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**The liability of kinship and the internationalization of family firms:
A qualitative study of a Greek family firm**

ABSTRACT

We examine how the informal institution of “fictive kinship” impacts the international scope of family firms. Building on internalization theory, institutional theory, and social anthropological literature, we offer a new perspective on family firms’ internationalization, exploring their contextual heterogeneity. We unpack family structures, which are idiosyncratic but with tangible consequences for internationalization decisions. We propose that internalization across borders will be constrained by the liability of kinship, which is especially pronounced in markets where fictive kinship informal institutional structures are dominant. Where fictive kinship is more prevalent, family firms remain longer in their early governance structures. This is due to the greater availability of family resources and increasing concentration on the family’s socioeconomic wealth, leading to reduced interest in internationalization. We examine these arguments using a qualitative study of a Greek medium-sized family firm in the hospitality industry. We find that actors’ definition of family depends on the context of family firms and impacts their motivation to internationalize.

Keywords: Family firm contextual heterogeneity; Family firm professionalization; Liability of kinship; Fictive kinship; Informal institutions; International scope of family firms; Social anthropology; Internalization theory

INTRODUCTION

Family Firms (FFs) permeate the business landscape across much of the globe. Examining their internationalization is an integral part of international business research (Debellis, Rondi, Plakoyiannaki, & De Massis, 2021; Kontinen & Ojala, 2010; Pucall & Calabro, 2014). FFs have embraced internationalization as a growth strategy in both developed as well as “in emerging countries with limited institutional development” (Fernandez & Nieto, 2014: 418) but their international scope is more constrained than that of nonfamily firms (Arregle, Chirico, Kano, Kundu, Majocchi, & Schulze, 2021). Family plays a central role in FF internationalization, and yet, the family and its heterogeneity has been undertheorized in FF internationalization research (Arregle *et al.*, 2021). The heterogeneity of FFs has been attributed to a number of different factors including the different levels of family involvement in ownership and control of FFs (Nordqvist, Sharma, & Chirico, 2014), the goals of FFs (Williams, Pieper, Kellermanns, & Astrachan, 2018), the founder’s values (Garcia-Alvarez & Lopez-Sintas, 2001), other cultural, psychological, and economic characteristics (Howorth, Rose, Hamilton, & Westhead, 2010) as well as their governance structure and their access to resources (Chua, Chrisman, Steier, & Rau, 2012). However, this heterogeneity remains understudied in the context of the international scope of FFs. Even the studies examining heterogeneity of FFs (e.g., Chua *et al.*, 2012; Garcia-Alvarez & Lopez-Sintas, 2001; Howorth *et al.*, 2010; Nordqvist *et al.*, 2014) largely ignore its role in the process of internationalization (Metsola, Leppaaho, Mantymaki, & Plakoyiannaki, 2020), with some notable exceptions (Arregle, Naldi, Nordqvist, & Hitt, 2012; Gupta & Levenburg 2010; Karra, Tracey, & Phillips, 2006). Different types of families exert influence on FF management in different ways (Aldrich & Cliff, 2003) and therefore the focus of the analysis of FF internationalization needs to be redirected to family heterogeneity (Jaskiewicz & Dyer, 2017; Gomez-Mejia, Mendoza-Lopez, Cruz, Duran, & Aguinis, 2024). Research on internationalization theory has been critical for the study of IB (e.g., Buckley & Casson, 1976, 2020; Coase, 1937; Williamson, 1975), including for the study of family firms (e.g., Arregle *et al.*, 2021; Kano, Ciravegna, & Rattalino, 2021). This research has examined how the extent of internationalization across borders can be constrained by host country factors, such as those captured by the liability of foreignness

(Zaheer, 1995). However, less attention has been given to the effects of home country factors, such as those inherent in informal institutional structures in family firms.

To advance research in this perspective, we provide insights into the sources of heterogeneity within FFs and their internationalization decisions. We coin the term “liability of kinship” to refer to the costs of family involvement in the internationalization of family firms. We further examine how the informal institution of fictive kinship, as the extension of a family, increases the liability of kinship. Examining the role of kinship and building social ties has been argued to be a valuable step to advance theorizing of FF internationalization and the intuitive aspects of the internationalization process more generally (Debellis *et al.*, 2021). We draw on social anthropology, as it has a long tradition of family and kinship research (Sussman & Burchinal, 1966) and offers great potential for studying family heterogeneity in the FF context (Arregle *et al.*, 2021; Nordqvist *et al.*, 2014). We examine fictive kinship, which resembles the ‘spiritual kin-based’ concept put forward by Peredo (2003), to explain the heterogeneity of FFs across different markets and their subsequent inclination to move from strictly ‘family-controlled’ structures (Arregle *et al.*, 2012) to structures where the family plays a less dominant role, allowing the FF to embrace internationalization. We define fictive kinship as encompassing relationships outside of legal ties (e.g., biological, marriage, adoption) that are nevertheless considered part of the family (e.g., godparents/godchildren, close friends that are considered ‘part of the family’) (Peredo, 2003). Fictive kinship is based on unwritten/non-codified norms of behaviour and is therefore an informal institution (Norbeck & Befu, 1958). We define informal institutions as the unwritten rules and norms that create expectations of social behaviour (Helmke & Levitsky, 2004, 2006; North, 1990).

Fictive kinship represents a double-edged sword for family firms. On one hand, it can serve as a strategic asset by reducing agency costs, building trust-based relationships, and extending the pool of reliable managers beyond blood relatives. On the other hand, it can become a liability when it delays professionalization and internationalization. The critical distinction lies in whether fictive kin are recruited for their professional capabilities or primarily for their kinship status. When firms prioritize "kin-ness" over professional competence, fictive kinship increases what we term the liability of kinship.

However, when firms strategically recruit individuals who possess both professional expertise and a willingness to adopt family-like relational bonds – what we call "strategic professional fictive kin" – the dual benefits of family control and professionalization may be achieved.

Why does fictive kinship matter specifically for internationalization, rather than just for family firm governance generally? The answer lies in the nature of internationalization as a growth strategy. Internationalization exposes firms to unfamiliar institutional environments where the informal institutions that support fictive kinship – such as godparenthood rituals, extended family obligations, and trust-based governance – may not exist or may operate differently. A governance structure that works domestically, where cultural norms support fictive kinship, becomes a liability when the firm attempts to manage operations across borders. International partners, foreign employees, and distant subsidiaries cannot easily be integrated into fictive kinship networks, forcing the firm to either limit its international scope or adopt more formal, professionalized governance structures. This is why we argue that fictive kinship specifically constrains internationalization, even though it may serve as an effective governance mechanism in purely domestic contexts.

We offer a new perspective on the internationalization of FFs by exploring their heterogeneity at the family level. We propose that the informal institution of fictive kinship is an extension of a family and therefore allows FFs to treat nonfamily employees as heritage assets or resources. The greater the network of fictive kinship that a FF can utilize, the bigger the risk of bifurcation bias and the greater the liability of kinship. This means that it may impact the professionalization of the firm that is considered a prerequisite for their internationalization. In family firms, the choices in extending the leadership group or “top management team” (TMT) can potentially include fictive kin or professional management recruits. The two categories “fictive kin” and “professional manager” are not always mutually exclusive. Fictive kin may be adopted into the family *because* they possess professional managerial skills. The trade-off between extending the decision-making team by recruiting professional managers versus fictive kin may be ameliorated when the recruited kin member has professional management attributes – “kin relatedness” does not necessarily exclude professional skills. Moreover, professionalization as a process

occurs over time and fictive kin may become professional by training. This may be agreed as part of the adoption process – a willingness to train might be a condition of, or a recommendation to, adoption as kin. In other circumstances, it can be argued that there is a substitution effect between fictive kin and professional managers as recruits. This critical decision reflects the choice between profit maximisation and enhancing family socioemotional wealth (SEW) (Gómez-Mejía *et al.*, 2007). We note that the adoption of fictive kin may be a postponement of professionalizing the firms' management in favour of protecting the family's socioemotional wealth. These fascinating dimensions of family business development are explored below.

We utilize these concepts in a qualitative study of a Greek medium-sized FF in the hospitality industry with strong links to international markets. Our unit of analysis is a professionally active social group characterized by kinship and fictive kinship ties, which stretches beyond the key actors and the boundaries of the firm to include those linked, in different capacities, to the firm with ties that are not formally contractual but are forcefully binding. This contrasts with previous research, which has predominantly focused on the organizational level of family involvement (Debellis *et al.*, 2021). We thus aim to provide a more in-depth understanding of the overlap between the family and business system and their impact on FF internationalization, which has been argued to be a necessary step to advance the field (Debellis *et al.*, 2021).

The contribution of this paper is to establish fictive kinship as a key informal institution in the literature of the family firm and to embed it firmly in the theoretical tradition of internalization theory. The key theoretical insight is that internalization across borders will be constrained by the liability of kinship, which is especially pronounced in markets where fictive kinship informal institutional structures are dominant. Where fictive kinship is more prevalent, family firms remain longer in their early governance structures and fail to adopt more appropriate structures when internationalizing. Our value added is not only theoretical but empirical as we trace the strategic decisions behind the enlistment of fictive kin and its effects on the internationalization of the firm using a rich case study. This topic is crucial because of the salience of family firms across much of the globe: their real and potential

contributions to world output and welfare mean that their governance structures are of vital importance. Our main findings are that the adoption of fictive kin can be a strategic asset in situations where the top management team see the need to combine professionalization of management with protecting family control and its socioeconomic wealth, but we further establish that, absent professionalism, adopting fictive kin increases the liability of kinship.

