



The role of family management and ownership on semi-globalization pattern of globalization: The case of family business groups[☆]



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ARTICLE INFO

Article history:

Received 18 May 2012

Received in revised form 17 March 2013

Accepted 29 April 2013

Keywords:

Agency theory

Family business group

Family management

Pyramidal ownership

Resource-based theory

Semi-globalization

Transaction cost theory

ABSTRACT

Employing a multi-level with longitudinal concern data analysis this research examines the impact from family management and ownership on semi-globalization pattern of globalization in family business groups from an integrated framework. The results reveal that the more likelihood that the controlling family utilize family management in the subsidiary, and the higher degree of pyramidal ownership in the subsidiary, the more likelihood that the family business group will choose to engage in the host regions. Additionally, family management and pyramidal ownership is positively related with the choice to engage in a higher difference region instead of a lower difference region in family business groups. The theoretical and future research implications of these findings for family enterprises and globalization research are discussed.

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1. Introduction

Location is one of the key aspects of the globalization decision (Dunning, 1988, 1998). In the past two decades development in international business field, the prominent phenomenon is that the focus of location shifted from the country level to the firm level (Dunning, 1998). In that, whether and why the location choice will exert impacts on a multinational company's competitive advantage is a key issue (Buckley & Ghauri, 2004; Cantwell, 2009). Moreover, the multinational company can have a great potential to benefit from a synergistic locational portfolio of complementary sources of knowledge (Cantwell, 2009), or even get benefit from a regional dimension of location choices (Arregle, Beamish, & Hébert, 2009; Enright, 2003). Therefore, rather thinking of location choices as a dichotomous choice of globalization or non-globalization, it has been argued that a third option should also be considered – semi-globalization, or regionalization (Ghemawat, 2001, 2003; Rugman, 2000). Historically, transaction cost theory and the resource-based theory have been employed to explain the semi-globalization pattern of globalization. In that, transaction cost viewpoint provides an *ex post* analysis of the contractual

conditions on the multinational company's internationalization decision (Rugman, 1981; Rugman & Verbeke, 1992) while from the resource-based viewpoint the multinational company's resources will provide firm-specific advantages in semi-globalization pattern of globalization (Rugman & Verbeke, 2001, 2004). However, either transaction cost or resource-based theory do not provide rich understanding on whether the multinational company's *ex ante* contractual natures may influence its internationalization decision (Carney, 2005) as to what kinds of multinational companies exist the semi-globalization pattern of globalization (Enright, 2003; Ricart, Enright, Ghemawat, Hart, & Khanna, 2004). Specifically, in addressing the internationalization issues of family enterprises, family involvement is good or detrimental in cross-border decision is inconclusive (Gómez-Mejía, Makri, & Kintana, 2010; Tsang, 2002; Zahra, 2003). The family involvement nature in a family enterprise exerts a distinctive *ex ante* condition in strategic decisions (Miller & Le-Breton-Miller, 2005). Thus, the consideration of agency theory to analyze the *ex ante* contractual problems will provide a balance for the transaction costs theory (which emphasizes the *ex post* contractual problems) and the complementary resource arguments from the resource-based theory (Tan & Mahoney, 2006). This research will examine the semi-globalization pattern of globalization in large family business group from the integrated approach of agency, transaction cost, and the resource-based theory.

A family business group is the typical family enterprise in Asian region and most economics outside of the United States (Morck, Wolfenzon, & Yeung, 2005; Yiu, Lu, Bruton, & Hoskisson, 2007).

[☆] The current author greatly appreciates the comments from editor and reviewers. The author also appreciates the sponsorship provided to this study by grants from National Science Council, Taiwan, R.O.C., under Grant Numbers: NSC 101-2410-H-214-021-MY2, 2012/08-2014/07.

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Like other kinds of family enterprises, a family business group is characterized with the family involvement on strategic decisions. However, whether family management and ownership will generate impact on the internationalization decision is more complex in a family business group since this kind of family enterprise is composed with multiple affiliate firms achieve for the mutual goals (Granovetter, 1995; Yiu et al., 2007). The concentrated and pyramidal ownership and the desire to control in family business groups may cause them deciding to have less investment in global markets (Bhaumik, Driffeld, & Pal, 2010) or choosing to invest in the nearby locations (Carney, 2005). Others indicate that the distinctive family management and family capital would be helpful for family business groups in cross border expansion (Erdener & Shapiro, 2005; Tsang, 2002). We are hardly to explain whether family involvement will generate incentive or entrenchment influence on the internationalization decision from one single lens since a family business group is a complex network that may be correlated with the environments in multiple dimensions (Yiu et al., 2007). In addressing the semi-globalization pattern of globalization issue, we also can find evidences from family business groups expand to those far-geographic locations to achieve competitive advantages (Ramamurti & Singh, 2009; Tsang, 2002). Thus, utilizing an integrated approach to explain the impact from family involvement on semi-globalization pattern of globalization will be helpful to understand the internationalization decision in family business groups.

