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**Internationalisation of family small and medium sized enterprises: The role of stewardship orientation, family commitment culture and top management team**

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### **Abstract**

The purpose of this paper is to determine how aspects of organisational culture, typical to family businesses, influence internationalisation. Proposing that stewardship orientation, family commitment culture and top management team related factors influence internationalisation; we empirically examine 80 internationalising family SMEs (FSMEs) from the manufacturing sector in Finland. Variance based structural equation modelling (PLS) shows that family commitment culture is negatively associated with the degree of internationalisation. On the other hand strategically flexible top management teams with industry experience in FSMEs are positively associated with the degree of internationalisation. Contributing to an understanding of the internationalisation of family businesses, the findings suggest that family commitment culture and stewardship orientation, often associated with an inward orientation, may operate against internationalisation, however when coupled with the strategic flexibility of the top management team, we found stewardship orientation to positively impact internationalisation suggesting that it provides an outward orientation. Implications for practice are advanced.

**Keywords:** Internationalisation, FSMEs, Stewardship Orientation, Top Management Team

## 1. Introduction

Family businesses (FBs), represent the majority of all businesses worldwide (e.g. Astrachan & Shanker, 2003; Casillas, Acedo, & Moreno, 2007; IFERA, 2003) but until recently are under-represented in scholarly research (e.g. Sharma, Chrisman, & Gersick, 2012). Similarly, the internationalisation of small and medium-sized enterprises (SMEs) is widely researched, but a family SME (FSME) focus is scarce (Casillas & Acedo, 2005; Crick, Bradshaw, & Chaudhry, 2006; Jones, Coviello, & Tang, 2011; Zahra, 2003). Early studies are limited to comparisons of family with non-FBs (e.g. Crick, Bradshaw, & Chaudhry, 2006; Fernández & Nieto, 2005; Graves & Thomas, 2004, 2006; Menéndez-Requejo, 2005; Pinho, 2007), yet the influence of family and the organisational culture of FBs on their internationalisation is relatively neglected. Organisational culture is created and influenced by the founders/owners of the organisation (Schein, 1995) and this means that in FBs' family owners, and managers are influential in the top management teams (TMTs) of FBs (Dyer, 1988). By extension it is likely that family owners, and managers in FBs may have some effect on internationalisation.

The paucity of research on FB internationalisation in general may be due in part to assumptions that they are not well suited to the uncertain and risky process of internationalisation and can be, conservative, non-growth oriented, conflict riddled, and attach lower importance to the creativity and innovation of their business (e.g. Donckels & Fröhlich, 1991; Kets de Vries, 1993; Miller, Breton-Miller, & Scholnick, 2008). FSMEs are also found to be locally embedded and risk-averse (Kets de Vries, 1993; Kontinen & Ojala, 2011) and thus less prepared for exporting and other internationalisation strategies (Donckels & Fröhlich, 1991; Graves & Thomas, 2006, 2008). Contrarily, other research suggests that some FSMEs display

entrepreneurial behaviour in seeking out and recognising opportunities in both domestic and international markets (Eddleston, Kellermanns, & Zellweger, 2012).

Clearly therefore FSMEs are not homogenous (Sharma, 2003, Westhead & Howorth, 2007), and exhibit differences in their governance structures (e.g. Siebels & Knyphausen-Aufseß, 2012), and in their attitudes and behaviours in internationalisation (Graves, 2006). Nevertheless, research into the causal factors of FSME internationalisation is insufficient (Graves & Thomas, 2006, 2008). Consequently the aim of this study is to analyze what aspects of organisational culture, typical to FSMEs, influence internationalisation. It examines specific aspects of FSME organisational culture, and determines their effects on internationalisation. The study contributes to our understanding of the FB effect in internationalisation by hypothesising that family commitment culture and stewardship orientation may operate against internationalisation. However when coupled with the strategic flexibility of the top management team, we found stewardship orientation to have a positive impact on internationalisation suggesting that in combination these factors may reduce a proclivity towards inward orientation and may provide a more outward perspective. The paper is organised as follows: In Section 2 the theory and derivation of the propositions are discussed leading to the constructed model. In Section 3 the methodology is outlined. This is followed by Section 4 in which the results are presented and finally, Section 5 is devoted to discussion of the results and contributions of the study, its limitations, and directions for future research.

## **2. Theoretical Grounding of the Propositions and Model Construction**

The Upper Echelon theory (Hambrick & Mason, 1984, p. 193) suggests that organizations are the product of the values and cognitive bases of powerful actors in the

organization. It also suggests that strategic outcomes such as strategic choices and performance levels are partially predicted by managerial background and organizational culture. As culture is shaped by powerful actors in the organization (Hambrick & Mason, 1984), its effect on SMEs' strategic choice is likely to be reflected in certain characteristics of their TMTs, including stewardship orientation. One of the strategic choices that firms undertake is the internationalization of their business activity. Internationalisation can be defined as "the process of increasing involvement in international operations" (Welch & Luostarinen, 1988, p. 84). Internationalisation, however, is a complex process, fraught with uncertainty and risk-taking, which requires the effective utilisation of firm resources (Westhead, Wright, & Ucbasaran, 2001).

FB literature suggest that FSMEs have a conservative and less growth oriented nature (e.g. Kets de Vries, 1993) than non-FBs, and thus may choose to stay in their domestic market. In contrast, some studies suggest that FSMEs utilise their resources effectively (e.g. Habbershon & Williams, 1999) and do expand internationally (Graves & Thomas, 2008). In the IB literature, the results are mixed regarding the influence of TMT characteristics on internationalization (Table 1).

-----Table 1 here-----

For example Tihanyi et al (2000) did not find a relationship between the heterogeneity of the top management team and international diversification. Contrarily, Rivas (2012) found that the background functional diversity of TMTs and company boards positively affects internationalisation. Such mixed results suggest a need to explore what key factors relate to FB, and the extent to which they contribute positively and negatively to internationalization.

In the next sections, the paper proceeds by identifying from the literature; family commitment culture (FCC), stewardship orientation (SO), strategic flexibility in the top management team (sFTMT), and its industry experience (TMTie). It also advances propositions regarding relationships between those constructs, and degree of internationalisation and a conceptual model (Figure 1.)

### 2.1. Family commitment culture and degree of internationalisation

Family commitment culture (FCC) is a distinguishing characteristic that makes a FB different from a non-FB (e.g. Astrachan, Klein, & Smyrnios, 2002; Klein, Astrachan, & Smyrnios, 2005; Zahra et al., 2008). Most FSMEs consolidate their positions in their domestic market and later on may choose to expand to foreign markets incrementally (e.g. Graves & Thomas, 2008) depending on their propensity to adapt to their external environment. Commitment as a concept has been used to explain “consistent behaviour” (Becker, 1960, p. 33) and can be examined in different ways e.g. as the employees’ desire, need, and/or obligation to maintain membership in the organisation (e.g. Meyer & Allen, 1991; Riketta, 2002). Meyer and Allen (1991, p. 67) conceptualise commitment with three components as “affective, continuance, and normative commitment”. Through time, family commitment in the FSME may develop into

an organisational culture (Zahra et al., 2008) extending through its leaders and members (Segaro, 2012). Therefore in an FSME context employees may share commitment to organisational goals such as profit, or growth (Barsade, 2002). In this study, the softer dimensions “culture” and “commitment” are emphasised. Hence, the term family commitment culture (FCC) here represents the fusion of family and organisational values in its culture of commitment.

Prior studies point out that FBs can be risk averse, less growth oriented, less innovative and conservative (e.g. Kets de Vries, 1993; Miller et al., 2008), for instance in order to preserve their family wealth (e.g. Gomez et al., 2007; Zahra, 2012). Due to the fear of losing all their family wealth, which is usually held in their business, FBs may resist change and may have a strong tendency to keep to the status quo (Berent-Braun & Uhlaner, 2012). FBs can become more committed to their business as not only their financial but also their social resources such as social capital and reputation are tied up with the family and are dependent upon the success of the business much more directly than non-FBs (e.g. Labaki, 2007). Commitment in the FB and thus FCC can have a negative effect on strategic outcomes, for example, entrapment through commitment (Chirco, 2007) to the domestic market. This is because the culture of commitment to the FB may trigger a risk aversion (Kets de Vries, 1993) leading to a lower propensity to expand abroad if it is perceived that expanding abroad threatens the FSMEs’ objective of preserving their wealth (e.g. Zahra, 2012).

Prior literature in international business has examined why some firms remain in the domestic market while others make high international commitment from the outset (e.g. Nadkarni & Perez, 2007). The FSME internationalization literature suggests that most FSMEs are still engaged in lower international commitment activities such as exporting in the early or even later phases of internationalization (e.g. Graves & Thomas, 2008).