The next section provides a review of the relevant literature and definitions for the key terms used in the study. It focuses on the literature of internalization theory, institutional theory, social anthropology, and key concepts such as liability of kinship, bifurcation bias, and fictive kinship. This is followed by our theoretical arguments leading to propositions, examining the effects of fictive kinship on the professionalization and internationalization of FFs. The subsequent section examines our arguments using a qualitative methodology, comprised of a study of a leading FF from Greece. We close with the discussion and conclusion.

THE INTERNATIONAL SCOPE AND HETEROGENEITY OF FAMILY FIRMS

Internalization Theory and the Internationalization of Family Firms

Internalization theory arose from Economics (Coase, 1937) and is one of the first and most established theoretical lenses to examine IB behaviour (Buckley & Casson, 1976, 2020). According to internalization theory, firms internalize market activities when the benefits of doing so outweigh the costs (Williamson, 1975). When these activities occur across borders, multinational enterprises (MNEs) arise (Buckley & Casson, 1976; Hennart, 1982; McManus, 1973, 1975; Rugman, 1981, 2006). The extent of this internationalization depends on host country location factors, such as those captured by the liability of foreignness, or the costs of engaging in business abroad (Zaheer, 1995). Furthermore, internalization is more common in industries that are knowledge-intensive and in firms with critical proprietary knowledge, as a means of protecting the firm from other market players. Relatedly, when property rights protections are weak in a host market, MNEs will be more likely to internalize activities (Casson, 2000). The theory has further been enhanced by identifying other aspects that influence internalization decisions, such as the

capabilities of local entrepreneurs (Buckley & Casson, 1998a) and foreign modes of entry strategies (Buckley & Casson, 1998b). Internalization theory is based on the key assumptions of market imperfections, rational-self-interested behaviour, bounded rationality, information asymmetry, and profit maximization (Buckley & Casson, 2009, 2020). As such, this theoretical lens helps explain the internationalization size and scope of firms across borders. In this paper, we extend the assumption of bounded rationality by proposing that the perceived obligations within the family often conflict with rational/efficiency considerations, leading to decisions where the firm must contend with balancing the priorities.

Liability of kinship and bifurcation bias. While internalization theory focused primarily on host country factors such as those captured by the liability of foreignness, we propose that home country factors such as those arising in FF dynamics, can also help explain the degree of internationalization. We coin the term “liability of kinship” to refer to the costs of family involvement in the internationalization of family firms. This new concept is critical in explaining the extent of FF internalization across borders. Recruiting fictive kin may involve a preference for SEW over profit and innovation as indicated above. The preference for SEW may be a disincentive for internationalisation because of an aversion to the risks of foreign involvements. The liability of kinship, expressed through a preference for fictive kin over professional managers, constitutes the liability in the internationalisation process of family firms. The presumption is that firms recruiting fictive kin value family control over exposure to the risks of recruiting “outsiders” and that these outsiders are more likely to take risks, including internationalisation, over SEW protection. This represents a choice set preference of the nexus fictive kin recruitment/SEW/family control/risk avoidance *versus* professionalization/profit maximisation/ complex governance/increased uncertainty. Ardener (2007) in analyzing fictive kinship from an anthropological standpoint in the context of societal population and adaptation behavior suggests that fictive kinship is a part of an organization’s “recruitment strategy” in response to societal expansion. For each recruit to the organization, he suggests that “The effect is then not to encourage expansion but to neutralize the actual experience of it” (Ardener, 2007: 125). The clear implication of this theorization is that with every

expansion we can expect “fictive kinship” to reinforce the stance of the dominant social actors within the firm. This effect increases the liability of kinship.

FFs have been found to have their international scope more constrained in comparison to nonfamily firms (Arregle *et al.*, 2012; Arregle *et al.*, 2021). The internationalization of firms is associated with added complexity, reduced control, and increased uncertainty (Fernandez & Nieto, 2014) and “while the involvement of external actors can alleviate some constraints and positively moderate the international scope of FFs, the level of family involvement and strategic objectives of the FF are also influential” (Arregle *et al.*, 2021: 1171).

While internalization theory (Buckley & Casson, 1976; Buckley & Casson, 2009) explains how economic actors achieve efficiency in their international operations (Arregle, Hitt, & Mari, 2019; Hennart, 1993; Kano & Verbeke, 2018; Rugman, 1981), this more efficient governance mechanism has been found to be distorted in FFs through the bifurcation bias, i.e., the “differential treatment of family” (Kano & Verbeke, 2018: 158). Bifurcation bias is “a unique, affect-based barrier to short and medium-run efficient decision-making in FFs, which manifests in two simultaneous, diverging patterns of behaviour toward family versus nonfamily assets, applied systematically and by default” (163). In the case of a bifurcation-biased firm, there will be a different treatment of family members as heritage assets and non-family employees as generic or commodity-type assets (Kano & Verbeke, 2018). We propose that this differential treatment leads to the liability of kinship when determining the internationalization strategy of the firm.

Professionalization in family firms. We follow Stewart and Hitt (2012) in conceptualizing professionalization as encompassing two related but distinct dimensions: (1) the adoption of formal governance structures, professional practices, and performance-based decision-making processes, and (2) the involvement of non-family actors with professional expertise in key management positions. Importantly, these two dimensions are not always aligned. A family firm can professionalize its practices while maintaining family members in leadership positions, provided those family members adopt professional approaches to management (Pinyasinchai, Thananusak, & Hughes, 2023). Conversely, a firm

can hire non-family managers without truly professionalizing if those managers are expected to operate within informal, relationship-based governance structures.

Family identity is often very strong in family firms (Zellweger, Eddleston, & Kellermanns, 2010), and this strong identification can create tensions within the top management team, particularly when family and non-family managers must work together (Minichilli, Corbetta, & MacMillan, 2010). In the context of our study, the key question is not whether family members are involved in management, but rather whether decision-making is based on professional judgment or on familial obligations. Family firms relying on fictive kinship often blur this distinction by recruiting individuals who are granted "quasi-family" status. These fictive kin occupy an ambiguous position: they are outsiders brought in for their capabilities, but they are also expected to prioritize family interests and operate within relationship-based governance norms. This ambiguity can delay professionalization because fictive kin, despite potentially possessing professional skills, are constrained by expectations of familial loyalty that may conflict with purely rational business decisions.

From an anthropological perspective, understanding these dynamics requires attention to how different cultural contexts shape the boundaries between family and non-family (Verver & Koning, 2024). The informal institutional structures that define who counts as "family" vary significantly across societies, with important implications for how family firms govern themselves and make internationalization decisions.

Internationalization and externalizing informal relationships. The exposure to internationalization will change the nature of FFs in significant ways: it will reduce the reliance on the family's socio-emotional wealth, i.e., 'the stock of the affection-related nonfinancial value a family derives from its ownership position' (Gomez-Mejia, Makri, & Larraza-Kintana, 2010, as cited in Arregle *et al.*, 2012), in other words it will reduce the value of the family as a heritage asset. One question to ask then becomes whether the decision to internationalize alters the governance structure of a FF, or whether the change in the governance structure is facilitating a greater willingness to internationalize. In either case it is a decision taken by the founder: internationalize, and adjust the governance structure for a better

fit, or change the governance structure allowing for the interests of non-family stakeholders to get a voice that will have internationalization as a likely consequence.

Internationalization, as understood above, implies a move to externalize some of the informal relationships that were kept within the sphere of the FF before. Externalization of relationships in the contexts of FFs does not translate to contractual agreements with parties external to the firm, although this is not ruled out either. It implies making these relationships external to the family, even if the actors involved remain *within* the boundaries of the firm. In this case the growth of the family business, of which internationalization is but one strategy, relies upon the shift from a familial relationship-based structure (a bifurcation biased firm) to a governance structure that embraces outsiders as well. To understand when it is the right time for this shift to happen, we need to understand the specific context for the family business in question. If we understand the context, we can identify the boundaries of the firm (Coase, 1937), i.e. we can predict when a family business will have to start externalizing to non-family agents' activities it has monopolized within its own domain. This will happen when the costs of transacting in a purely familistic context, or shaping family-like relationships, will outweigh the benefits from the reliance on family obligations. From an internalization perspective, this suggests that in the absence of additional resources from within the existing structure of the FFs, the founder will be forced to tie in those in possession of the resources by, at least partially, aligning the goals of the FF to the interests of non-family stakeholders. The institutionalization and processes of this shift are context specific.

Institutional Theory and the Internationalization of Family Firms

We build on institutional theory, more specifically on Rational Choice Institutionalism (Acemoglu *et al.*, 2001; Acemoglu & Johnson, 2005; Djankov *et al.*, 2003; North, 1981, 1990, 1991, 2005; Shleifer & Vishny, 1998; Williamson, 1975, 1985, 2000). This framework also originated in Economics, so its underlying assumptions (e.g., market imperfections, rational-self-interested behaviour, bounded rationality, information asymmetry, profit maximization) are consistent with those of internalization

theory (Campbell, 2004)¹. The two theoretical frameworks are therefore compatible and allow work that builds on the two.

Institutions are defined as the rules of the game that provide context and structure to a society (North, 1990; 2005). Formal institutions refer to written or codified rules, such as laws, policies, contracts, and regulations; whereas informal institutions refer to unwritten rules, such as norms, traditions, and expectations of appropriate social behaviour (North, 1990, 2005; Pejovich, 1999; Sartor & Beamish, 2014; Sauerwald & Peng, 2013). Institutional Theory makes a clear distinction between institutions and organizations, as well as other social arrangements (e.g., North, 1990, 2005). This is important to consider, as the term institutions is often used to refer to organizations in everyday parlance and literature. However, it is useful to distinguish between organizations such as the FF and institutions such as the rules that provide structure and bind those organizations together (North, 1990). Familial relationships, as well as the meaning and importance they are afforded by the family and the FF, are the institutional building blocks that provide structure to these organizations.

