitimacy are of significant importance for family firms. Moreover, family firms respond to external forces differently from nonfamily firms. Generally, international organizations are under pressure to conform to home and host countries' institutional environments (Li and Ding, 2013). For instance, regarding subsidiary ownership choice, firms may choose the lower ownership share to gain legitimacy in the host country where their subsidiary is located (Chan & Makino, 2007). Despite the importance of the isomorphic pressure for family businesses, only one study (Fourne & Zschoche, 2018) has investigated isomorphic pressure and especially memetic pressure concerning the internationalization of family firms. Imitation decreases uncertainty related to the new markets and helps identify opportunities for follow-up investments. Notably, family firms follow firms with a similar cultural and business background and do not follow general industry trends or the most prominent nonfamily firm, but follow most successful and visible family firms (Fourne & Zschoche, 2018). Future research can examine different

isomorphic forces that drive family firms' internationalization in various dimensions such as scope, mode of entry, location choice, etc.

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