The roles of family and organisation values present conflicting evidence in internationalisation research. Swinth and Vinton (1993) suggest culture as a strategic advantage for FBs in international joint ventures. Similarly, Gallo and Pont (1996) emphasise the importance of top management attitudes in developing foreign business including the owners' long term commitment to international business. Tsang (2001) reports a founder who spent about 70 percent of his time in China, visiting nearly every operation there, making every effort to transplant fully the family culture. Gallo and Sven (1991) conceptualise that company culture can be both a facilitating and inhibiting factor in the internationalisation of FB. Whereas, Sundaramuthy and Dean (2008) point out that FBs tend to be inwardly oriented and less growth oriented. Hagen et al. (2012, p. 378) identified four broad strategic types of internationalised SMEs: 1) An entrepreneurial/growth-oriented group of firms; 2) A customer-oriented group; 3) Product/inward-oriented cluster; and 4) A further group of firms that lacks strategic orientation. The product/inward oriented type of firms identified by Hagen et al. (2012) are described as having a focus on manufacturing and quality, and propensity to ignore customer orientation and communication. This means that in relation to family firms, FCC may provide cohesiveness preventing outsider influence in governance leading to conformity in FSMEs (Zahra, 2012). Thus, the more a FB exhibits a culture of commitment to the domestic business, the more likely that it will be committed to the domestic environment, and the less likely it will be able to adapt to an international context. Therefore:

**Proposition 1:** Family commitment culture (FCC) is negatively related to the degree of internationalisation.

## 2.2. Stewardship orientation, family commitment culture and the top management team

Organisational culture is a factor identified as potentially influencing the internationalisation of family SMEs (e.g. Gallo & Pont, 1996). Stewardship theory provides a means of understanding culture and relationships within FB that comprise its organisational culture (e.g. Davis, Allen, & Hayes, 2010). It offers a view in which organisational actors see greater long-term utility in pro-organisational and collectivistic behaviour. Stewardship behaviour is characterised more by collaborative relationships and trust-worthy behaviour, than in self-serving, short-term opportunistic behaviour among employees and managers (Davis et al., 1997; Hernandez, 2012).

Empirical findings suggest that stewardship behaviour differentiates entrepreneurial behaviour among FBs (e.g. Eddleston et al., 2012). Based on Miller et al. (2008), stewardship orientation is conceptualised as employee orientation, customer orientation and long-term orientation (LTO) in FSMEs. Eddleston et al.'s (2012) findings suggest that comprehensive decision-making and LTO are positively related to corporate entrepreneurship, but employee human capital is contingent at organisational level on family to firm unity. Family to firm unity enhances the positive effects of participative governance and LTO on corporate entrepreneurship. Based on these arguments a stewardship orientation underpins competitive strategy in FB, and is likely to be associated, and work together, with FCC in the creation of competitive advantage (Davis et al., 1997; Miller et al., 2008; Zahra et al., 2008). Extending the argument to internationalising FSMEs, we suggest firstly that in such businesses stewardship orientation and FCC are likely to be positively related. Therefore:

**Proposition 2:** Stewardship orientation is positively related to family commitment culture.

Stewardship theory suggests that the leadership may serve as steward, motivated to act in the best interests of the organisation (Zahra et al., 2008). Stewardship theory, therefore, is important for explaining strategic leadership and top management behaviour in FB. Several empirical studies, that examined the link between stewardship and performance, found positive relationships (e.g. Eddleston & Kellermanns, 2007; Miller et al., 2008). Successful strategic leadership in privately held small FB may result when FB leaders are independent and have the discretion and flexibility to make quick decisions, aligned to organisational goals (Miller et al., 2008) although Pearson and Marler (2010) argue that stewardship is less likely to be effective unless embraced and institutionalised. Stewardship orientation is also likely to be associated with the capabilities of the TMT including its family members. Graves and Thomas (2006) report that despite FBs' having less managerial capabilities when compared to non-FBs, they can still achieve a high degree of internationalisation due speculatively to more effective management and leveraging of resources compared to their nonfamily counterparts (Graves, 2006; Graves & Thomas, 2006; 2008). Thus, we suggest secondly that FSMEs with TMTs that are strategically flexible in managing and leveraging resources are more likely to internationalise than others and in these businesses, stewardship orientation will have a positive relationship with sfTMT.

Therefore:

**Proposition 3:** Stewardship orientation is positively related to the strategic flexibility of the top management team.

If FSMEs decide to professionalise their business, they are more likely to select individuals with both business and interpersonal competencies and to recruit non-family managers, when

talent is not available in the FB (Blumentritt, Keyt, & Astrachan, 2007). Non-family managers, with industry experience, may have social capital (e.g. Segaro, 2012), which can enable internationalisation. The next generation family managers may already have the pre-requisite industry experience through informal involvement in strategic decision-making before joining the TMT in their FB (Hall & Nordqvist, 2008; Hall, Melin, & Nordqvist, 2001; Morris et al., 1997). Alternatively, they may have outside work experience prior to joining their FB (Lambrecht, 2005; Segaro, 2012). Eddleston et al. (2012) find that employee human capital was contingent on the organisational level of family to firm unity. Employee or top management's skill, experience and knowledge will be important in understanding how to navigate in different contexts. In addition, the long-term orientation of FSMEs allows them to develop or acquire the requisite industry specific experience in their TMTs. Westhead et al. (2001) argue that entrepreneurs with diverse levels of human capital (experience and knowledge) have the ability to develop relevant skills and contacts. Therefore:

**Proposition 4:** Stewardship orientation is positively related to top management team's industry experience.

### 2.3. The role of TMT in the internationalisation of FSMEs

One of the challenging problems for firms around the world is on how to survive, grow and expand into foreign markets in general and during economic crisis in particular (Grewal & Tansuhaj, 2001). Strategic flexibility or rigidity is often associated with environmental turbulence, for instance, Matthyssens, Pauwels, and Vandenbempt (2005) call for strategic flexibility in face of dynamic markets and economic conditions. Strategic flexibility as a concept

is polymorphous, having a number of different meanings in various contexts (Evans, 1992), e.g. it is described as strategic resilience, strategic change, or strategic adaptation, agility, versatility and other related terms depending on the focus of the study. In strategic flexibility, the ability to recognise a threat and opportunity by a firm may apply prior to a crisis, during the crisis or even after the crisis. It may also be manifest in the ability to pursue new opportunities and respond to threats in the firm's competitive environment (Zahra et al., 2008).

A strategically flexible FSME can chart new territories in terms of developing new technology or shaping customer preferences. Flexible decisions involve anticipating and evaluating environmental changes, considering flexibility options, and analysing alternative means of dealing with uncertainty (Aaker & Mascarenhas, 1984). Stewardship oriented TMTs in FSMEs, due to their discretion to make decisions flexibly, are well placed to pursue opportunities in the internal and external environment of the firm. Due to their employee orientation, customer and long-term orientations (e.g. Miller et al., 2008), they may be better able to utilise the social capital of their employees (Segaro, 2012) and of their partners and customers.

In their review of prior studies, Pitcher and Smith (2001) point out that prior studies have attempted to establish the link between cognitive diversity of TMT and strategic outcome. They suggest that all proxies for cognitive diversity suffer in comparison to measuring cognitive diversity itself. Pitcher and Smith's (2001) finding shows the critical importance of both personality and power as heterogeneity proxies for cognitive diversity. Culture is shaped by powerful actors in the organization (Hambrick & Mason, 1984). Stewardship theory provides a means of understanding culture and relationships within FB that comprise its organisational culture (e.g. Davis, Allen, & Hayes, 2010). Thus, stewardship orientation coupled with strategic flexibility of TMT, may provide the necessary cognitive diversity needed for complex

information processing in internationalization. This aspect may compensate for the lack of managerial capability in FSMEs (Graves & Thomas, 2008). Managerial capability of the TMT can be composed of skill, experience and knowledge, including functional experience, and team diversity (Boeker & Wiltbank, 2005; Graves & Thomas, 2006, 2008; Stamp, 1981). Prior studies indicate that TMT characteristics can be positively associated with internationalization (Tihanyi, Ellstrand, Daily, & Dalton, 2000). For instance heterogeneous knowledge (Mohr & Shoobridge, 2013) in functionally diverse TMT's may give them a more open world view (Pitcher & Smith, 2001), even in traditional manufacturing with a low uncertainty environment (Carpenter & Fredrickson, 2001). This is expected to result in strategic decisions that may enhance their competitiveness such as the pursuit of international expansion. This flexibility and functional diversity might result in international expansion and an on-going increase of their level of internationalisation (Riahi-Belkaoui, 1998). Therefore:

**Proposition 5:** Strategic flexibility of top management team (sfTMT) is positively related to degree of internationalisation.