Institutional Theory has been increasingly used to examine FFs (e.g., Dau, Purkayastha, & Eddleston, 2020) and it has been found that the way in which institutions impact the conceptualization of family in FFs influences their internationalization (Debellis *et al.*, 2021; Tajeddin & Carney, 2019). This theoretical lens is particularly useful, as it allows for work on the contextual aspects in which a FF operates, such as the institutions in place in a given country (D'Allura, Colli, & Goel, 2019). At the same time, it allows for work on the internal institutional structures within the FF and how they affect different aspects of the firm's operations. Whereas most of this extant literature has focused on the relationship between formal institutions and FFs (e.g., Bennesen, Pérez-González, & Wolfenzon, 2010; Caselli & Giovannini, 2006), there has been limited attention on the relationship between informal institutions and FFs (Peng & Jiang, 2010; Sauerwald & Peng, 2013). This is to be expected, as informal institutions are

¹ The three main traditions of institutional theory are rational choice institutionalism, organizational institutionalism, and historical institutionalism. They are founded on different ontological frameworks, with different logics, assumptions, and boundary conditions, so it is important to distinguish them (Campbell, 2004; Dau *et al.*, 2022a).

much more elusive and difficult to capture, both theoretically and empirically (Dau, Chacar, Lyles, & Li, 2022a, 2022b). Nevertheless, it is unfortunate, as understanding the influence of unwritten rules on FFs can be just as important, if not more important, than the influence of written rules.

Recent work has begun to address this gap. Informal institutions play a critical role in shaping firms' internationalization decisions (Li, Wei, Cao, & Chen, 2022; Liu, He, & Wang, 2023). These institutions influence not only whether firms internationalize, but also how they mobilize and deploy resources in the process. For family firms specifically, informal institutions like fictive kinship define the scope of family-specific resources available to the firm. In markets where fictive kinship is an accepted and prevalent practice, family firms can draw on an extended pool of trusted individuals who are treated as heritage assets. However, the effectiveness of these resources is context-dependent. What works as a governance mechanism in the home market may not transfer to international markets where different informal institutional structures prevail. This creates a fundamental challenge for family firms relying on fictive kinship, they must either limit their international scope to contexts with similar kinship norms or professionalize their governance to operate effectively across diverse institutional environments.

Family Firms' Heterogeneity Through the Lens of Social Anthropology

The Heterogeneity of Family Firms. Although the literature often treats the FF as a homogenous concept (i.e., FF vs non-FF), recent studies have noted the heterogeneity of FFs (Gupta & Levenburg, 2010). In their reviews of the FF literature, Arregle *et al.* (2021) and Debellis *et al.* (2021) identified an urgent need to examine family aspects – and to incorporate family heterogeneity – in the analysis of FF internationalization. Research into the sources of heterogeneity of FFs is relatively recent and has taken different directions, with the context within which these firms are found playing a profound role (Gupta & Levenburg, 2010). This diversity has also impacted researchers' ability to agree on a universal definition of FFs, whereas for policy purposes different countries/regions have come up with their own operational definitions of what constitutes a FF (Howorth *et al.*, 2010).

So far, the heterogeneity of FFs has not been fully captured (Arregle *et al.*, 2021; Gomez-Mejia, *et al.*, 2024). To systematize heterogeneity, both conceptually derived typologies, and empirically based taxonomies of different types of FFs have been proposed (e.g., Nordqvist *et al.*, 2014), including the configuration of family involvement in ownership and management (Nordqvist *et al.*, 2014). The authors suggested nine likely configurations based on the combination of family involvement in management (family operator, family supervisor, and family investor) with family involvement in ownership (controlling owner, sibling partnership, and cousin consortium). In a similar fashion the interface between the family and the business is discussed from a cultural perspective and institutional aspects are proposed. These range from regulating the boundary of a FF and the subsequent ensuing reputation, to allowing the firm to internalize new relationships beyond the family, through to the professionalism required by the business activity undertaken, the regulation of power in the FF, and the rationalization of the succession process (Gupta & Levenburg, 2010). A different approach proposes a values-based taxonomy that combines the psychological with the business dimensions, to yield FF categories that cluster around the family tradition of founders, the achievement pursuing the nature of the founders, their strategic inclination, and their perceptions regarding innovation (Garcia-Alvarez & Lopez-Sintas, 2001).

Whether the heterogeneity of FFs refers to their structure or the founder's characteristics, the resulting governance is a common denominator as FF diversity translates into governance structures that 'fit' the context: they are a result of internal, family specific aspects, and external, environment-related pressures. It is however important to distinguish between formal governance mechanisms and informal relation-based governance practices, since the latter render the former less crucial in specific contexts (Calabro & Mussolino, 2011, cited in Nordqvist *et al.*, 2014). In those cases where relation-based management is dominant, the organizational identity largely overlaps the family identity (Arregle *et al.*, 2012; Ingram & Lifschitz, 2006), which in turn suggests that the family interests collide with the business-oriented goals a rational-behaving firm is expected to pursue (Stewart, 2003). This 'anomaly' is suggested to have impact on the performance of FFs, particularly when it affects other non-family

stakeholders. This becomes increasingly important as FFs grow beyond the point they can draw on family resources, as is usually the case when they internationalize.

Social Anthropology. The social anthropology literature provides a valuable lens that can help advance the internalization and institutional theoretical perspectives in their study of FFs. This literature has a long tradition of research on families and family structures, and it has the potential to offer an “illuminating perspective on family heterogeneity” (Arregle *et al.* 2021: 1182) and a “deeper understanding of unique family-level contextual characteristics” (1179). There have however been some insightful examples of its application to FF internationalization research. For example, Arregle *et al.* (2019) studied the family structures based on Todd’s (1985) typology of these structures to demonstrate the impact of family values on the management of FFs and their internationalization strategies. In bifurcation biased FFs, internationalization decisions are affect-based rather than efficiency-based and there is a prominent set of heritage assets which are favoured over the generic assets (Verbeke & Kano, 2012; Verbeke & Kano, 2018), therefore examining family structures enables researchers to predict bifurcation bias (Arregle *et al.*, 2019). We further build on this work through our focus on the informal institution of fictive kinship and examine how specific family structures impact the levels of internationalization (as recommended by Arregle *et al.*, 2021: 1182). We study how these generic assets (*strangers* within our framework) are transformed into heritage assets (*fictive kin* within our framework) and thus result in delaying internationalization.

Kinship. The treatment of kinship systems as systems of ‘classification of people’ led social anthropology into the study of ‘classification’ more generally. One influential attempt to apply this approach to management issues has been made through the idea of ‘native categories’ (Buckley & Chapman, 1997; Chapman, Clegg, & Gajewska-De Mattos, 2004; Harris, 2000; Moore, 2015), i.e., the categories managers use for cultural sense-making in culturally distant contexts. From a ‘classificatory’ perspective, it is expected that categories will be defined in relation to one another within their own system, and that there will be incongruence of categories as one moves between systems. There is no universally applicable definition of kinship: it is elusive (Creed, 2000), its variation creates controversy

(Stewart, 2003), but also kinship systems ‘vary, while their patterns in FFs are often found to be ‘fluid’ and norms to be adaptable (Karra, Tracey, & Philips, 2006; Stewart, 2010). The most adopted definition of a kinship system is a network of genealogical relationships and social ties resembling such relations as parenthood (Holy, 1996: 40, as cited in Stewart, 2014), and this is a definition which we will use in this paper. Based on this, we define kinship as encompassing blood/biological relationships (such as children and cousins) and legal relationships (such as marriage and adoption).

There are significant differences between the conceptualization of kinship systems across countries. In the United States for example, it is more commonly limited to the immediate family, while in other more family-oriented countries (e.g., Eastern nations) it typically includes the extended family of several generations. It can thus be argued that the kinship system:

[...] may influence corporate activities in cases where family loyalty is given primary consideration – such as when contracts are awarded or when employees are hired (and a family member is always selected over a more suitable candidate from outside the family) (Deresky, 2008: 96).

Kinship and business. In the context of FFs then the central question becomes whether kinship and business are primarily ‘complementary or contradictory’ because in many cultures, kinship is at least a widely adopted idiom that reflects the deepest moral values of the informal institutional environment that are very often at odds with economic rationality (Stewart, 2003, & 2014; Stewart & Hitt, 2010). To answer this question FF research has attempted to systematize the impact of kinship on FFs. It has suggested as its positive impact the reduction - or even elimination - of agency costs, the creation of socio-emotional wealth that enhances long-term commitment, the relationships FFs generate internally and externally (Stewart & Hitt, 2010), and the access to resources that might not have been otherwise available to the FFs. On the downside, kinship in FFs may impact the quality of management, allow biases in favour of family and kin, and allow for slow adaptation that translates into an inability to ‘professionalize’ the management function. Observing and understanding kinship relationships in FFs is associated with attending to qualitative details, which in turn suggests that emphasizing general patterns

and introducing ‘broad-brush treatments of kinship systems’ come at the expense of appreciating vital concerns of FFs, and may thus be misleading (Stewart & Hitt, 2010).

