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ARTICLE

Internationalisation and performance in Spanish family SMES: The W-curve

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Summary Previous studies have provided mixed evidence on the relationship between internationalisation and firm performance. We advance theoretically in this line of research by investigating the impact of the family dimension of a business on this relationship. Using a panel data analysis for the 2006–2011 period, we find empirically that Spanish family SMEs follow a W-curve. Our findings highlight the importance of differentiating family from non-family firms, and provide a potential explanation for the previous mixed evidence.

Introduction

Family businesses (hereafter FBs) are the predominant form of business organisation today (Koopman and Sebel, 2009). According to the Spanish Family Business Institute, FBs account for 85% of the Spanish business sector, 70% of national GDP and 70% of employment in the private sector.

Internationalisation is one of the main challenges that FBs must address to survive in an increasingly global and complex environment. However, FBs face a twofold challenge. As for any firm, expansion into new foreign markets involves costs to adjust to the foreign environment and leads to new structural changes within the firm (Sui and Baum, 2014). Family members also retain significant control over the firm and they wish to preserve what they call its socio-emotional wealth, which is the stock of all the affection-related non-financial value a family derives from its ownership position in the firm (Gómez-Mejia et al., 2010; Arregle et al., 2012; Miller and Le Breton-Miller, 2014). Since internationalisation can pose threats to this wealth, FBs seem more reluctant to expand internationally than non-family businesses, or NFBs (Merino et al., 2014; Sciascia et al., 2012). Consequently, FBs confront two opposing forces. On the one hand, the

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globalisation of the world economy drives them to grow and expand beyond their traditional markets. On the other, their family dimension leads to conservatism and the development of low-risk projects within the domestic market.

The significant role played by FBs in international markets has recently come to be recognised (Fernández and Nieto, 2006; Arregle et al., 2012; Sciascia et al., 2012). What, specifically, has been learned about FB internationalisation efforts? First, only a very limited number of studies, to our knowledge, have focused on FB internationalisation (Banalieva and Eddeleston, 2011). Moreover, most of these studies have focused on FBs' reluctance to internationalise compared to NFBs (e.g., Fernández and Nieto, 2005; Claver et al., 2009; Kontinen and Ojala, 2010a,b). Relatively few studies have analysed the question of whether and to what extent the family character of a firm has an effect on the internationalisation-performance relationship. Consequently, whether the performance of the FB internationalisation process differs significantly from that of NFBs is still debatable (Cerrato and Piva, 2012; Pukall and Calabrò, 2014).

The objective of this research is to fill this gap by investigating how the relationship between internationalisation and firm performance is moderated by the family dimension. In doing so, this paper firstly contributes by offering new evidence on the relationship between internationalisation and performance, which has been inconclusive so far (Chen and Tan, 2012; Hsu et al., 2013). We propose that the lack of consensus on the nature of the internationalisation-performance relationship results from a failure to fully grasp three effects.

First, most empirical studies are descriptive and cross-sectional, especially regarding the analysis of the internationalisation behaviour of Spanish family small and medium-sized enterprises, or SMEs (an exception is Sacristán et al., 2011). But longitudinal studies are more appropriate for capturing the dynamic nature of the phenomenon of company internationalisation (Chiao et al., 2006). We contribute to previous literature by studying the performance of the internationalisation process of a panel of Spanish industrial family firms from 2006 to 2011. We focus on SME family firms since SMEs represent around 99.88% of all enterprises in Spain, according to the Spanish Central Directory of Companies, produced by the Spanish Institute of Statistics (this register excludes agriculture and fishing). In addition, more than 80% of Spanish SMEs are considered FBs (Merino et al., 2014). Likewise, we focus on export activities, because most of FBs' international expansion efforts are likely to take the form of exports (Okoroafo, 1999; Fernández and Nieto, 2005).

Second, the conflicting results in the relationship between internationalisation and firm performance may be due to the fact that company characteristics differ. A review of the literature shows that a broad spectrum of firms has been studied so far, including large companies (Kotabe et al., 2002; Li, 2007), new international ventures (Almodóvar and Rugman, 2014) and SMEs (Lu and Beamish, 2001; Chiao et al., 2006). Since FBs have different attributes to NFBs (e.g., familiness, long-term orientation, conservative attitude, and a lack of financial resources, managerial skills and social capital), we can expect this to have an influence on that relationship. This paper contributes to the debate by offering new evidence on the influence of the family dimension on the internationalisation-performance relationship.

Finally, another reason for the inconsistent empirical findings on the internationalisation-performance relationship that several scholars highlight is an inadequate conceptualisation and measurement of the internationalisation construct (Ruigrok and Wagner, 2003; Wagner and Ruigrok, 2004; Li and Qian, 2005; Li, 2007). For instance, the most widely-used measure of internationalisation in international business empirical research is the proportion of exports over total sales for a particular firm (Pla-Barber and Alegre, 2007), but other measures of internationalisation have included the number of export countries (Delios and Beamish, 1999), the number of dissimilar geographic regions (Kim et al., 1989; Hitt et al., 1997), and a combination of them encompassing both dimensions of geographic scale and scope (Pangarkar, 2008; Fernández-*Olmos*, 2011). In this study, consistent with the latter authors, we use an operational measure of the degree of internationalisation (DOI) that combines the international scale and scope of the firm in order to reflect the true nature of the internationalisation process (Qian and Li, 1998).

This paper is structured as follows. In the next section we present the theoretical framework forming the basis for the empirical hypothesis we propose to test. The third section describes the data set and the statistical approach used. The fourth section sets out the results of the empirical analysis. The final section provides a discussion of the results, and offers some conclusions and areas for future research.

Theoretical framework

Internationalisation and firm performance

Whether there is a systematic relationship between the internationalisation of firms and their performance has long been a topic of interest to international business researchers (e.g., Hsu et al., 2013; Powell, 2014). But despite many years of research, there is no clear consensus on the effects of internationalisation on firm performance (Powell, 2014).

International expansion is one of the most important pathways for firm growth (Lu and Beamish, 2001). It is a particularly important growth strategy for FBs confined within a narrow geographic scope (Graves and Thomas, 2008). When firms expand into new international markets, they find greater opportunities to achieve economies of scope and scale and grow. Furthermore, there are differences in market conditions across different geographic areas. By leveraging resources in different markets, firms are in a position to exploit market imperfections (Caves, 1971) and achieve higher returns on their resources. According to the resource-based view (RBV), firms with unique, valuable, and inimitable resources (e.g. technological, marketing and human resources) developed in domestic markets can transfer those resources to foreign markets to create competitive advantages (Barney, 1991; Delios and Beamish, 1999; Lu and Beamish, 2004).

Another theoretical explanation of international expansion is the aspect of organisational learning. Internationalisation gives firms the opportunity to acquire additional knowledge and experience, which enables them to create