#### 2.4. The role of TMT industry experience in the internationalisation of FSMEs

Prior conditions of the firm such as industry experience in the domestic market are amongst the determinant factors for FSME internationalization. Nadkarni and Perez's (2007) found that domestic resources and propensity for competitive action operate through a TMT's domestic mindset and thus affect early international commitments. Furthermore, the domestic industry experience of the TMT may help firms in identifying new international opportunities as their network relationships, potentially compensate for their lack of international experience, and

allow them to leverage their domestic resource and competitive advantages in foreign markets (Nadkarni & Perez, 2007). This means that knowledge and learning gained in domestic markets through diverse resource and competitive activities can help in assessing international market opportunities.

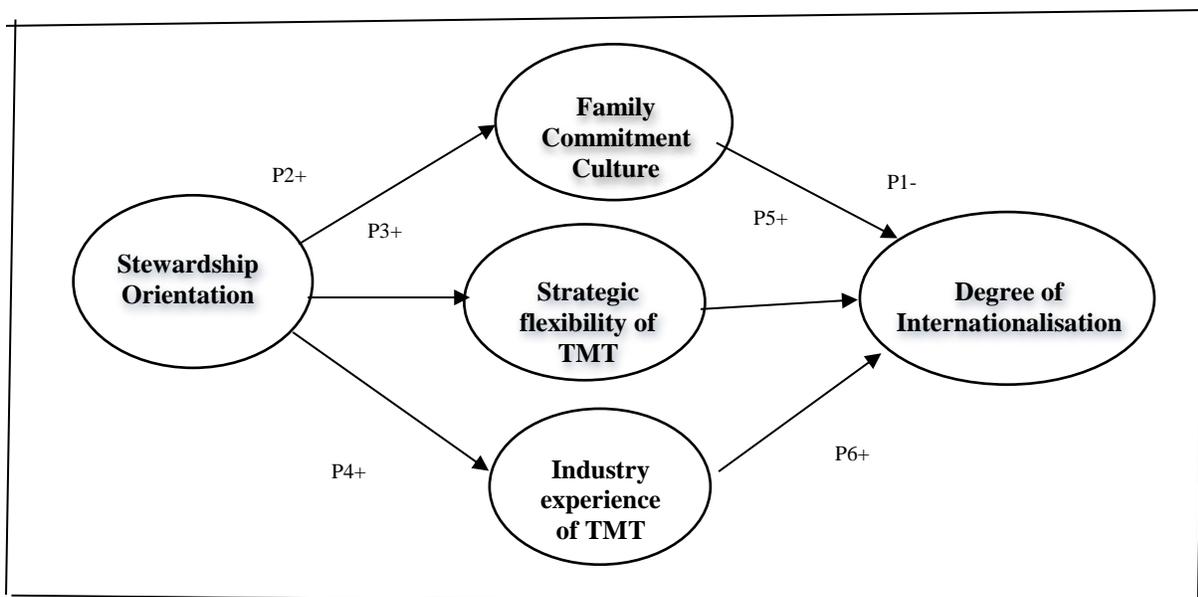
Tuppura et al. (2008) examine the characteristics of the firm's knowledge-based assets such as accumulated expertise, resource-based versatility, and network dependence in association with the firm's market-entry timing orientation and international growth orientation. They argue that non-tradable knowledge-based assets and accumulated expertise enable firms to achieve market positions that are not easily overtaken and in turn this will prompt entrepreneurial opportunity-seeking activities such as expanding abroad. They define accumulated expertise as experience-based know-how, (e.g. strong trademark, brand or industry-specific know-how), which may become valuable when entering new markets. Finally, Tuppura et al. (2008) find that accumulated expertise is positively related to both first-mover orientation and international growth orientation.

The more heterogeneous a TMT's experience in identifying opportunities and threats in the environment, the more likely it is that it will pursue opportunities abroad (Rivas, 2012). A functionally diverse workforce may constitute an internal environment that affects the attitude of decision-makers towards international activities (Mohr & Shoobridge, 2013). Experience in industry shapes a firm's knowledge resource and therefore it may influence performance (Agarwal et al., 2004). TMTs with industry experience can have industry related social capital. They can have access to industry related information and can also conduct active and fruitful searches for opportunities abroad (Agarwal et al., 2004). Due to their industry experience, they may acquire knowledge regarding business opportunities abroad (Shane, 2000). Industry

experience of founders and TMT members establishes their reputation, which in turn could help them attract investors for expansion abroad (Stuart & Sorenson, 2003, p. 232).

Westhead et al. (2001) confirm that specific industry know-how is a strong predictor of the firm's ability to export and Hutzschenreuter and Horstkotte's (2013) findings suggest that the experience of a TMT is critical to its ability to process information as a team. Thus, when TMT members in FSMEs have accumulated expertise such as industrial experience, they are more likely to become first-movers, international growth oriented and may also be able to process complex information as a team, which in turn, may facilitate their internationalization. Thus, we would expect the industry experience of the TMT to be positively associated with degree of internationalisation, and for that effect to be enhanced when coupled with a stewardship orientation. Therefore:

**Proposition 6:** Industry experience of (TMTie) is positively related to degree of internationalisation.



**Figure 1.** Propositions of this study and conceptual model

The proposed relationships between the constructs are illustrated in Figure 1. This study is a cross-sectional research that aims to examine the extent to which aspects of organisational culture typical in FBs may influence their internationalisation. The operationalisation of constructs and measurement model are discussed in the next section followed by a detailed account of the research design and methodology.

### **3. Methodology**

The questionnaire was developed by incorporating measures published and validated in the extant literature on FB and internationalisation (Graves, 2006; Mustakallio, 2005), most of which was in the English language. Translation of the questionnaire from English to Finnish involved three persons who are all fluent in Finnish and English, of whom two were native Finnish speakers. Pre-testing of the questionnaire involved three individuals, of whom one was a FB manager, another was a business owner, and the third a professional in another field in Finland. After filling out the questionnaire, all three were interviewed regarding the questionnaire. Based on their feedback, the questionnaire was further refined and mailed to respondents. The measures for the constructs incorporated in the questionnaire are discussed in the next sub sections.

### 3.1. Measures

All the measures of this study derive from prior studies that are validated. When measures and items for a construct were not available (e.g. long-term orientation), the items were conceptually derived from earlier conceptualizations (e. g Miller et al., 2008). The items for the variables of this study and their sources are provided in Appendix 1.

#### 3.1.1. Independent variables

The family commitment culture (FCC) was measured by using the F-PEC scale of family influence (Astrachan, Klein, & Smyrniotis, 2002; Klein, Astrachan, & Smyrniotis, 2005). The F-PEC scale measures the extent to which the family influences the business and its impact on strategy related outcomes (Zahra et al., 2008). The scale is validated in different contexts (e.g. Astrachan, Klein, & Smyrniotis, 2002; Klein, Astrachan, & Smyrniotis, 2005; Zahra et al., 2008). The family culture dimension in F-PEC reflects the extent to which the values of the business and family overlap, as well as the family's commitment to their business (Zahra et al., 2008). The more that family is involved in management the more likely they are able to shape FCC in FSMEs. FCC is a distinguishing characteristic that makes a FB different from a non-FB (e.g. Astrachan, Klein, & Smyrniotis, 2002; Klein, Astrachan, & Smyrniotis, 2005; Zahra et al., 2008). As the aim of this study is increase our understanding as to what may facilitate or inhibit internationalization, FCC is selected to explore its potential negative effect on internationalization. FCC has a Likert-type 5 point scale and the scale items used are presented in Appendix 1.

There are studies that suggest that despite FBs' having less managerial capabilities when compared to non-FBs, they can still achieve a high degree of internationalisation due

speculatively to more effective management and leveraging of resources compared to their nonfamily counterparts (Graves, 2006; Graves & Thomas, 2006; 2008). Based on prior studies, strategic flexibility (Barringer & Bluedorn, 1999) is selected to shed more light on the potential positive effect it may have on internationalization. According to Upper Echelon Theory, top managers are expected to shape the values and strategic outcomes of firms (Hambrick & Mason, 1984) and thus one of top management characteristics, functional diversity, was incorporated to reflect strategic flexibility of TMT.

The measure of strategic flexibility of the TMT comprises two indicators. The first indicator is strategic flexibility, which is taken from Barringer and Bluedorn (1999), and the second indicator is TMT heterogeneity (functional diversity of TMT), which is taken from Boeker and Wiltbank (2005). This study combined the two to create a construct called “strategic flexibility of TMT” (sfTMT). TMT heterogeneity is expected to increase the level of sfTMT. Strategic flexibility has a Likert-type 5 point scale ranging from 1 “not at all flexible” to 5 “very flexible.” The items and sources for strategic flexibility are listed in Appendix 1. To measure TMT heterogeneity, this study utilises Boeker and Wiltbank’s (2005) categorisation. Respondents were asked, “How diverse is the functional background of the top management? Please indicate top managements’ functional background.” The choices for selection provided were: a) Research and development b) Manufacturing and operations; c) Marketing and sales and d) Finance, accounting, legal and administrative. This variable is used as a dummy variable (e.g. marketing and sales 0-1) and the total TMT heterogeneity has a score ranging from 1-4, representing the four different functional background categories. The sfTMT is a reflective variable.