Fictive kinship. One of these concerns is understanding the nature of a kinship system. Peredo (2003) put forward a concept of ‘spiritual kin-based businesses’ that are different from the ‘blood and marriage kin-based businesses’ as the former embrace members beyond the biological family that are linked through ritual, i.e., social, cultural, or religious characteristics. Families are defined by consanguineal (“blood”) connections or by affinal (“marriage”) relationships. Both familial connections are to some extent culturally determined (Cambell, 1983; Friedl, 1962; Just, 1991) but can be distinguished from fictive kinship where voluntary choices are involved in making the connection. Fictive kin are actively recruited by the family group as kin. Fictive kin are “adopted” into familial relationships, creating bonds beyond consanguinity and marital ties (Du Boulay, 1974; Herzfeld, 1997). This demonstrates the importance of ‘native categories’ (Buckley & Chapman, 1997) which are categories defined in relation to one another within their own system (Lévi-Strauss, 1963; Saussure, 1916) but their congruence is challenged as the family moves between category systems, in our case moving between one kinship system to another as the company internationalises. For example, Karra *et al.* (2006) theorized the continuous renegotiation of the ‘boundaries and scope of [the] quasi-family’ in their in-depth case study of a family business, demonstrating that the ‘boundaries of “family” within the FF are not objective or static but rather negotiated and fluid’ (Karra *et al.* 2006: 872). Schweizer, when discussing inclusive systems, refers to a ‘given system whose functional characteristic is to maximize the number of individuals who can be made into relatives, if strategically “advantageous”’ (2000: 208), and Stewart (2010) discusses kin-like ties based on ‘territory, age, or association membership’. In this respect Stewart also touches upon godparenthood and ritual parenthood as ‘wide-spread examples of quasi-kinship’ (*ibid.*: 293). A form of ‘association membership’ is also presented in Ingram and Lifschitz (2006) as they distinguish among family, friendship, and business ties.

We have noted that adoption of fictive kin, based on encompassing relationships outside of legal ties (e.g., biological, marriage, adoption ties, etc.), but considered part of the family (e.g.,

godparents/godchildren, close friends that are considered ‘like part of the family’, etc.), may extend in time the retention of family control versus professionalizing the firms’ management. Fictive kinship is therefore an informal institutional structure, as it is based on unwritten/non-codified norms of behaviour. As an example, the famous Godfather novels/movies show how the character Hagen, which was an informally adopted son of Don Corleone, was considered like a part of the family, but not at the level to be considered as eligible to take over the leadership of the family business as long as the biological children were still an option. This suggests that kinship often trumps fictive kinship when there is a blood relative, but that such informal relations would be considered as next in line and typically before considering going outside the family in search for talent.

FICTIVE KINSHIP AND THE INTERNATIONALIZATION OF FAMILY FIRMS

We argue that different conceptualizations of family in different cultural contexts (Creed, 2000), and the structures arising from them, define the boundaries of the firm in its early form, as well as the timing of the transition to a less family-centred governance structure during the internationalization process. The family structures are arbitrary but with tangible consequences for decision making in FFs and thus offer great insights into explaining the variance of family involvement in their internationalization. We propose that in cultural contexts where family is broadly defined and informal institutions such as fictive kinship exist, FFs will remain in their early governance structure for longer and will grow more sizeable in their original form before they experience the need to alter this structure. By contrast, more narrowly defined FFs – relying more on the existence of external, formalized relational structures – will reach the stage where family resources are no longer available relatively fast, which will put pressure on them early on to reach beyond the family for resources. Given that the growth and the internationalization of FFs is associated with giving up control (Chua, Chrisman, & Chang, 2004; Lavy & Fallers, 1966) and a move to ‘professionalism’ (Stewart & Hitt, 2010), we argue that in those contexts where family is broadly defined, FFs relying on relation-based governance will grow and will base their internationalization relying more heavily on resources from within the extended family before they move

to more advanced organizational structures. Their reluctance to 'professionalize' will put a burden on their performance (Zellweger, Nason, Nordqvist, & Bruch, 2011). FFs from environments where family is more narrowly defined (i.e., nuclear family) will have fewer resources to draw from, which leads them to be forced to 'professionalize' much faster. This means that they either embark on earlier internationalization or become better performers when it comes to internationalizing.

There are clear limits to this strategy: the first is that as the firm grows finding individuals that can be effectively tied through fictive kinship arrangements becomes increasingly difficult, while the second limit is the ability of the individuals in the centre of the network of relationships to effectively manage the network and perform in line with the expectations of those individuals involved in the relationships. We argue that if the FF can draw on resources available to it through family-based governance structures, transaction costs will remain low and will mainly take the form of network maintenance. This process will be prolonged, if such resources can be made available. Once attracting the resources necessary to efficiently run the FF through a familial structure becomes prohibitively costly, new governance arrangements are increasingly called for. Only then will the underperformance of the FF be acknowledged by the family, as the advantage of low agency and transaction costs will turn into a disadvantage due to ineffective management. We suggest that the FF will then expand to its outer boundaries with the given governance structure and will have to reconsider its position if it envisions further growth. Particularly when considering an international expansion, a FF needs to consider the fact that in different cultural contexts different types of relationships apply, so adjusting the governance structure becomes pivotal. The exception to this is when the FF draws on resources of family, or quasi-kin resident or active in the target country, or when Diaspora networks are being utilized.

The relationship between fictive kinship, professionalization, and internationalization rests on several interconnected mechanisms. First, fictive kinship delays professionalization by extending the pool of "family-like" resources available to the firm. As long as family firms can recruit fictive kin to fill key positions, there is less pressure to adopt formal governance structures or hire purely professional

managers. This is because fictive kin are perceived to reduce the principal-agent problem through trust and moral obligation rather than through formal monitoring and incentive systems.

Second, the reluctance to professionalize creates barriers to internationalization.

Internationalization is resource-intensive and requires both financial capital and managerial expertise capable of operating in unfamiliar markets (Fernandez & Nieto, 2014). It also involves ceding some degree of control, as distance makes direct family oversight more difficult. Family firms that prioritize maintaining control through kinship-based governance are therefore more likely to remain domestic, where their relationship-based management approaches are culturally appropriate and effective.

Third, even when family firms with strong fictive kinship networks attempt to internationalize, they face challenges in transferring their governance practices across borders. The informal institutional structures that enable fictive kinship – such as godparenthood rituals in Greece – may not exist or carry the same meaning in foreign markets. This creates the liability of kinship: the firm must either professionalize its governance (which conflicts with the family's preference for control) or limit its international scope to contexts where similar kinship structures exist.

The trade-off at the heart of our argument is between trust and control on one side versus managerial capability and international expansion on the other. Fictive kinship allows families to maintain control while accessing resources beyond blood relatives. However, this strategy becomes increasingly costly as firms grow and seek to internationalize, ultimately requiring a shift toward more professionalized governance structures.

From the above argument it can be inferred that FFs in markets where the concept of family includes non-blood relationships, FFs will exhaust the vast network available before they start 'professionalizing' while in those contexts where family is more broadly defined the urge to attract outside resources will come at a relatively late stage in their development. Although it requires comparative studies to test this assumption, it is logical to assume that in countries where the concept of an extended family is widespread, relatively more firms will be governed in a 'traditional' way, since they can continue with their original governance structure for a longer period before they reach their limits in

terms of the effectiveness of the relationship-based management they employ. Consequently, relatively few FFs will reach large size, after which it pays to introduce more economically rational governance structures. This is clearly a disincentive for FFs to internationalize and creates the liability of kinship, as going abroad is resource-intensive and the informal institutions employed early on will inevitably become ineffective.

On the other hand, FFs in markets where families are narrowly defined and do not stretch much beyond blood-relationships and marriage will reach the point where their family networks are no longer useful in providing the resources needed early on in their growth process, and if they wish to grow any further will consequently be forced to become more open and will be required to establish governance structures that aim to integrate the interests of outside stakeholders in their strategic outlook. These companies will then be better equipped to deal with the requirements of internationalization and will be able to develop a competitive advantage over rival FFs from different contexts.

As argued by Verbeke and Kano (2018) in bifurcation biased FFs, internationalization decisions are affect-based, and they rely on heritage assets which are favoured over generic assets. Within our framework, examining the informal institution of fictive kinship, generic assets (non-family employees) are transformed into heritage assets (fictive kin) and thus result in delaying internationalization. We therefore propose that the prevalence of fictive kinship increases bifurcation bias and the liability of kinship and therefore tends to reduce the rate of professionalization and ultimately internationalization of FFs (see Figure 1).

Proposition 1. The prevalence of fictive kinship in family firms reduces their professionalization and in turn their internationalization.

*** Insert Figure 1 About Here***

Furthermore, we propose that in countries where the socio-economic importance of family business (Lewandowska & Hadryś-Nowak, 2013) is greater, the relationships put forth in proposition 1 are amplified (see Figure 2, quadrant 1). This occurs because FFs with a high prevalence of fictive

kinship in such countries tend to have a greater degree of alignment between the national level and firm level institutional norms and expectations. Such companies will therefore operate in an environment where fictive kinship and its effects on professionalization and internationalization is commonplace, taken for granted, and typically supported by the local formal institutional system, leading companies to be less likely to break out of that mould.

*** Insert Figure 2 About Here***

On the other hand, we suggest that where there is a clear misalignment between FF institutional norms at the national and firm level, the effects from proposition 1 will be significantly weaker (see Figure 2, quadrants 2 and 3). This occurs because when the institutional norms and expectations at the firm level fail to match those of its home country, the FF will be more likely to seek to break out of the constraints of its current structures and to seek out other markets.

Where the misalignment occurs because the FF has a high prevalence of fictive kinship in a country where FFs receive limited socio-economic importance (quadrant 3), formal institutions such as laws and regulations will typically not support such firm structures to the same extent, forcing such companies to reduce their reliance on the family structure over time and seek to professionalize. At the same time, such companies will seek to internationalize to other markets to diversify their operations beyond a market they perceive as less welcoming to their family structure.

Moreover, where the misalignment occurs because the FF has a relatively low prevalence of fictive kinship in a country where FFs are afforded high socio-economic importance, such firms will also seek to professionalize and internationalize to a greater degree. They will seek to professionalize because developing greater fictive kinship relational structures is typically something that occurs naturally and over a lengthy period, so such companies would need to professionalize to be competitive with other local FFs with strong fictive kinship structures. At the same time, they would seek to internationalize to seek out markets that are more closely aligned and amenable to their organizational structure.

