Family Multinationals

Entrepreneurship, Governance, and Pathways to Internationalization

Edited by Christina Lubinski, Jeffrey Fear, and Paloma Fernández Pérez

Routledge
Taylor & Francis Group
NEW YORK AND LONDON

2 Are Family Firms "Reluctant Internationalizers"?

Insights from the History of Indian Family Businesses

Vipin Gupta

Several recent studies suggest that family businesses (FBs) tend to be reluctant internationalizers. A study using a longitudinal Australian database finds that FBs had lower levels of internationalization than nonfamily firms.[1] Even among internationalized firms, the extent of internationalization was lower for FBs.[2] Internationalization poses many resource challenges to them[3] because there are limits to their financial and human resources, broad-based organizational networking, and knowledge of international markets.[4] First, FBs prefer internal funding to avoid the influence and control of external stakeholders. Thus, the benefits of such external stakeholders shaping their vision and presenting them with the opportunities, resources, and confidence to internationalize are also limited. Second, FBs privilege internally trained successors and loyal, long-serving employees—groups with weak experience and confidence in dealing with new external paradigms in diverse contexts.[5] Third, FB culture tends to be characterized by limited cooperation only with other, similar FBs,[6] which restricts their knowledge base for competing internationally.[7] Finally, FBs generally strive to defend and protect their niche, which generates a problem-solving focus in internal operations.[8] Consequently, their organizational learning concerning the pursuit of new markets is also circumscribed.[9] That makes them reluctant internationalizers, since internationalization requires motivation to change and pursue new opportunities.

Though many FBs find internationalization challenging, many others internationalize successfully. Understanding how they do so contributes to international business theory. Research on international business highlights that a firm's specific ownership advantages in competing across borders are key to successful internationalization.[10] One usual FB ownership advantage is family relations—family and ethnic community members either assigned abroad or already present in foreign markets who help mobilize resources, reduce transactional uncertainty, and bring specialized knowledge for evaluating opportunities and risks and managing and governing activities.[11] These family relations tend to be a critical trigger factor in choosing specific countries and acquiring locational advantages; they offset potential liabilities related to the firm's foreignness. FBs can also uniquely leverage