In FB literature, a stewardship perspective is increasingly used to examine performance variability among FBs (e.g. Miller & Le Breton-Miller, 2005; Eddleston & Kellermann, 2007;

Miller et al. 2008). Prior studies in internationalization of SMEs have explained their results by using stewardship theory (Graves & Thomas, 2008; Sciacia et al., 2012). To our knowledge, this study is the first to quantitatively test the role of stewardship in FSME internationalization. Here, stewardship orientation (SO) relies on three pillars namely employee orientation, customer orientation, and long-term orientation, (e.g. Miller et al., 2008). The employee orientation (EMO) dimension derives from Zahra et al.'s (2008) study pertaining to stewardship culture. The customer orientation (CMO) dimension derives from the study of Reinartz, Krafft, and Hoyer (2004) on the customer relationship management process. This study mainly relies on the relationship maintenance dimension and selected items deemed relevant to the FSME context. The long-term orientation (LTO) dimension conceptually derives from Miller et al. (2008). Items were developed to capture the construct of long-term orientation. SO is a reflective variable and all three dimensions (EMO, CMO, and LTO) of SO have a Likert-type scale (1-5). Items for stewardship orientation are listed in Appendix 1. Top management team's industrial experience TMTie was measured using Boeker and Wiltbank's (2005) categorisation; respondents were asked "for how many years, on average have the top management worked in this firm's particular industry or in other firms in the same field in 2009". TMTie is a one-item measure representing the construct.

### 3.1.2. Dependent variable

Sullivan (1994) suggests for the use of multiple items in measuring the degree of internationalization. He suggests the use of several items to measure DOI, which account for performance, structural and attitudinal attributes. Several studies use single items such as export intensity to measure the degree of internationalization (e.g. Graves & Thomas, 2008). As the

degree of internationalization measures international diversity, in which international experience is likely to be implicit, it was considered to be tautological to also use international experience as a separate variable.

To measure the dependent variable, degree of internationalisation (DOI), respondents were asked to provide information on three dimension of DOI following Sullivan's (1994) approach. DOI in this study was operationalised as: (1) The proportion of foreign sales to total sales in the previous year, (2) The percentage of employees that spend over 50% of their time in international activity in the current year. To account for geographic diversity: (3) The geographic diversity of export sales was captured by asking whether sales were: a) all exports to Europe, b) outside Europe 1-24%; c) outside Europe 25-49%, d) outside Europe 50% or more. Geographic scope was calculated as a single, weighted score for each respondent by assigning 1 for all exports to Europe, 2 for outside Europe 1-24%, 3 for outside Europe 25-49%, and 4 for outside Europe 50% or more. In this study, the three indicators are converted (each dimension of DOI) into a ratio variable but are separately used as three indicators of DOI. Thus, DOI is a reflective variable. Self-reported figures mainly were used for: number of employees, total sales, and foreign sales figures.

### 3.1.3. Control variables

The control variables for this study comprised of firm demographics, firm size, firm age and industry. Previous studies on the internationalisation of the firm have controlled for firm size (e.g. Claver et al., 2009; Fernández & Nieto, 2005; 2006; Gomez-Meija et al., 2010; Nadkarni & Perez, 2007; Rivas, 2012; Sciascia et al., 2012). As larger firms have the possibility of achieving economies of scales due to the amount of resources they have at their disposal to utilize, firm

size is more likely to influence degree of internationalization (Tuppura et al., 2008). Firm size is measured by the number of employees. Previous studies in family firm internationalisation have also controlled for firm age (e.g. Claver et al., 2009; Fernández & Nieto, 2005, 2006; Gomez-Meija et al., 2010; Sciascia et al., 2012). This is because older firms are assumed to pursue internationalization once they have acquired market knowledge and have attained competitive advantage in their domestic market (e.g. Carpenter & Fredrickson, 2001; Hagen et al., 2012; Nadkarni & Perez, 2007; Tuppura et al., 2008). Firm age is measured by establishment year of the firm (e.g. Reuber & Fischer, 1997). In previous study, type of industry is assumed to affect degree of internationalization (e.g. Carpenter & Fredrickson, 2001; Hagen et al., 2012; Lin & Liu, 2012; Tuppura et al., 2008). Thus, industry effect is controlled in this study by using dummy variables for each industry group such as Rubber; Machines and Motor; Wood and Paper; Textile, Apparel and Leather; Fabricated Metals and Base Metals; and others.

### **3.2. Sample and data collection**

In this study, following EC's definition, a company is classified as an SME, if it employs fewer than 250 persons and has an annual turnover not exceeding 50 million euros, and/or an annual balance sheet total not exceeding 43 million euros (EC 2003). An FSME is defined, according to Fernández and Nieto's (2006, p. 345) definition of a FSME, as where the "SME belongs to a family with one or more family members in managerial positions". In addition, the firm must view itself as a FB (e.g. Casillas, Moreno, & Barbero, 2010).

Different methods were used to arrive at the final target population. To describe the process, the list of exporting SMEs in the manufacturing sector, which might potentially be FSMEs, was drawn from different databases. First, the national business register (provided by Fonecta),

consisting of exporting Finnish SMEs, was utilised (1994 companies). As the national business register list, does not distinguish between family and non-FSMEs, the website of each of the 1994 exporting Finnish manufacturing and high-tech SMEs was investigated to check if they define themselves as a FB including first and second wave (237 FSMEs). Secondly, the surname of the key decision-makers of a given firm in the Finnish business register was checked to identify if more than one person in the firm's top management has the same surname. If two or more of the decision-makers have the same surname, they were included in the list (278 SMEs). Thirdly, the internal University of Vaasa database on exporting FSMEs from the manufacturing sector was utilised (135 FSMEs). Similarly, other studies in other countries, which do not have national databases on FBs, have used surnames as a method to potentially identify FBs (e.g. Arosa, Iturralde, & Maseda, 2010). Consequently, the target population was reduced to 650 small and medium sized manufacturing and high technology enterprises.

A survey questionnaire was sent to those 650 companies. For those companies that did not respond immediately, the option of sending back the filled questionnaire by email or completing it by telephone interview was offered. The initial responses, before taking into account the criteria of this study, was 120 firms, with a response rate of 19%. By selecting only those who self-identified themselves as a FB and met the second criteria of being an SME, 102 companies were selected from the initial respondents of 120. From 102 companies, for around 20 companies, respondents did not fill in their responses for the key constructs of this study.

Consequently, the final sample of this study consisted of 80 FSMEs in the manufacturing sector. Thus, the effective response rate for this study is 12.3%. This is considered satisfactory in comparison to other studies regarding FBs and also the survey-based data (Chrisman, Chua, Chang, & Kellermanns, 2007; Eddleston et al., 2012). For some missing dependent variables,

secondary data sources such as the Finnish business register and Fonecta were used (four cases). Maximum likelihood, particularly multiple imputations with Amelia software (Honaker, King, & Blackwell, 2011), was utilised to impute missing items for some independent variables. T-tests revealed no significant differences between the first and second mailings.

### 3.3. General characteristics of the sample

To mention the general characteristics of the sample, based on the criteria of the study, the number of employees should not exceed 250 and the turnover should not exceed EUR 50 Million on the surveyed period<sup>1</sup>. The sample mean for turnover was Euro 8.38 million and for number of employees, 51. FSMEs in the sample were established from 1910 – 2003. With regard to the most frequent cases in the sample, 13 cases were established between 1973-1983, three sets of 12 cases between 1910-1949, 1963-1972, and 1984-1990. The three most important countries for the firm's foreign sales were Sweden, Russia and Germany. In terms of export experience, more than half of those who reported their export experience had begun their exporting prior to 1992, and more than 75% had begun their export prior to 1996. Only one company had started its exports within the last five years.

## 4. RESULTS

### 4.1. Assessment of the measurement model

The measurement model or the outer model defines “how each block of indicators relates to its latent variables” (Chin & Newsted, 1999, p. 322). Warp-PLS was used to analyse the result of this study (Kock, 2011). In order to evaluate the PLS-SEM model, p value and p coefficients are

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<sup>1</sup> Two borderline cases, which fulfilled the criteria for one of the surveyed years were included.

used for significance testing. The composite reliability coefficient for family commitment culture is (FCC) 0.942; degree of internationalisation (DOI) is 0.766; Stewardship orientation is 0.767. Industry (INDUST) is 0.97. Top management team industry experience (TMTie), firm age (FIRMAGE), and firm size (FIRMSZ), all these three LVs have only one indicator and thus have a composite reliability of one.