In short, we propose that where there is a high degree of alignment between the conceptualization of family business in the firm and in its home country, FFs will be less likely to professionalize and internationalize their operations (see Figure 3).

Family firms face distinct challenges when attempting to leverage family-specific assets in international markets (Kano, Ciravegna, & Rattalino, 2021). The family can serve as a platform for developing firm-specific advantages, but these advantages are often deeply embedded in the home country's institutional context. When family firms rely on fictive kinship as a governance mechanism, the transferability of this resource becomes particularly constrained. Fictive kinship relationships depend on shared cultural understandings and informal institutional structures that may not exist in foreign markets. A godparent relationship that carries moral weight and creates trust in Greece may have little meaning or legitimacy in other institutional contexts. This creates boundary conditions on when family firms can effectively leverage fictive kinship internationally. Where there is alignment between the home country's informal institutions and those of the target market, family firms may be able to extend their kinship-based governance. However, where such alignment is absent, the liability of kinship becomes acute, forcing firms to either avoid those markets or adopt more professionalized governance structures.

Proposition 2. The degree of alignment between the conceptualization of kinship relationships between the family firm and its home country amplifies the relationships put forth in proposition 1.

*** Insert Figure 3 About Here***

QUALITATIVE METHODOLOGY: A DEEP DIVE INTO A GREEK FAMILY FIRM

We examine the case of PLG (fictitious name for the purposes of anonymity), a Greek medium-sized firm in the hospitality industry. Our single case study design enables us to explore the uniqueness of our family firm under investigation rather than its qualities of being representative (Welch *et al.*, 2011; Welch *et al.*, 2022) thus uncovering unexpected possibilities (Siggelkow, 2007). At the same time, we hope that our in depth exploration through the lens of social anthropology enables us to go beyond “empirical

accidents” (Rouse *et al.*, 2025: 259) and to offer exploratory power beyond our context through our focus on universal social processes, which social anthropology is particularly at home with being able to address. This allows us to take a deep dive into the proposed relationships, in a market (Greece) that has received relatively limited attention in the literature, compared to other parts of the world. We use this case to extend internalization theory, by examining how the liability of kinship and fictive kinship can limit the internationalization of the firm.

Data Collection. Following Chapman, *et al.* (2004), and Chapman, Gajewska-De Mattos, and Antoniou (2004), *who* and *what* you are as a qualitative researcher ‘matters to what you are readily able to discover and to understand’ (292). Defining a sample of the study is one of the elements of setting the boundary of the study (Miles & Huberman, 1994). Data collection was conducted by one of the authors in the Greek firm under investigation. The research was conducted while they² were fully employed there, a fact allowing them to claim being an ‘observing participant’ rather than a ‘participating observer’, as the theory has it. The management of the company were fully aware of this fact and approved of the gathering and use of data from within the company. The researcher was simultaneously “the researched” and could identify themselves with what was important to the objects of the research. In that way they avoided what Punch (1986: 48) highlights as a potential problem, that ‘what is trivial to us may be of vital concern to the researched but may be neglected’. The researcher was of Greek and German heritage. This enabled to build rapport with the respondents as well as it facilitated data analysis process, due to cultural and language similarity. This was also of particular advantage in a Greek collectivist culture context as it enabled us to better explore the fictive kinship aspects. It also created a possibility of researcher bias, especially during data interpretation stage, which we mitigated owing to the co-authors representing British, Polish and Mexican cultures. This team composition offered a balanced perspective representing different cultural contexts and different fictive kinship informal institutional structures.

² We use “they/them” to refer to the researcher, instead of gendered pronouns, for the sake of the double-blind review process.

This research relied on a thorough collection of field notes. These included charting the relationships, recording dialogues between individuals or groups, comments, arguments, gestures, as well as all sort of behaviours and expressions, explicit or tacit, that came to the researcher's attention, although it was not done in an 'iterative and explorative approach, allowing the researchers to be open towards unexpected information' (Lauring & Selmer, 2010: 62). The accompanying data included an array of information gathered for the company, the industry, and the sector in general, suggesting that the findings would also be applicable to companies beyond the firm under research. This material further included information on the legal and organizational structure, financial data, promotional material etc. It also included repeated informal discussions on a whole set of issues with the owners and the managers both in the headquarters as well as in the 17 branches scattered around the geographically dispersed locations of the firm's subsidiary. These discussions had an open-ended nature and were only occasionally systematically recorded while they were conducted. The actual taking of notes happened subsequently. The people talked to in an interview-like manner were perceived to have some special contribution to make to the topics discussed, thus these interviews were actively pursued and were conducted with most of the interviewees at least twice. In total, 23 branch managers, 15 managers from headquarters and five members of the board were interviewed over the two-year period that field notes were taken. This sample included 31 males aged between 30 and 65 years, with professional experience ranging from 5 to 35 years; and 12 females aged between 35 and 45 years, with professional experience ranging from 5 to 20 years. It is worth noting here that unlike most qualitative studies of kinship-based businesses that derive their firm-level data from interviews (Stewart, 2003), the interviews conducted for the research at hand were only supplementary to the fieldwork and the participant observation and were mostly used to verify that the researcher's understanding was in line with the views, opinions, and perceptions of those observed.

Data Analysis. The study – much in line with the 'social anthropology coming home' tradition – captured an insider's view by embarking on a holistic approach on the overall functioning of the organization, 'the complexity and idiosyncratic nature of the processes of internationalization of FFs'

(Fernandez & Nieto, 2014: 417), and attempted to interpret the subjective reality observed through the application of the analytical tools developed for qualitative methods (Pratt, 2009). Field notes were kept rigorously by the researcher for approximately two years, while the overall involvement, and consequently the observation, lasted longer. After the raw collection of the data, the field notes were transcribed to create coherent and meaningful categories, based on the pre-understanding of the researcher.

The analysis entailed interpretive content analysis to identify the key domains standing out of the raw material. This included reordering the notes in a way to correlate these to the background of those involved (general demographics, position within the organizational hierarchy, relation to the owners, etc.), the situation that set the framework of the incidents captured, and the linguistic connotation. Based on the qualitative nature of the research, we did not classify the data categories in advance and did not impose any coding procedure on the revealed information. Rather, we let the themes emerge post hoc, hoping to minimize any researcher bias on the findings. Among these themes that emerged repeatedly through the emphasis put by the respondents, and their concurring nature, the family/kinship dimension of the business community, gender relationships, the ever-present ritual/religious aspect, and the dominance of favour exchange/gift-giving/clientelist relationships were the most notable ones. A conceptual mapping of the emerged categories was then undertaken, that allowed the exposure of interrelationships and linkages among them. This implied that the extracted propositions were an integral part of a larger whole, and could only be fully conceptualized in relation to, and through the existence of the neighbouring coded categories. An extract of these categories that are most closely related to our present focus on kinship is presented here.

The importance of Greek context. As ‘context is everything’ (Stewart & Hitt, 2010), through our analysis of the data we particularly examine the fictive kinship system as an informal institution that has implications on the availability of resources of the FF, and its relevance to internationalization on the example of Greece. We build on the idea that heterogeneity of FFs can be explained by the diversity in the conceptualization of the notion of the family. When conceptualizing the family as providing

institutionalized access to resources, different family types can be related to variations of a resource in both quantity and quality. This is even more so the case, as in the specific context researched the boundaries of the family can be drawn well beyond the blood and marriage relationships to include fictive kinship relationships.

One of the emerging concepts that has been identified in relation to the extended family network in Greece includes the Godfather (*Nonos*, or the female equivalent – *Nona*). S/he is the one baptizing a child according to Greek Christian orthodox religion, picked either because s/he was the best man or maid of honour at the parents' wedding; or based on friendship; or based on his/her perceived relative power, i.e., financial, political, social, etc. The perceived ability to fulfil the obligations of a godfather are pivotal in the selection; on the other hand, the commitments attached to “godfather-ship”, and the fact that the couple considers an individual as likely to live up to the expectations, makes the proposition to become a godfather an honour. The *Nonos/Nona* establishes a holy connection with the child being baptized by granting its Christian name. This connection is expected to be maintained and honoured at least until a child is grown up, that practically translates to be there for the child both materially and spiritually, with gifts on ‘name days’, birthdays, as well as the main orthodox festivities of Easter and Christmas, and support of all sorts otherwise. A ‘Godfather’ is not a biological father, but somebody who assumes a role as something rather like a father – a quasi-role, but with real consequences, roles and responsibilities, nonetheless. This distinction can only be drawn once we have acknowledged the differences, through comparison to other contexts (Stewart, 2014).

The category of ‘Godfather’ described above is an excellent example of fictive kinship. In the Anglo-American Anglophone world, this term evokes an institution related to Christian baptism, which has great importance for a few, a small or vestigial importance for most, and no importance for many: in that, ‘the Godfather’ is a unique example of native categories; it demonstrates how both insiders and outsiders can formalize an informal relationship, thus improving sense-making of a given setting. While a ‘godfather’ category exists both in English and in Greek, the shape of that category, in relation to all the surrounding relevant categories, is different, i.e., it is highly contextualized. Concentrating on what is

common to the two categories, across English and Greek, genuinely gets in the way of understanding how these categories work in their own context. Assuming however that these categories are ‘native’, offers insights into the different conceptualizations of this institution. This has also implications to this fictive kinship relationship being viewed as a resource: it becomes one of relative importance; highly important to those directly involved, as they can mutually draw on the obligation created through the relationship, but of virtually no importance to those outside the relationship. In other words, the value of a relationship of this kind is context-specific, i.e., is subjective.

