

Born-again Globals: Generational Change and Family Business Internationalization



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Abstract:

Research on family business internationalization has so far mainly adopted stepwise models of internationalization. However, there is recent evidence that family businesses may also adopt more rapid internationalization pathways, such as the born-again global pathway. Generational change has been found to be a prime trigger for this pathway, but existing findings on this relationship are limited to a small amount of case-based evidence. We therefore aim to deepen knowledge on the conditions under which generational change can trigger born-again global internationalization pathways of family businesses. Based on a multiple-case study of 20 born-again global family businesses from German-speaking countries, we derive a total of three propositions. Our findings suggest that succeeding generations internationalize their firms due to their long-term orientation. We also find that succession is more likely to trigger a family businesses' born-again global internationalization pathway if the succeeding generation has a higher level of education than the preceding generation, has international experience and seeks self-actualization.

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1. Introduction

The paper addresses the role of succession and generational change as a trigger for family businesses (FBs) embarking on born-again global (BAG) internationalization processes after being only active on domestic markets for a long time. FBs are considered to shape large parts of the economy and represent the most dominant form of business worldwide ([Xi et al., 2015](#)). Depending on the definition of an FB, 70 to 96 per cent of all firms in the United States of America and Europe can be classified as FBs ([La Porta et al., 1999](#); [Bardají et al., 2014](#); [Bobillo et al., 2014](#)). Generational succession is usually perceived as being unique to FBs (as opposed to non-family businesses – NFBs), and as having a significant impact on the long-term behaviour of FBs. In particular, some researchers consider the presence of generations as being the defining difference between FBs and NFBs ([Debicki et. al., 2009](#)), and, moreover, it is widely accepted that FBs exhibit differences in attitudes and behaviours throughout generations ([Welch, 1992](#); [Swinth and Vinton, 1993](#)).

Existing research on FB internationalization mostly concludes that FBs usually take a stepwise approach to internationalization ([Kontinen and Ojala, 2010](#)), as for instance proposed by the Uppsala stage model ([Johanson and Vahlne, 1977, 2009](#)). Accordingly, FBs are viewed as slow in terms of internationalization in the existing literature ([Pukall and Calabro, 2014](#)). However, some recent research ([Graves and Thomas, 2008](#); [Kontinen and Ojala, 2012](#)) identified FBs that show a more rapid or even exponential internationalization after a long period of business activity focused only on domestic markets. Firms showing such pathways may be classified as having followed a BAG internationalization process ([Bell et al., 2001, 2003](#)).

There is also some evidence that generational change may lead to such BAG internationalization patterns of FBs ([Graves and Thomas, 2008](#); [Kontinen and Ojala, 2012](#)). However, given that these studies relied on a multiple-case study approach featuring a rather small number of cases, but various forms of FB internationalization (including FBs following stepwise internationalization), empirical insights into generational change and BAG internationalization is limited. Therefore, there have been voiced calls for more detailed evidence on BAG behaviours, which takes into account FB-specific characteristics ([Pukall and Calabro, 2014](#)).

Addressing this call, we therefore aim to shed more light on the relationship between generational change and BAG internationalization of FBs in this paper. We do so by examining the conditions under which generational change may foster BAG internationalization pathways of FBs. We employ [Eisenhardt's \(1989\)](#) multiple-case study approach, which is widely accepted in FB research ([Reay, 2014](#)). Our findings are based on data from 20 FBs that have followed a BAG internationalization pathway, gathered in 40 in-depth, semi-structured interviews with business owners and other key informants. Further, an analysis of secondary material provided by the organizations was used to gain a

comprehensive understanding of these organizations and their characteristics. For analysing the data generated, we followed an inductive approach as proposed by Thomas (2006).

Our results suggest that generational succession is indeed an important trigger for the BAG patterns of FBs, but that several contextual factors moderate the impact of succession on BAG internationalization. While prior research ([Graves and Thomas, 2008](#); [Kontinen and Ojala, 2012](#)) has identified the principle link between generational change and BAG internationalization, our results add depth to the conditions for this relation by indicating that the succeeding generation's long-term orientation, pursuit of self-actualization, previous international experience and level of education have an impact on BAG internationalization. In sum, these results challenge the view voiced by Pukall and Calabro (2014) that FBs are likely to adopt BAG internationalization pathways if they fear a loss in socio-emotional wealth, which represents a somewhat reactive stance of the successors towards BAG internationalization. Our results rather point to the notion that succeeding generations proactively approach BAG internationalization and draw on personal resources and motivations for doing so.

The rest of the article is structured as follows: First, we give a brief overview of the background of the study, including the current state of research in FB internationalization and BAG. Second, we present the research method, the cross-case analysis and our findings. Finally, we discuss the conclusions of the study and present some limitations, implications and ideas for future research into BAG patterns in FBs.