To assess the measurement model, internal consistency, convergent validity and discriminant validity are utilised. Internal consistency is assessed by using loading values of indicators ( $\geq 0.5$ ) (Hair, Black, Babin, & Anderson, 2010, p. 118) and construct reliability estimated by using the composite reliability estimate where  $\geq 0.7$  signifies good reliability (Hair et al., 2010, p.710). The loading for variables measuring FCC are all above 0.7. The lowest loading is for FCC4 (0.731). Both indicators of sfTMT have a loading above 0.75. The lowest loading is for employee orientation (EMO), which has a loading of 0.528. The other SO measures, long-term orientation (LTO) has a loading of 0.853, and customer orientation (CMO) has a loading of 0.769. The loading for variables measuring Industry (INDUST) are all above 0.9 except for the rubber and plastic products industry (0.594). Cross loading can also be assessed for discriminant validity ( $< 0.5$ ) (Hair et al., 2010, p.119). The cross loading for all the variables was less than 0.5.

Fornell and Larcker (1981) suggested that Average Variance Extracted (AVE) can be used as a measure of reliability for the LV component score. By using AVE the convergent validity is assessed. AVE attempts to measure the amount of variance that a latent variable (LV) component captures from its indicators relative to the amount due to measurement error. It is recommended that the AVE should be greater than .50 that is 50% or more variance of the indicators should be accounted for (Chin, 1998, p. 321; Fornell & Larcker, 1981, p. 47). The average variance

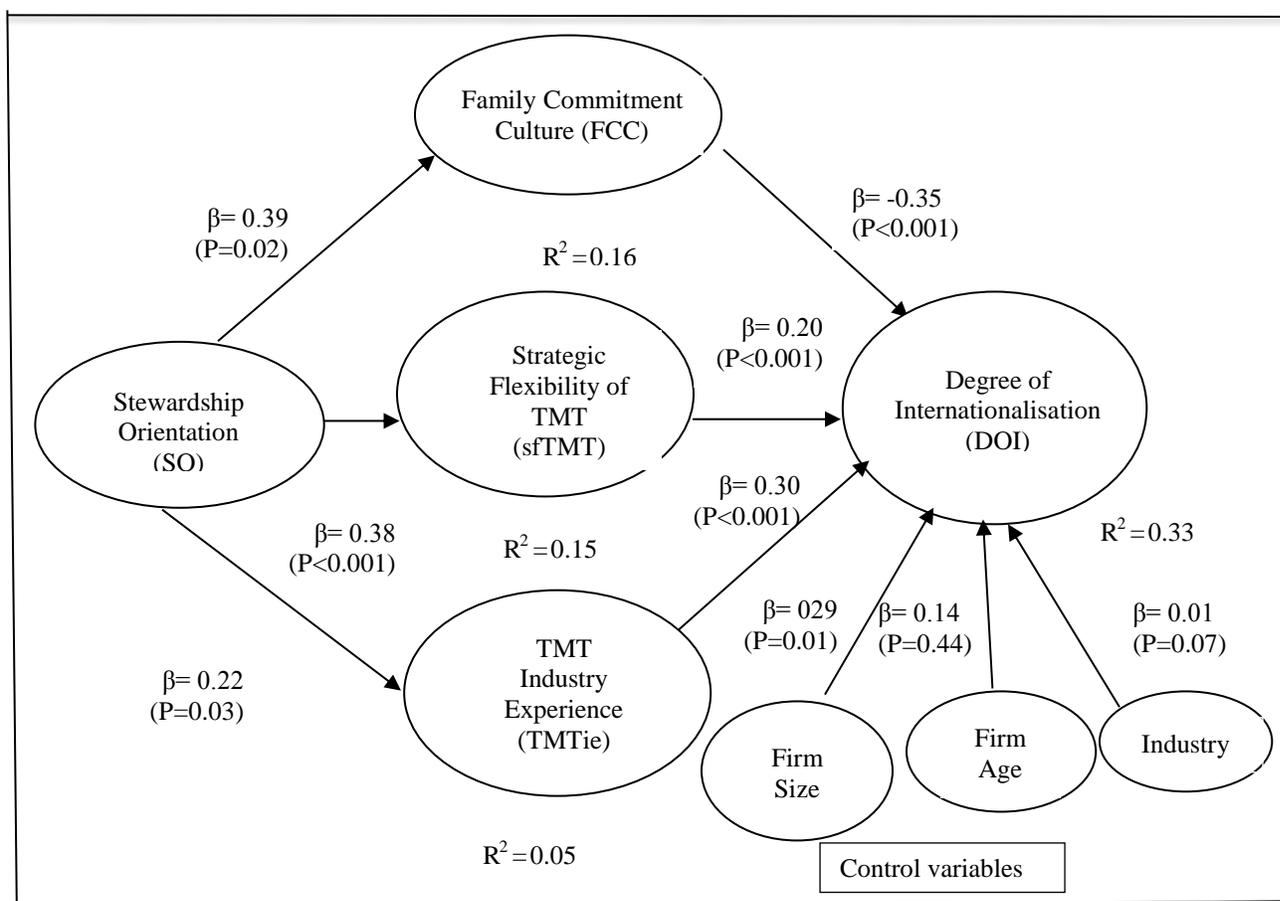
extracted for FCC is above 0.6 (AVE=0.644); sfTMT is above 0.55 (AVE=0.568); SO is above 0.5 (AVE=0.533); DOI is above 0.5 (AVE=0.526) and Industry is above 0.8 (0.827). Thus all the AVE scores are above the threshold of 0.50. According to Fornell and Larcker's (1981), average variance extracted (AVE) can be used to examine discriminant validity. In this study, the square root of AVE for FCC is 0.802; sfTMT is 0.754, SO is 0.730; INDUST is 0.909 and DOI is 0.725.

#### 4.2. Assessment of the Structural Model

One of the advantages of PLS-SEM for non-normal data and small sample size is that it does not make distributional assumptions (Chin, 1998). To evaluate a PLS-SEM model, instead of evaluating a model on covariance fit, evaluation on PLS-SEM model should apply prediction-oriented measures that are nonparametric (Chin, 1998). To assess the predictive relevance of the model, R-squared for dependent LVs, Fornell and Larcker's (1981) average variance extracted measures as suggested by Chin and Newsted (1999, p. 328) are utilised. The R-Squared for the endogenous variable, sfTMT is 0.146; TMT industrial experience (TMTie) is 0.047; family commitment culture (FCC) is 0.155 and the dependent variable degree of internationalisation (DOI) is 0.325.

The path coefficient for FCC and DOI is negative ( $\beta = -0.351$ ), the relationship is significant ( $p < 0.001$ ). Proposition 1 is accepted. The path coefficient for SO and FCC is positive ( $\beta = 0.393$ ), the relationship is significant ( $p = 0.016$ ). Proposition 2 is accepted. The path coefficient for SO and sfTMT is positive ( $\beta = 0.383$ ), the relationship is significant ( $p < 0.001$ ). Proposition 3 is accepted. The relationship between SO and TMTie is positive ( $\beta = 0.216$ ), the relationship is significant ( $p = 0.034$ ). Proposition 4 is accepted. The relationship between sfTMT and DOI is positive ( $\beta = 0.204$ ), the relationship is significant ( $p < 0.001$ ). Proposition 5 is accepted. The relationship between TMTie and DOI is positive ( $\beta = 0.302$ ), the relationship is

significant ( $p < 0.001$ ). Proposition 6 is accepted. In terms of the control variables, the relationship between Fsz and DOI is positive ( $\beta = 0.292$ ) and the relationship is significant ( $p = 0.013$ ), the relationship between FA and DOI is positive ( $\beta = 0.144$ ) and the relationship is not significant ( $p = 0.443$ ), the relationship between INDUST and DOI is positive ( $\beta = 0.01$ ) and the relationship is not significant ( $p = 0.07$ ). Firm size was found to be positively related to internationalisation as indicated by prior literature (e.g. Nadkarni & Perez, 2007; Rivas, 2012). The mean, standard deviation, the LV correlation and Square roots of Average Variances Extracted (AVE's are shown on diagonal in Appendix 2). The empirical model of this study is depicted in Figure 2.



**Figure 2.** The empirical model on internationalisation of FSMEs

## 5. Discussion

The study set out to investigate how specific factors determine the internationalisation of FSMEs. Based on previous literature, this study identified and then tested the relationship between stewardship orientation (SO), family commitment culture (FCC), strategic flexibility of TMT (sfTMT), industry experience of TMT (TMTie) and internationalisation. Taken together, our results seem to suggest that FCC and SO may operate against internationalisation, and as the literature suggests, this may be due to the inward orientation assumed by these constructs, however when coupled with the sfTMT, SO positively impacts internationalisation potentially because it increases outward orientation.