Findings: A family turned business, or a business turned family.

We argue that family structures and different cultural contexts due to informally institutionalized fictive-kinship relationships impact the ability of FFs to draw on family-controlled resources, and hence define the process of professionalization, and by extension internationalization of FFs. To examine this, we draw on qualitative data from PLG. The company studied in this paper, was at the time of the study geographically widely dispersed, which made direct personal control resource-intensive to exercise. Finding ways of achieving control of distant personnel proved therefore important, although the company did neither demonstrate the ability nor determination to introduce any adequate formal control mechanisms over the period under research. The company struggled with the problem of the owners’ lack of trust shown to its branch managers, in a context where it was necessary that some authority be delegated to them.

Efforts were made to address the problem not through the introduction of structures and systems that the owners were lacking the managerial capacity to implement, but rather through an informal web of relationships, resembling a family, or perhaps an ‘extended family’, that the owners were more confident with. The energy invested in setting up these relationships aimed at creating the missing transparent line of report among owners and employees, and managers with their subordinates. We illustrate aspects of this complicated web within the company, where appropriate, with other examples of similar patterns found outside the company among its clients and suppliers.

International business meets tradition. PLG was at the time of the research a 40-year-old, family-run, medium-sized company, although it counted as one of the leading organizations in the hospitality industry in its home-market, Greece. Majority ownership of the company was still with the founder and his family, although its main German client had acquired a minority stake in the company. The founder was acting as executive chairman, in the Greek version of the term, i.e., being fully involved in the day to day running of the business; he was thought to possess good judgement, depth of knowledge of the business and the people, and was widely respected in the industry and beyond.

Family has always been a pool from which resources were drawn - initially the founder employed his younger brother, who later became an equal partner in the company and based on his formal higher education in economics, took over the finances of the company. Then came their sister, in the accounting department, and later the founder's son and daughter, receiving training on the job under the implicit assumption that they would eventually take over running the company. It was not only the immediate family that was employed in the firm however: various posts were occupied by individuals external to, but in one way or another associated with the family. The ones trusted the most were either close friends or distant relatives. Few of the key staff had no connection whatsoever with either of the owners, but an effort was made that these few were integrated into an informal web of relations prevalent within the company due to the owners' near-obsessive pursuit to establish quasi-family bonds with the main, non-family related staff. This was made possible as it seemed that the actors at either end of the relationship were very comfortable with the practice as they considered it to be the best way to promote their interests, so there was fertile ground for these types of relationships to evolve.

The most common way to tie non-relatives into this relational web was to formalize their bonding through fictive kinship arrangements that were happening beyond the immediate corporate operations: the owners of the company on numerous occasions served as best man to the marriage of their employees, while they also frequently baptized the children of those working for the company, thus becoming their godparents. Although the actual practices did not directly affect the on-the-job relationships, they still carried a clear message: the employees requesting the owners to become formally involved in their

private lives were showing their desire to become part of the close network, while the owners demonstrated their appreciation for the work done so far, and were at the same time signalling that they were now expecting commitment similar to the one they were receiving from close relatives. Such a bonding represented a qualitative shift in the nature of relationships, and was expected to improve the quality of the resources the actors would have at their disposal: the owners were assuming they were now exercising more control, as the trusting relationship established would reduce the uncertainties of potential arbitrary or malfeasant behaviour, while receiving employees were expecting to see their status in the organization increase, as some of the power of the owners would reflect upon them. From the owners' perspective, as long as these relationships worked in a kin-like fashion, these were implicitly perceived to be resources that allowed them to hold a tight grip over the firm's expanding operations across a geography that would have otherwise imposed diminishing control. A phrase often used by the owners was: 'I have my best man there' when prompted to receive information about what has happened either in a far-away branch, or in its local market – implying that the mere fact that a fictive kinship relationship was in place provides reassurance regarding access to information and its quality.

A central theme emerging from our analysis was the moral obligations that fictive kinship relationships created, extending far beyond contractual employment relationships. These relationships did not come without friction, however, with partners and employees on numerous occasions either walking away to establish their own firms, taking away some of PLG's clientele or taking a different path altogether leaving the relationship to fade away. In these cases, the frustration grew, since exiting the relationship was seen as a betrayal of the trust invested, with the characteristic denouncement 'and he is even a best man', or 'I have even put oil on his child', which is what the ritual of baptism literally includes. Hence the resources invested were considered to be wasted, which charged the relations emotionally: where those in fictive kinship relationships became competitors to the company, competition became fiercer, often bordering on hostility. Parting the work relationship also became much more difficult in the cases where fictive kinship links were established: important HR decisions, such as a dismissal were delayed or postponed because of those involved being one way or another related to the

owners, making the relationship a liability as opposed to an asset. Even when these decisions were finally taken, they came as a surprise, since the common perception was that breaking the relational bonds occurred at a huge psychological cost, rather than just a write-off of misplaced resources, suggesting that the establishment of these relationships went beyond a mere rational transaction. Other employees were fully aware of the bond and informally commented on a lay-off: 'I would have never expected them to do this, but he himself kicked the milk bucket', suggesting that although the relationship was a preferential one, and although action was overdue, severing the relationship still came as a surprise.

Extending the informal web to embrace employees and suppliers. It is not only intra-firm relations that were shaped by family or family-like relationships. Fictive kinship relationships have been used widely in relations with suppliers and clients. This again has been common practice for PLG, but also for several other companies in the hospitality industry. Especially in the cases where the relationships were asymmetric, fictive kinship was extensively employed as a mechanism aiming at reducing the uncertainty in the business environment. Small family-run businesses often saw these relationships as one of the few tools at their disposal to increase their leverage with respect to larger ones and sought in this way to become increasingly tied into preferred relationships, thus seeing them as the best way for fencing off competition. The rationale behind this was that by being included in the close network of companies such as PLG, the ties established would trade off against aggressive pricing on other competitors external to this network or would allow inferior quality products and services to be accepted, even in the cases where the quality gap was undisputable. These relationships could be seen as resources that served manipulating market rules, but if these worked, there was little incentive for these smaller firms to consider the competition. A characteristic example of this was the 'best man from Mycanae' the name used by PLGs employees for a restaurant owner that the senior owner had baptised his elder son: he came twice a year, just before Christmas and Easter to pay his respects along with some gifts, and was in return receiving all the business in his location, despite inferior performance. Whenever there were complaints about him, PLG's owner intervened in his favour, so in the eyes of employees he 'couldn't be moved'.

One needs to bear in mind that the firm in question was exposed to internationalization at two crucial levels: firstly, it was a joint venture between the Greek owners and a German hospitality group, and secondly it dealt almost exclusively with international corporate clients representing their interests in Greece. Yet, the firm seemed to adapt only a few of its practices to those of either its German minority shareholder, or of its international customers. The informal web of control seemed to have served the interests of the Greek owners well, or, alternatively, they were no more familiar with any other. The expansion of the firm has primarily rested on expanding the network of quasi-family arrangements, to which key staff have willingly adhered over the years. Although there have been setbacks, both the immediate family and the extended one have offered ample opportunities for the owners to utilize human resources that were either in their reach or were brought under their control by tying them into relationships beyond the immediate workplace. Fictive kinship relationships were also widespread among members of the staff within the company. Here is an example in the words of a manager concerning the dynamics in place:

I have learned from the bosses (e.g. the owners) to use '*koumbaria*' (best manship) to do my work, it does not mean to me anything on the job. I have become the best man to (the person in charge of all coach drivers and the maintenance of the vehicles) and we have a drink off work, and our wives meet as well. But if the company requires it, our relationship is entirely professional. I do however have an 'eye' on what is happening in the garage, he always tells me what is going on, what is being said'.

Following all the links among the employees of branches, or those between employees and their line managers becomes increasingly complicated, and requires a multi-level mapping to follow, which is beyond the scope of this paper.

For the purposes of our argument here and its importance in better understanding the heterogeneity of FFs we would need to ask whether fictive kinship-related customs are of diminishing importance in society generally, even where people manifestly still enjoy the rituals associated with them.

Even if these are increasingly empty rituals however, which once were full, and now only enjoy an instrumental use, and are only perceived as a resource waiting to be exploited, they would still provide an alternative arrangement to the professionalization of FFs, and suggest our argument is time-proof. This may be so, as it is possible to argue, however, that these customs have probably always been used for instrumental purposes, but within the context of village politics and reciprocities rather than business affairs. If this is so, then what we are seeing is a reorientation of the custom towards new and pressing, and away from old and less pressing purposes. This does not necessarily mean, either, that people are taking customs less seriously. It can be argued that the new usages or the ritual are entirely serious and that meaning has survived, but has been newly, creatively and pragmatically realized in contexts relevant to the present day.

What we have found is a kind of folk-theory to the effect that these fictive kinship relationships are ‘old-fashioned’ in the sense of ‘traditional’, and so in some senses inappropriate to the world of business, which is hyper-modern in their own estimation; at the same time, this folk-theory co-exists with the pragmatic fact that such relationships are actually very useful in business, as they open up an entirely new pool of resources to FF owners that is untapped in the conventional way of doing business. This aligns with our earlier observation that the adoption of fictive kin may postpone the trade-off between retaining family control and professionalizing the firms’ management. If one accepts the usefulness of the institution of fictive kinship as a resource, the question to ask is when does its value diminish, or even becomes negative for the FF.