This research will contribute to both theory development and expanding our research understanding of internationalization in a number of ways. First, this research integrates the theoretical underpinnings of agency, resource-based, and transaction cost theory by providing insights in analyzing family impact on semi-globalization pattern of globalization in large family business groups (Bhaumik et al., 2010; Gómez-Mejía et al., 2010). The integrated approach will provide both *ex ante* and *ex post* wisdoms in addressing the internationalization issues in family business groups (Wright, Filatotchev, Hoskisson, & Peng, 2005; Yiu et al., 2007). Recognizing of the contextual and the composition differences between a family business group and other single-business family enterprise, this research contributes to the existing theories by contextualizing general knowledge in family enterprise field (Reay & Whetten, 2011). Second, agency, transaction cost, and resource-based theory all provides generalized wisdom in explaining the underlying structures and mechanisms of organizational behavior in terms on distinctive concerns. This research does not provide novel theoretical contributions to challenge the underlying assumptions and arguments conducted from agency, resource-based, or transaction cost theory. In contrast, this research contributes to the application of theories through critical construction and testing of theories, thus complements the explanatory or interpretive part of reality conducted by distinctive theoretical viewpoint (Tsang & Kwan, 1999). The network structure in a family business group provides a good venue to future answer the “why” and “how” does family involvement exert impact on internationalization decision in a family business group (Lubatkin, Lane, Collin, & Very, 2007). Third, this research contributes to the semi-globalization issues by providing evidences from family business enterprises outside the Western societies (Ghemawat, 2001, 2003; Rugman, 2000). The limited evidences from Asian enterprises imply that their globalization pattern is in fact characterized by regionalization (Collinson & Rugman, 2007). Moreover, the Japanese multinational company's global expansion exits regional pattern, thus supports the regional arguments (Arregle et al., 2009). However, we can find lots of evidences from Asian enterprises to indicate their ambitions in internationalization (Ghemawat & Hout, 2008; Ramamurti & Singh, 2009). Family business groups are the typical governance

structure in Asia, thus examining the antecedents of semi-globalization pattern of globalization in family business groups will be contributed to the internationalization issues of Asian enterprises. Finally, this research provides a systematic evaluation of the impact of family management and ownership on organizations. The understanding of family control in large enterprises outside of North America is limited (Schulze & Gedajlovic, 2010; Yiu et al., 2007). This research will help to fill these gaps by bringing fresh insight to the understanding of their cross-border expansion.

2. Theory and hypothesis development

2.1. An integrated approach in addressing internationalization issue in a family business group

A family business group is an inter-linked network in management and ownership among affiliate firms that each affiliate firm will be corrected with its engaged environments in different manners (Granovetter, 1995; Yiu et al., 2007). Like other kinds of family enterprises, a family business group is characterized with the impact from family management and ownership on strategic decisions (Anderson & Reeb, 2003; Arregle, Hitt, Sirmon, & Very, 2007). Family business groups are posited as focusing on increasing economic value creation and maintaining social-emotional wealth, and thus these groups will deploy their resources to achieve their goals (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007). Resource-based theory provides an incentive argument that a family business group will be likely to expand to those similar institutional environments or operate on an intra-regional basis to facilitate its relational advantage in intra-group transactions and knowledge sharing among the affiliate firms (Carney, 2005; Collinson & Rugman, 2007). From the transaction cost perspective, a family business group can be viewed as a kind of network governance that is between market and hierarchy (Williamson, 1991), and this kind of network will provide economic cost saving advantages in uncertainty environments (Standifird & Marshall, 2000; Wright et al., 2005). The agency theory suggests a either incentive or entrenchment argument in accessing family impact (Claessens, Djankov, Fan, & Lang, 2002). In that, a family business group can reduce economic costs by choosing family governance that the firm incurs comparatively lower contractual costs in influencing managerial behaviors in emerging markets (Bhaumik et al., 2010). However, the controlling family seems likely to be self-serving and exploit the minority shareholder's interests in a family business group (Morck et al., 2005). Therefore, diversified viewpoints, such as resource-based, transaction cost, and agency theory all provide arguments toward different aspects of the external environment in terms of the business group subject (Wright et al., 2005; Yiu et al., 2007). Whether family involvements generate incentive or entrenchment effect on internationalization decision in a family business group (Gómez-Mejía et al., 2010; Zahra, 2003) will be argued from an integrated wisdom to future specifically consider the network structure in a family business group (Yiu et al., 2007).

In addressing the location choice issues in multinational companies, whether there exists the regional dimension except the country or firm dimension has paid substantial attentions recently (Arregle et al., 2009; Enright, 2003). Previous researches highlight that the focus of location in multinational company is not totally global or even on a specific location (Buckley & Ghauri, 2004; Ricart et al., 2004). The choices of agglomeration of locations may possibly generate portfolio sources of knowledge that contribute to a multinational company's competitive advantage (Arregle et al., 2009; Cantwell, 2009). Thus, scholars indicate a semi-globalization pattern of globalization to referring the

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