The Upper Echelon theory suggests that powerful actors shape values and cognition in the organization which in turn may affect strategic outcomes (Hambrick & Mason, 1984). Our findings lend support to Upper Echelon theory in the FB context. Strategic flexibility of TMT and industry experience of TMT, which are parts of the TMT characteristics show positive relationships with internationalization. Organizational culture such as stewardship orientation of FSMEs shaped by owners in the FB context is further related positively with top management team characteristics such as strategic flexibility and industry experience of TMT, which in turn is related positively with a strategic outcome such as internationalization. This may be because FSMEs, which are stewardship oriented due to their employee orientation, customer orientation, and long-term orientation, are able to keep to their existing members of top management team. Speculatively this might indicate less turnover in their top management team. In prior literature, shared experience in top management team (Hutzschenreuter & Horstkotte, 2013) shows a

positive relationship with performance of internationalized of SMEs. By recruiting and maintaining TMT members who have industry experience, FSMEs may leverage their industry experience to establish their reputation, which in turn could help them to attract investors for expansion abroad (Stuart & Sorenson, 2003, p. 232). FSMEs may be able to increase their level of internationalization. In other words, though family members could be part of the top management team, stewardship oriented FSMEs may recruit non-family top management team members who have the requisite industry experience that may allow them to develop relationships with important actors in the industry.

While Tihanyi et al. (2000) in their study on the composition of the top management team and firm international diversification did not provide support for their hypothesized relationships between top management team heterogeneity and firm international diversification, Rivas (2012) finds a positive effect on internationalization for functional background diversity of both boards and TMTs. Thus, in line with Rivas's (2012) study, our findings indicate a positive relationship with strategic flexibility of TMT (reflected in TMT heterogeneity and strategic flexibility) on internationalization. This finding provides a nuanced approach and shows the process of how powerful actors such as FB owners with stewardship orientation may influence top management teams' strategic decision making processes (Hall et al., 2001). If this aspect is coupled with pursuing opportunities through a strategically flexible TMT with long industry experience, it may influence internationalization positively.

Zahra et al. (2008) found a positive relationship between stewardship culture and family commitment culture, and also between stewardship culture and strategic flexibility in FBs. Our study highlights the significant role of sTMT with diverse functional backgrounds contributing positively to internationalisation. Our findings suggests that FCC can engender domestic

orientation. This is because as FSMEs' internationalisation can be a risk prone business activity (Jones & Coviello, 2005), FSMEs who exhibit higher FCC may have a tendency to stay in their domestic market. This study supports Gomez-Meija et al.'s (2010) finding that FBs may stay in their domestic market if they perceive expansion abroad threatens the loss of their socio-emotional wealth (SEW). The threat of loss of SEW endowment to the FSMEs can be in terms of family values, emblems, and the legacy of the founder (Gomez-Meija et al., p. 225). As indicated in prior studies (e.g. Tuppura et al., 2008), firm size, one of the control variables, has a positive relationship with degree of internationalization. This may imply that firms with more resources at their disposal due to their size, are more likely to internationalize than others.

If internationalisation is taken as growth activity (Jones, 1999; Reuber & Fisher, 2002), our results also lend support to Casillas and Moreno (2010) in that family involvement in management may reduce the influence of risk-taking on growth. This is because the more that family is involved in management the more likely they are able to shape FCC in FSMEs.

In terms of SO, when employees are empowered and network on behalf of the firm, this aspect may contribute to FSMEs' overcoming the inward oriented limitations that they are purported to have (e.g. Donckels & Fröhlich, 1991; Kets de Vries, 1993; Miller et al., 2008). The more that FBs are willing and able to maintain relationships that they have created with their customers (due to their customer orientation), where buyers are large companies, client following into the international market (Bell 1995) may take place. In FBs, client following in turn may minimise risk exposure (Casillas & Moreno, 2010). FBs are described as long-term oriented in FB literature (e.g. Lumpkin & Brigham, 2011). When firms become long-term oriented, they tend to build long-term relationships with their key customers, suppliers, and partners, however, if coupled with FCC, it can have a negative effect on internationalisation as FCC will anchor

them to those relationships in the domestic market. However when SO with long-term orientation (for instance) is coupled with sTMT (e.g. Zahra et al., 2008), it allows FSMEs to look beyond the boundaries of their domestic market for opportunities in the international market. Where managerial capability is limited (e.g. Graves & Thomas, 2006); FB TMTs that are strategically flexible and composed of people with heterogeneous functional backgrounds, are more likely to internationalise than others (Rivas, 2012). This study confirms that FSMEs with TMTie internationalise their business more than others (e.g. Westhead et al., 2001).

The contribution of this study is to both academicians and practitioners. By identifying that family commitment culture (FCC), as an organisational culture, may inhibit or facilitate internationalisation, we are able to clarify what aspects of organisational culture contribute to internationalisation and what do not, e.g. SO coupled with sTMT and TMTie has a positive impact. By identifying the inter-relationships among SO, FCC, sTMT, TMTie and DOI in a structural relationship model this study contributes to our understanding of how inward and outward orientations are balanced in FBs. It identifies FCC as consistent in keeping firms in the domestic market. Nadkarni and Perez's (2007) results suggest that knowledge and learning gained in domestic markets through diverse resource and competitive activities may be crucial in early international commitments. The findings of this study suggest that when stewardship orientation of FSMEs is coupled with industry experience of the TMT, it affects internationalization positively. As FSMEs for the most part are engaged in low commitment foreign operation modes such as exporting (Graves, 2006), this may indicate that knowledge and learning gained through industry experience and domestic market knowledge can be crucial especially for FSMEs.

By adapting Miller et al.'s (2008) three pillars of stewardship behaviour, this study contributes to the further conceptualisation and measurement of stewardship orientation, as employee orientation, customer orientation and the long-term orientation of FSMEs. It also contributes to the relationship of governance in internationalization of SMEs in general. Particularly, the development of long-term orientation (LTO) is useful given Lumpkin and Brigham's (2011), observation that the construct is under-developed despite its frequent association with FBs. This study also helps increase our understanding of the type of conditions under which SO can be positively or negatively related to internationalisation. Thus it contributes to both governance and internationalisation literatures in a FB context.

In relation to the role of the TMT, based on prior study's findings, this study highlights the role of the strategic flexibility and industry experience of the TMT in the internationalisation of FSMEs. The main decision makers are the TMTs, and this study shows that their strategic flexibility in pursuing opportunities in foreign markets serves as a facilitating factor in the international expansion of FSMEs. In relation to TMT industry experience this study also lends support to previous empirical work associating experience with internationalisation e.g. accumulated industry experience (e.g. Westhead et al., 2001; Tuppara et al., 2008) and highlights the role of slack resources (e.g. Lin & Liu, 2012) that may contribute to the internationalisation of FSMEs. Our findings show that as TMTs accumulate industry experience in FSMEs, the more likely it is that they will pursue opportunities not only in the domestic market but also abroad.

### 5.1. Implications

The findings of this study suggest that when stewardship orientation is coupled with sfTMT and TMTie, FSMEs are more likely to internationalise their business. Strategic flexibility

pertains to identifying opportunities and threats in the firm's environment (Zahra et al., 2008). International opportunity recognition (e.g. as suggested in Jones, Coviello, & Tang's, 2011 review) could be enhanced when they are composed of TMT members coming from different functional backgrounds (R&D; manufacturing and operations; marketing and sales; or finance, accounting, legal and administrative functions) and our study suggests that this is the case for the TMTs in FBs. This result can be attributed to an enhanced potential to combine heterogeneous stocks of experiential knowledge where TMT members bring diversity to the strategic decision making process. Thus our findings imply that if FSMEs aim to expand abroad, they may need to develop their stewardship orientation, and encourage strategic flexibility of TMT. This means that they may need to be looking out for changing economic conditions and adjusting their business strategy accordingly, but anchored with a long-term view. Subsequently, FBs can develop employee orientation and customer orientation and can utilise it as their engine for foreign business expansion strategy for FSMEs.

In the long run, to expand abroad and increase the longevity of FSMEs, it is important to incorporate diverse ideas. Further to the inclusion of a widely experienced TMT, another way could be to promote industry and diverse functional experience by including the next generation early in the strategic decision-making process. FBs can benefit from broadening their knowledge, skills and sources of advice to improve both their basic and support activities. In the absence of family talent or adverse effects due to the cohesion-entrapment effect from FCC, FBs may benefit by setting up a governance system that allows the inclusion of outsiders' viewpoints, and in that way counter their limitations (Carney, 2005; Nordqvist, 2005). FSMEs may decide to increase their involvement in international business activities, for instance, by creating a joint

venture. In this situation, enhancing their stewardship orientation by incorporating their foreign partner's viewpoint may enhance their success in foreign markets. (Swinth & Vinton, 1993).