Our findings reveal the fundamental trade-off that PLG's owners faced between maintaining family control through fictive kinship relationships and professionalizing the firm's management. The owners clearly prioritized control and trust – they were more comfortable managing through personal relationships than through formal systems. When asked about the potential usefulness of a more professional approach to management they often replied: ‘and what is the benefit of a manager to us?’ This preference is understandable from an agency theory perspective: fictive kinship relationships reduced the perceived principal-agent problem by creating moral obligations that substituted for formal

monitoring. However, this strategy came at a cost. When fictive kin were recruited primarily for their relational ties rather than their professional capabilities, management quality suffered. Moreover, the energy and resources invested in maintaining these fictive kinship relationships – serving as godparents, attending weddings, managing emotional obligations – represented an opportunity cost that could have been directed toward developing professional management systems and capabilities more suitable for international expansion.

This largely depends on the extent to which such a structure can be functional before either existing tie are no longer available, or new ones are increasingly hard to establish without their quality deteriorating. In the case of PLG's owners, they sought to establish a network of real and quasi-relatives, to control and promote the business. Their success in this might be questioned when the outcome of some of these relationships is observed. Where family members are employed *because* they are family, rather than because of their competence, then the company has surely suffered. The adoption process privileged “kin-ness” over professional competence, thereby negating the potential positive trade-off of family control with professionalization. This is, however, the price that the company paid for the perceived gain of operating with trusted family colleagues and associates. Where quasi-family relationships were engineered, it was to be expected that not all of these would have the resilience of real family relationships, and that some would go sour. But this is the way things were understood in the Greek business setting, and trying to operate outside of this system, while it clearly would have advantages on paper, might be virtually impossible. It is difficult to judge, since there are no closely researched examples to offer.

Fictive kinship network of relationships and firm internationalization

Our research revealed the existence of a fictive kinship network of relationships, which shape the structure and control mechanisms across the firm. It demonstrated the importance of the informal institution of fictive kinship in this context and how it shaped the perception of family, both within the organization, as well as by outsiders interacting with the firm. We have provided detailed evidence

through a ‘thick description’ of the network of kinship and fictive kinship relationships of a Greek medium-sized FF in the hospitality sector, a sector that is almost by definition engaging in international activities. Our findings reveal that moral obligation is what makes fictive kinship both valuable and constraining. These morally binding relationships created obstacles to rational decision-making that purely economic relationships do not. Dismissing underperforming fictive kin or implementing formal controls became difficult, not only practically but emotionally and socially. In the firm researched the international aspect is taking many forms: firstly, the main customer of the firm was also a 45% shareholder, making the firm an International Joint Venture (IJV), where the partner was a major pan-European German tour operator, a true MNE. The implications for the governance structure are that the international partner was represented by two board members, out of a total of five, and that formal reporting of the performance of PLG was expected monthly. Secondly, the customer base of the firm was almost exclusively international. The customers here were other businesses that sell travel packages to Greek destinations to end consumers in their own home countries, with PLG catering for these travellers locally. Thirdly, PLG employed several non-Greeks across its ranks, including some key positions such as contracting and branch management. Based on these three aspects the internationalization of PLG takes the form of (a) introducing and implementing a governance structure that is familiar, and acceptable to the international shareholder, including managing the individual relationship with the international board members, (b) pursuing international key account acquisitions, i.e. finding international businesses to represent in Greece and entering contractual agreements with them, (c) catering for international guests on behalf of the corporate customers, and (d) managing human resources in the form of recruiting and managing non-Greek staff to work for PLG in different occupations.

Our empirical data has demonstrated that despite the high exposure to international influences at different levels, the control function of the firm was still largely grounded on relationship-based management initiated by the two brothers being the majority owners of PLG. Such relationships provided a cross-company network of ‘family-like’ relationships, which provided many structural analogies between the family of the owners, and the ‘family’ of the company. This had the effect of preventing the

situation within the company from being constantly perceived by an insider as one of opposition and conflict of interest between the owning family and the employees (the first powerful, the second powerless): instead, the company was drawn into the same domain of moral legitimization as the owning-family; the owning-family did not just have rights, but also widely recognized and widely dispersed social obligations. This was not perceived in the same way by outsiders: international managers often struggled to comprehend this paradoxical reality as they interpreted it through the lens of their own 'native categories' (Buckley & Chapman, 1997).

The practices followed in the day-to-day operations of the firm were dictated by the major influence that the Greek owners exercise. The firm was almost entirely identified with the owning family, and this perception was dominant to both those directly working for the firm, as well as to the external parties linked to the firm as either customers, or suppliers. This had as a result that decision-making was mostly reserved for the family, leaving everyone else to merely implement these decisions. Since those responsible for implementing the decisions of the owners had very little, or no say at all in the decision-making process, it became crucial for the efficient implementation of the decisions to align their interests with the interests of the controlling family, i.e., to reduce the agency costs. Equally important was to effectively control the implementation, but in the absence of a formal structure alternative control mechanisms need to be introduced. These mechanisms are then transferred from the other domains of the social life of the owners, their family. The importance of the family in the Greek context is such, that it only comes naturally that the firm is structured as an extension, or even a mirror image of the family. The relationships dominant in the family become business practices, and the dynamics of these relationships are also evident in the FF.

For the family owners to monitor the implementation of their decisions, aligning the interests of those being responsible for the implementation with the interests of the controlling family then became crucial. This makes alignment of interests a strategic requirement for the FF. As members of a family are considered to have common interests every effort is made to replicate this construct in business. What we have seen in the case of PLG is that as the firm has grown in scale and scope and more individuals have

been involved in its operations either directly as employees or indirectly as external partners, the more has relationship-based management been employed to manage the firm and its network. An interesting characteristic is that this practice has not only been pursued by the controlling family but has also been accepted as the social reality by all those who sought a special relationship with the owners. In other words, familial relationships worked both ways and were not only a way of managing the firm but were also a way of reducing the uncertainty for those tied into the informal institution of a quasi-family web.

Two factors contributed to the widespread employment of relationship-based management in running PLG: firstly, the near-absolute acceptance of the social context by virtually all actors, which made this the undisputed way forward, and secondly the existence of the godfather status, that allowed the social actors to formalize their relationships through fictive kinship relationships. These two factors made it possible to allow the firm to grow to become a sizable corporate entity without encountering any significant changes to its governance structure, while maintaining the controlling individuals / owners as the only source of power and authority. Even when the firm grew and started to spread out geographically by opening branches in different Greek resorts and tourist destinations, the owners tried to maintain a tight grip by attempting to extend the familial relationships to those employed in positions of responsibility.

DISCUSSION AND CONCLUSION

Our paper examined the informal institution of fictive kinship as a source of heterogeneity of FFs and established it as a determinant of when FFs move to more formalized governance structures, thus facilitating or impeding their speed of internationalization. We have argued that one major factor is the conceptualization of family in different cultural environments, and particularly the integration – or not, of non-strictly blood, or marriage family related relationships, which we have defined as quasi-family, or fictive kinship relationships. We have provided a real-life example from a Greek internationally exposed, medium-sized enterprise, and have based our argument on qualitative data collected through fieldwork over an extended period, as one of the authors has been a manager in the company. The qualitative data

that we have presented examines the concept of ‘Godfather’, a fictive kinship relationship of profound importance in Greece. We have found that the owners of the enterprise under research have made extensive use of this and other types of relationships to create control mechanisms and align the interests of non-family actors with the interests of the family, thus maintaining the familistic character of the firm throughout its expansion in the domestic market. Our analysis has revealed an extensive, complex, and dynamic web of relationships that are designed to convey the values and practices of a family to a FF, in line with the ‘heritage assets’ concept found in the literature (Kano & Verbeke, 2018).

We propose that the size of FFs that are subject to relationship-based management will be greater in contexts where family is more broadly defined to include ties such as ‘Godfather-ship’, since the owners of FFs in such contexts have a much wider resource basis to draw from, when compared with FFs in context where family is more narrowly defined. We suggest that there will only be pressure to change the governance structure of FFs when any further relationships are too costly to create, and too inefficient to maintain, even when considering the bifurcation bias evident in FFs. This occurs in FFs in traditionalist societies at a much later stage than in more developed economies where the nuclear families are the norm. This endows developed economies’ FFs with the characteristics that are key to being successful in foreign markets more than it does FFs from emerging economies. We thus assume that FFs from developed economies will be better equipped for internationalization at an earlier stage in their life when compared with emerging economies’ FFs. This implies that based on the resources available through traditional institutional arrangements FFs with a familistic cultural background will adhere to ‘professionalism’ only when the contribution of the social network to the aims of the family starts declining beyond the levels acceptable to the family. In these situations, the adoption of fictive kin has not taken advantage of the potential positive trade-off between retaining family control, professionalizing the firms’ management and extending the family’s business network. Adoption of fictive kin thus exacerbated the liability of kinship.

Our research also reveals an intriguing possibility that merits future investigation: the strategic recruitment of "professional fictive kin." In some instances, we observed that PLG and other firms in the

industry recruited individuals who possessed professional expertise and were willing to be integrated into fictive kinship relationships. When this occurs – when fictive kin are selected for their professional capabilities and trained to enhance those capabilities – the traditional trade-off between family control and professionalization may be ameliorated. These "strategic professional fictive kin" could potentially provide both the trust and loyalty that families value and the professional expertise that internationalization requires. However, our data suggests this was more the exception than the rule at PLG. More commonly, fictive kinship served to postpone professionalization rather than enhance it. Whether and under what conditions the strategic recruitment of professional fictive kin represents a viable path for family firm internationalization is an important question for future research.