## 5.2. Limitations and future research

First, as this study is based on cross-sectional data, it is not possible to derive strong claims about the direction of the effects. However, the current model lends support to theoretical considerations and empirical findings from previous studies (e.g. Zahra et al., 2008). The findings of this study are potentially generalisable to other similar contexts such as other small and open economies. Different results might be expected for FBs characterised by ethnic ties or transnational entrepreneurship due to the international reach of their social capital, international experience, and ability to work in different economic systems (Prashantham, 2011; Prashantham & Dhanaraj, 2010). In such circumstances family commitment culture could have a positive relationship with degree of internationalisation as their families might be spread out throughout the world and their businesses might follow suit.

The potential influence of generational stages and involvement is not directly tested in this study to avoid tautology because as SO has a long-term dimension and may partly incorporate generational involvement. The sample size (n=80) for this study is recognised to be relatively small which limits generalisability although the main purpose of this research was to explore rather than test the feasibility of hypothesised relationships for future research. As such, it is comparable in design and method to other exploratory studies in this field with similar sample sizes (e.g. Crick et al., 2006; Gallo & Pont, 1996; Pinho, 2007). Other limitations are that it is conducted in one small and open economy, Finland, where FBs are important but the overall population of SMEs reflects the small size of the economy.

A useful extension of this work would be to do a comparative survey across Nordic

countries or in other small and open economies (SMOPEC). Furthermore, comparison across other countries that are bigger in size and have larger domestic markets would be fruitful. In relation to the turbulence of economic times, the findings of this study, conducted during a period of recession in the developed world, can be considered in relation to how FSMEs direct their stewardship orientation, TMT strategic flexibility and industry experience to navigate the troubled waters of internationalisation. Future studies may need to explore the findings of this study, by examining the relationship of sTMT and internationalization in other manufacturing types of firms (ICT sector). By focusing only on ICT sector, future studies can examine whether relationships may change under high uncertainty environment. This study identifies FCC as consistent in keeping firms in the domestic market, however, the extent to which that is due to specific motivations such as the need to maintain family legacy and a fear of loss of family wealth (Gomez-Meija et al., 2010), is a potential focus for future research.

The study is amongst the first in the context of FSME internationalisation to test these constructs together, future studies should explore the relationships both qualitatively and quantitatively. It would for example be interesting to compare FSMEs and non-FSMEs (e.g. Larimo, 2011), on their level of stewardship orientation. Future studies can examine whether a moderate level of family commitment culture contributes to internationalisation of FSMEs. In other words, would there be a curvilinear relationship between family commitment culture and internationalisation. Stewardship orientation as a construct in FSMEs could be examined in different industry contexts as well as country contexts. Recent efforts to develop the long-term orientation (LTO) dimension of stewardship (e.g. Lumpkin, Brigham, & Moss, 2010) can be taken as a fertile ground for exploring the conditions under which stewardship orientation in FSMEs might contribute positively to internationalisation. Future studies could also examine the

role of TMT composition and TMT demography in internationalisation of FSMEs. In conclusion, the study of internationalisation of FSMEs will benefit from exploring the role of stewardship orientation and TMT related factors on internationalisation under different conditions.

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Table 1. Selected International Business and Top Management Team Related Literature

No.	Author(s) Name	Title of JA	Name of JA	Theoretical Approach/Key Concepts	Unit of Analysis	Type of Data	Country	Industry	Sample Size	Response Rate	Variables/Constructs	Data Analysis Method	Key findings
1	Hutzschenreuter & Horstkotte (2013)	Performance effects of international expansion processes: The moderating role of top management team experiences	IBR	Internationalization Process Literature, Upper Echelon Theory, Resource Based Theory	Top Management Team (TMT)	cross-sectional time-series data	Germany	Excluded financial institutions, real estate firms, retailers, purely financial holdings, and cross-listed non German firms.	80 German firms (3656 expansion steps) during the 1985–2007 period.	n/a	<u>Independent Variables:</u> added cultural distance per period of time; TMT international experience, shared team-specific experience of TMT <u>Dependent Variable:</u> firm performance <u>Control Variables:</u> TMT size, TMT age, and TMT educational level; irregularity, acquisition, firm size, and capital structure, product diversity; cultural distance, total ownership, prior minority, and slack	Fixed firm effects model analysis	1) The study finds that experiences of a top management team moderate the relationship between added cultural distance and firm profitability. 2) The finding of the study showed that both TMT international experience and shared TMT-specific experience exert a positive significant interactive effect on the profitability impact of a firm's internationalization process.
2	Chi & Sun (2013)	Development of firm export market oriented behavior: Evidence from an emerging economy	IBR	Market orientation, internationalization, and export behavior literature (Export Market Orientation Construct: EMO)	Firm Level; TMT Level	Cross-sectional	China	Apparel Manufacturing Firms	252 Chinese manufacturing firms	30.3%	<u>Antecedent Variables:</u> Organizational structure; export systems; export coordination; export commitment; top management emphasis on EMO; Top management commitment to EMO; <u>Moderator Variables:</u> Export experience; and four environmental turbulence (market dynamism, competitive turbulence, technological turbulence, regulatory turbulence). <u>Dependent Variable:</u> EMO behavior (intelligence generation; intelligence dissemination; intelligence responsiveness)	Structural Equation Modeling	This study identifies several key antecedents (i.e., export reward and training systems, top management support, and export dependence) facilitating the development of firm's EMO behavior while determining the specific moderating effects of environment and experience, and therein explains a large percentage of variance in EMO behavior (78.3%). Importantly, we uncover some instances where the theory of firm EMO behavior's antecedents does not hold for Chinese apparel exporters.
3	Mohr & Shoobridge (2013)	The role of multi-ethnic workforces in the internationalization of SMEs	JSBED	Resource Based Theory; Network Perspective; Diversity	Firm Level	Theoretical	n/a	n/a	n/a	n/a	n/a	n/a	1) They propose that a multi-ethnic workforce facilitates internationalization by providing stimuli for, and reducing barriers to SME internationalization through ethnic ties and heterogeneous knowledge. 2) They suggest that these resources support SMEs throughout the various stages of the internationalization process.

4	Rivas (2012)	Diversity & internationalization: The case of boards and TMT's	IBR	Information Decision Making Perspective	TMT; Board of Directors	Longitudinal research design: board members individual attributes in 2001 and firm's internationalization in 2005-2007.	European and United States	Service and industrial firms	108 largest European and US firms	n/a	<u>Independent Variables:</u> Firm Age; tenure (year of affiliation either to the board or to the TMT); functional background. <u>Dependent Variable:</u> Degree of internationalization (a. Foreign sales: as a percentage of total sales. foreign production: foreign assets as a percentage of total assets. c. Geographic dispersion: Number of foreign subsidiaries divided by the total subsidiaries).	OLS linear regression	<p>1) The study finds a positive effect on internationalization for functional background diversity of both boards and TMTs.</p> <p>2) The study finds that longer TMT tenure and younger board age also have a positive effect on internationalization.</p>
5	Hagen, Zucchella, Cerchiello & Giovanni (2012)	International strategy and performance—Clustering strategic types of SMEs	IBR	Strategic Management; Innovation; Marketing Orientation and Entrepreneurship (Differentiated Strategic Orientation)	SME Business Level	Cross-Sectional	Italy	Manufacturing firms	148 respondent firms	17%	<u>Independent Variables:</u> strategic type <u>Dependent Variable:</u> international performance <u>Control Variables:</u> firm size; firm age; a family ownership dummy variable; an independent firm dummy; and four industry dummies	Cluster analysis (Strategic Types); Logistics Regression (Strategic Types and International Performance)	<p>1. The study finds positive relationship between international strategic types (as expressed by strategic orientations and the related competitive and functional strategic decisions) and international performance. 2) Three out of four strategic types identified (customer, entrepreneurial, and product-inward, strategy types) – pursue more actively international opportunities, expand more rapidly, and exhibit superior international performance when compared to the fourth type (firms lacking any clear strategy).</p>

6	Tuppura et al. (2008)	Linking knowledge, entry timing and internationalization strategy	IBR	Resource Based Theory; Knowledge Based View (Knowledge Based Assets); Strategic Orientation	Firm Level	Cross-Sectional	Finland	8 industries (Furniture, Wood, Chemicals, Forest, ICT, Electronics, Food, R&D)	299 firms	33.90 %	<u>Independent Variable:</u> Accumulated expertise, versatility, network dependence; <u>Mediator Variables:</u> international growth orientation (IGO), first mover orientation (FMO); <u>Dependent Variable:</u> Internationalization strategy (Internationalization path, operational modes of the firm, geographic dispersion vs. concentration); <u>Control variables:</u> Firm size, Firm age and Industry	Linear and multinomial logistic regression models	1) Their findings indicate that accumulated expertise is positively related to both first-mover orientation and international growth orientation. 2) Their findings suggest that the firms with versatile resources perceive the higher value of being first in the market than the firms with more specialized, one-purpose-only assets.
7	Nadkarni & Perez (2007)	Prior conditions and early international commitment: the mediating role of domestic mindset	JIBS	Resource based theory of the firm, competitive interaction theory, and process models	Firm-level	Cross-Sectional	USA	Manufacturing and Service firms from 17 industries	212 firms	n/ap	<u>Independent Variables:</u> Domestic resource diversity (technology, capital intensity, product differentiability, firm size, diversification, market share and international experience of TMT), Domestic competitive action complexity <u>Mediating Variable:</u> Complexity of domestic mindset <u>Dependent Variable:</u> Early international commitment as the first international activity of domestic firms. <u>Control Variables:</u> firm size, diversification, firm age, technology expertise, capital intensity, product differentiability, market share and international experience of TMT	mediated regression procedures suggested by Baron and Kenny (1986)	1) Their findings suggest that domestic resources and competitive action propensity affect early international commitments indirectly through domestic mindsets. A domestic mindset refers to the knowledge structures of the top management team prior to starting international activities, based on their managerial experience and learning in domestic markets. 2) Their results suggest that knowledge and learning gained in domestic markets through diverse resource and competitive activities may be crucial in early international commitments.
8	Carpenter & Fredrickson (2001)	Top Management Teams, Global Strategic Posture, and the Moderating role of Uncertainty	AOM	Upper Echelon Theory	TMT Level	Two panels of lagged cross-sectional data	USA	Industrial Firms	300 firms	n/a	<u>Independent Variables:</u> Four TMT characteristics (1) Breadth of international Experience; (2) Educational background; (3) Functional background; (4) TMT's tenure heterogeneity; <u>Dependent Variable:</u> Global strategic posture: (a) Foreign sales (b) Foreign production (c) Geographic diversity ; <u>Control Variables:</u> Organizational size, firm performance, degree of diversification; R & D intensity	Ordinary Least Square (OLS) regression analysis with fixed-effects model	1) A top management team's characteristics were related to the degree to which its firm was global. Firms were most likely to be highly global when they had diverse TMTs-diverse in terms of the breadth of their international experience and heterogeneity of their educational backgrounds and firm tenures. 2) Such relationships were contingent upon the level of environmental uncertainty confronting the top management team. In contexts characterized by low uncertainty, TMT tenure and functional heterogeneity were positively related to global strategic posture. In high contexts, TMT tenure and functional heterogeneity were negatively related to global strategic posture.

9	Pitcher & Smith (2001)	Top Management Team Heterogeneity: Personality, Power, and Proxies	OS	Upper Echelon Theory	TMT Level	Qualitative	USA	Financial Sector	One Case Company	n/a	Top management characteristics, team functioning, strategy, structure, innovation, performance, potential relationship with personalities of the CEO	Case study analysis	1) The case study findings (identified three cases in one case study company: Artist, Craftsman and Technocrat) demonstrate the critical importance of both personality and power and their impact on heterogeneity proxies for cognitive diversity. 2) The cases show why some forms of heterogeneity may be more important than others with respect to strategic outcomes like innovation and performance.
10	Tihanyi, Ellstand, Daily & Dalton (2000)	Composition of the Top Management Team and Firm International Diversification	JOM	Upper Echelon; International Diversification	TMT level	Longitudinal? (1986 through 1988)	US	Electronic Industry	126 firms	n/a	<u>Independent Variables:</u> Age and tenure, Elite education, International experience, Educational background, functional background <u>Dependent Variable:</u> International Diversification (foreign sales divided by total sales, and average country scope for the three-year period from 1986 to 1988)*. <u>Control Variables:</u> Prior performance, Size, Top management team size,	Hierarchical multiple regression	1) The findings suggested that teams with younger managers, greater tenure on the top management team, members with elite educational backgrounds or members with international experience were associated with greater levels of firm international diversification. 2) Their results did not provide support for the hypothesized relationships between top management team heterogeneity and firm international diversification with the exception of a positive, marginal relationship between top management team heterogeneity and international diversification. 3) Their results reveal that executives' international experience is associated with higher levels of firm international involvement.

Note:

Note: N/A: Not Available; JA= Journal Article; IBR= International Business Review; JSBED= Journal of Small Business Enterprise Development; JIBS=Journal of International Business Studies; AOM=Academy of Management Journal; OS= Organizational Studies; JOM=Journal of Management

## Appendix 1. Measures and 5-point Likert scales

### Family commitment culture (FCC): (Source: (Klein et al. 2005; Zahra et al. 2008))

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1. Family members share similar values
2. The family and business share similar values
3. We support the family business in discussions with friends, employees and other family members
4. Family members are willing to put in a great deal of effort beyond the normally expected, to help the family business be successful
5. We feel loyalty to the family business
6. We are proud to tell others that we are part of the family business
7. There is so much to be gained by participating with the family business on a long-term basis
8. We agree with the family business goals, plans, and policies
9. We really care about the fate of the family business

### Strategic flexibility (sf): (Source Barringer & Bluedorn 1999; Zahra et al. 2008)

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1. The emergence of a new technology
2. Shifts in economic conditions
3. The market entry of new competition
4. Changes in government regulations
5. Shifts in customer needs and preferences, modifications in supplier strategies
6. The emergence of an unexpected opportunity
7. The emergence of an unexpected threat
8. Political developments that affect your industry

### Stewardship orientation (SO)

#### Employee orientation (EMO) (Source: Zahra et al. 2008)

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1. To what extent does your business allow employees to reach their full potential
2. To what extent does your business foster a professionally oriented workplace
3. To what extent does your business inspire employees care, and loyalty
4. To what extent does your business use employees in networking on behalf of the firm and representing the business

#### Customer orientation (CMO) (Source: Reinartz et al. 2004)

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1. We have a formal system for determining which of our current customers are of the highest value
2. We continuously track customer information in order to assess customer value
3. We actively attempt to determine the costs of retaining customers
4. We track the status of the relationship during the entire customer life cycle (relationship maturity)

#### Long-term orientation (LTO): (Conceptually derived from Miller et al. 2008)

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1. We attempt to build long-term relationships with our key suppliers
2. We attempt to build long-term relationship with key customers
3. We attempt to build long-term relationships with our key partners

**Appendix 2.** Mean, Standard Deviation, Latent variable (LV) correlation and AVE\*

Variables	Mean	SD	1	2	3	4	5	6	7	8
<b>1. FCC</b>			<b>0.802</b>							
-FCC1	3.897	0.971								
-FCC2	4.072	0.874								
-FCC3	4.104	0.885								
-FCC4	4.304	0.926								
-FCC5	4.094	0.807								
-FCC6	4.467	0.778								
-FCC7	4.464	0.742								
-FCC8	4.198	0.817								
-FCC9	4.576	0.685								
<b>2. sfTMT</b>			0.270*	<b>0.754</b>						
-TSF	3.714	0.475								
-TMThe	2.926	0.891								
<b>3. DOI</b>			-0.247*	0.001	<b>0.725</b>					
-GESCPR	0.450	0.239								
-EMPIA50	0.089	0.174								
-FSTSR	0.318	0.286								
<b>4. SO</b>			0.368***	0.371***	-0.171	<b>0.730</b>				
-EMO	3.701	0.508								
-CMO	3.533	0.834								
-LTO	4.537	0.514								
<b>5. FA</b>	1972.580	21.694	0.153	0.070	0.136	0.079	<b>1.000</b>			
<b>6. TMTie</b>	18.198	10.933	0.034	-0.141	0.158	0.014	-0.177	<b>1.000</b>		
<b>7. FSz</b>	51.175	56.024	0.036	0.098	0.125	0.085	-0.263*	0.292**	<b>1.000</b>	
<b>8. INDUST</b>			0	0.006	0.002	-0.012	-0.017	0.006	<b>0</b>	<b>0.909</b>
-Rubber	0.614	0.37								
-MachMot	0.37	1.631								
-WoPa	0.42	1.842								
-Food	0.123	0.578								
-TexApLe	0.123	0.578								
-FMeBMe	0.321	1.421								
-Others	0.296	1.316								

\*Note: Square roots of average variances extracted (AVE's) shown on diagonal. For industry (INDUST), MachMot (Machines and Motor), WoPA (Wood and Paper); TexApLe (Textile, apparel and Leather, FMeBMe (Fabricated Metals and Base Metals).