Contributions to IB literature. First, we contribute to internalization theory by examining how the concepts of the liability of kinship and fictive kinship can provide benefits for firms, but also how they can reduce their ability to internalize international markets where these informal institutional structures are dominant. We find that within such structures, family firms will remain longer in their early governance structures due to the greater availability of family resources, leading to reduced interest in internationalization. Second, we contribute to the family business literature by teasing out kinship and fictive kinship institutional structures as sources of FF heterogeneity. These sources have previously been identified in the literature as either internal factors including owners' characteristics and their intra- and intergenerational relationships (e.g., Garcia-Alvarez & Lopez-Sintas, 2001, Gupta & Levenburg, 2010, & Karra *et al.*, 2006), or external factors including history of a country or sector, societal values, environmental pressures, etc. (e.g., Arregle *et al.*, 2012; Chua *et al.*, 2004; Chua *et al.*, 2012; Howorth *et al.*, 2010; Stewart, 2010). We found that a major source of FF heterogeneity is the external perception of what constitutes a family combined with the operationalization of this perception internally by the FF. Drawing on social anthropology we argue that the family structures are arbitrary but with very tangible consequences for FF's international scope decision making. Our research demonstrates that understanding heterogeneity of FFs because of different perceptions of what is a FF can help to define FFs more accurately by taking into consideration the relevant context. Our theorization helps to explain the variance

in the impact of family involvement on their internationalization. This effect is amplified in countries where the perceived socio-economic importance of family business aligns closely with the predominance of fictive kinship in a particular FF. These are markets where informal institutions are prevalent and where the extended family structures (i.e., with weak and non-blood related relationships) are an integral part of the family business management. These kind of family structures often can be found in collectivist cultures where the in-group members are expected to prioritise loyalty to the group and compliance to its norms over their individual interests (Gomez-Mejia, *et al.* 2024), like for example in Latin America, Middle East or Asia. At the same time, each of these contexts has its own “social” definition of family, grounded in its native categories (Buckley & Chapman, 1997). This locally embedded understanding must also be considered in order to gain a deep theoretical insight into these contexts. Researchers can develop a much better idea about the limits of the effectiveness of relationship-based management systems, while practitioners and policy makers can then observe FFs as being embedded in their social reality and make better decisions about the governance structure that will optimize the resources available to FFs and will best fit each individual case. Third, we contribute to institutional theory through unpacking informal institutional structures which are “a set of unwritten norms that work together and are not always easy to disentangle” (Dau *et al.*, 2022a: 989). We do so through our focus on kinship and fictive kinship in a Greek context, which is a country that has received relatively limited attention, when compared to markets in other parts of the world, such as China and India.

Managerial and Policy Relevance. This paper provides implications for family business leaders, seeking to understand the pros and cons of extended family networks within the firm for their professionalization and internationalization. It provides important implications for managers of FFs and national policymakers, as it raises managerial awareness to the culturally contextualized institutionalization of informal relationships serving accessing resources. It suggests that informal institutional structures such as reliance on fictive kinship social networks can serve as a crutch and strategic liability for the FF by reducing the likelihood that it will professionalize and internationalize. Managers of FFs would therefore be well served in being cognizant of balancing their obligations to their

family and kinship traditions, with the growth and development of their business ventures over time. This is because the benefits from the reliance on these obligations in a domestic environment are likely to become a liability while expanding to markets with different kinship structures. Potentially, the adoption of fictive kin could be strategic asset, but absent professionalism and internationally transferable skills, fictive kin increase the liability of kinship. This suggests that training in professional management skills is crucial in the development and internationalisation of FFs. For policymakers, our findings also suggest the potential drawbacks of having institutional misalignments between the national and firm level, such as having those firms seek out to shift some of their investments abroad in search of more welcoming markets. Although one would expect some degree of heterogeneity among firms within a country, policymakers should seek to align the institutional structure at the national level with that of most firms in the country.

Limitations and Areas for Future Research. When conducting qualitative research with a sample of a single unit, even if this one unit is not a single firm but is an extended network of individuals working for and working with one firm, questions about the validity and generalizability of the results arise. Theorizing then from a single case depends on the richness of the observations and the quality of the interpretation. We claim that our argument has explanatory power beyond the given context of Greece. This type of qualitative study allows one to delve deeply into the inner workings of a company within a national context, providing the opportunity to develop rich theoretical arguments and propositions that can further be tested in future work. To test its fit in different contexts, more similar cases from different social backgrounds are needed. Similarly, to more readily evaluate the alignment and misalignment of national and firm level institutional structures and their effects on FF behaviour, future qualitative studies may compare and contrast the proposed relationships across different countries. What is also needed are quantitative studies that research the scale of operations of FFs and their decision-making process regarding growth strategies, and particular internationalization efforts. This would establish whether the variation in the definitions of family in different markets constitutes a significant source of heterogeneity. Furthermore, future quantitative work may examine the proposed relationships

with a large sample of countries and FFs, although collecting the necessary data on fictive kinship for so many firms may be challenging.

Conclusion. Given the ubiquity of FFs across much of the globe, understanding the unique contextual characteristics of family component of FFs and how they affect their governance structures and internationalization is vital to continue to advance research on the international scope of FFs. This paper has examined one critical aspect of these contextual characteristics, namely fictive kinship as an informal institution, which we hope will pave the way for more research delving deeper into this and other important areas of FF heterogeneity. We have shown that the adoption of fictive kin can be strategic asset in situations where the top management team see the need to combine professionalization of management with protecting family control and its socioeconomic wealth, but absent professionalism, adopting fictive kin increases the liability of kinship.

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Figure 1. Proposed Relationships between Fictive Kinship in FFs and their Professionalization and Internationalization

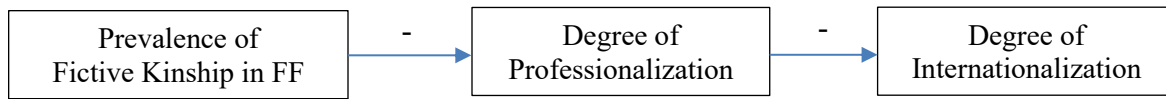


Figure 2. Proposed Relationships between Fictive Kinship, Socio-Economic Importance of Family Business, and FF Professionalization and Internationalization

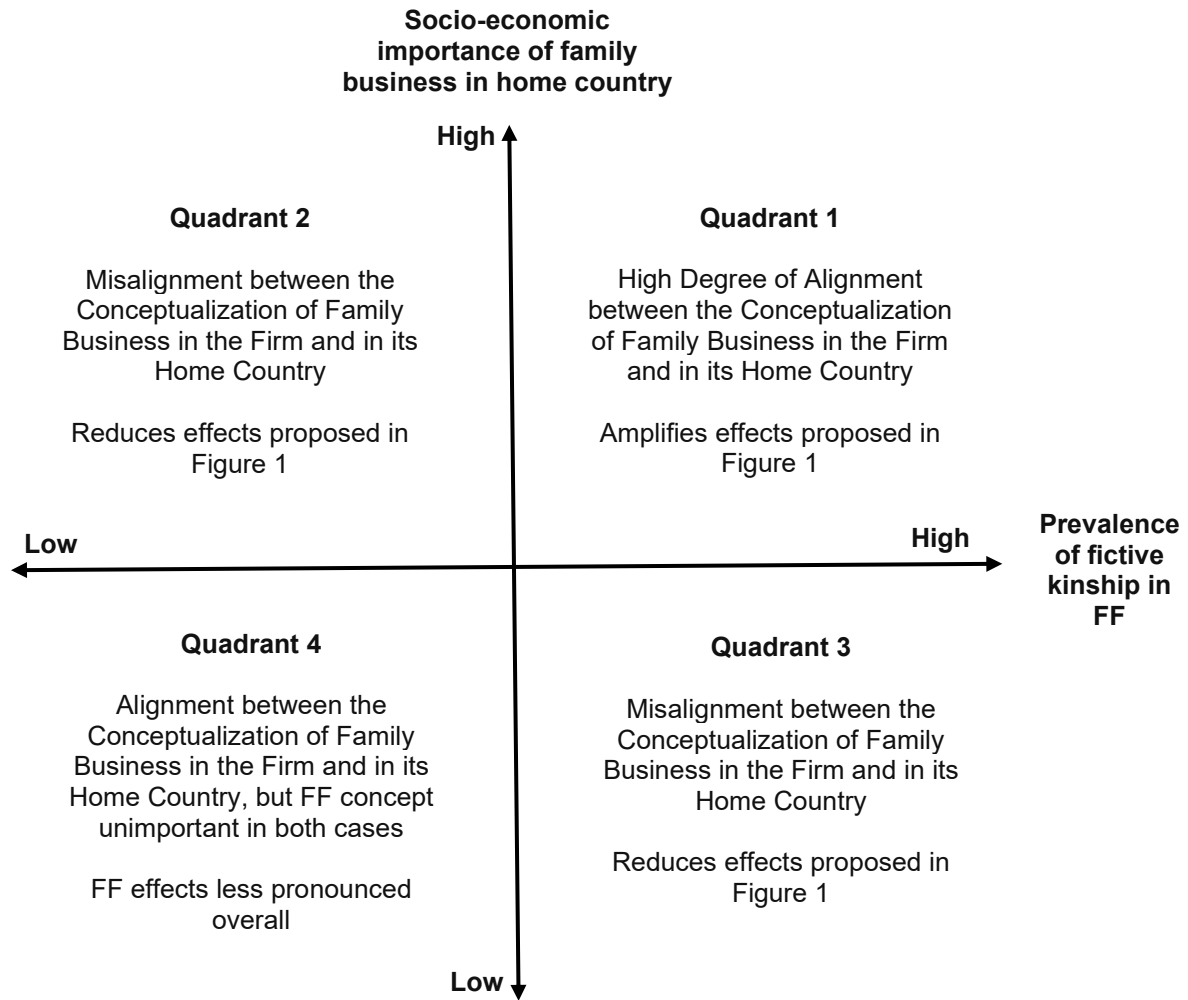


Figure 3. Proposed Moderating Effect of the Socio-Economic Importance of Family Business in the Home Country