2. Internationalization and generational change in family businesses

In this section, we provide a brief overview on internationalization processes and how FBs are special cases in terms of these processes. Due to increasing globalization, the ability to engage in international activities has become a necessary condition to ensure survival and growth for many firms ([Westhead et al., 2001](#)). Consequently, there can be observed a constantly growing amount of research on various facets of internationalization processes, and several models and theories to describe internationalization behaviour have emerged in the literature. Stage model theories of internationalization generally offer an explanatory approach to why a firm's internationalization process occurs in a sequenced process of incremental stages. One of the most cited theories in this domain is the Uppsala stage model theory of internationalization ([Child et al., 2002](#); [Pukall and Calabro, 2014](#)). This theory has its roots in the research of Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977) and is based on the behavioural theory of the firm ([Cyert and March, 1963](#)) and theory of the growth of the firm ([Penrose, 1959](#)). The Uppsala stage model based on the assumption that due to increasing knowledge and learning effects, a firm pursues more risky internationalization strategies over time, starting with exporting and proceeding to strategies that require a foreign direct investment. Innovation-related internationalization models represent another type of stage-based model. Such models view each stage

of internationalization as an important innovation step for the respective firm (e.g., Cavusgil, 1980; [Reid, 1981](#)). The various stages in innovation-related internationalization models are usually associated with certain ranges of export/sales ratios and are thus relatively easy to operationalize in empirical research ([Gankema et al., 2000](#)). For instance, Cavusgil (1980) assigns an export/sales ratio of 0 to the first stage of internationalization – domestic marketing – while he regards firms having reached the stage of “committed involvement” with export/sales ratios of 40 per cent or above. Besides stage-based models, alternative views of internationalization processes are rooted, for example, in the transaction cost paradigm (e.g., Anderson and Coughlan, 1987) or the network approach (e.g., [Coviello, 2006](#)).

In recent years, these more traditional models of internationalization were increasingly challenged. For instance, Bell et al. (2003) presented an integrative view on internationalization that includes the traditional staging pathway and two other pathways identified in more recent research – the born-global and the BAG pathways to internationalization ([Graves and Thomas, 2008](#)). The study of 'born globals' can be traced back to Oviatt and McDougall (1994). They proposed that there are business organizations that, from their inception, seek to derive significant competitive advantage from the use of resources and the sale of output across national borders. Extensive research into this phenomenon has supported the underlying assumptions ([Dimitratos and Jones, 2005](#); [Keupp and Gassmann, 2009](#); [Cesinger et al., 2012](#); [Bouncken et al. 2015](#)) and thereby made research into born globals a core concept in international entrepreneurship research ([Kraus, 2011](#)).

In contrast, Bell et al. (1998) contributed to the literature by researching organizations that had become well-established in their domestic markets over years and suddenly embraced rapid international activities. These organizations do not fulfil the criterion of going international within a short period after their inception, and are referred to as BAGs (Bell et al., 2001). BAGs have chosen a path of radical internationalization after being involved exclusively in their domestic markets. In contrast to the born global theory, BAG theory may also apply to mature organizations, such as long-standing FBs. This approach is based on the findings of Oesterle (1997), who pointed out that organizations pass through epochs of growth and internationalization depending on conditions such as favourable exchange rates and economic conditions. Bell et al. (1998) added that the speed of the internationalization process is affected by numerous factors that cannot be influenced or predicted by the organization, for instance, new technologies or governmental changes, which can transform a well-established domestic organization into a BAG organization. Moreover, Bell et al. (1998) suggested that this radical shift in strategy is enabled by a ‘critical incident’ or ‘trigger’ for internationalization. These ‘critical incidents’ can be clustered into three groups: change of ownership, acquisition, and client followership.

An item of specific interest to the present study of BAG internationalization pathways of FBs is that [Graves and Thomas \(2008\)](#) found that generational business succession might be an important additional trigger for BAG internationalization. Based on an analysis of the internationalization behaviour and

motivation of eight small and medium-sized Australian FBs, they identified three key determinants of FB internationalization pathways: the level of commitment to internationalization, the financial resources available and the ability to commit and use these financial resources to develop the required capabilities. In two of the eight cases, they found evidence of BAG patterns that were triggered by a previous generational change in the management of the firms. Similarly, in their analysis of the internationalization pathways of eight Finnish FBs of small or medium size, [Kontinen and Ojala \(2012\)](#) identified one BAG FB and, like Graves and Thomas (2008), stated that generational change was the main trigger of this specific FB's BAG internationalization. Given the small sample of only eight firms each, however, both Graves and Thomas (2008) and Kontinen and Ojala (2012) called for more research in order to corroborate and extend their findings. This is the aim of the present paper with regard to the BAG internationalization pathway of FBs.

Generational succession is usually perceived as being unique to FBs (as opposed to NFBs), and as having a significant impact on the long-term behaviour of FBs. In particular, some researchers view the presence of generations as being the defining difference between FBs and NFBs or the prime objective of FBs ([Debicki et. al., 2009](#); [Hay and Morris, 1984](#); [Westhead and Cowling, 1997](#)). It is also widely accepted that FBs exhibit differences in attitudes and behaviours throughout generations ([Welch, 1992](#); [Swinth and Vinton, 1993](#)). Each generation of leadership brings new strategic ideas that are built upon learning effects and the underlying, long-held expertise of former generations ([Ward 1997](#)). These new strategic ideas can result in a strategic renewal of the FB ([Hall et al., 2003](#)). Thus, FB internationalization may occur as a part of the strategic renewal by the succeeding generation ([Dess et al. 2003](#)). Accordingly, [Graves and Thomas \(2008\)](#) suggest that the commitment to internationalization is dependent on the vision and qualities of the successor.

In line with this view, [Zaniewska \(2012\)](#) found that internationalization by subsequent generations can be explained by the acquired abilities and knowledge, as well as the impatience of those generations to demonstrate their capabilities by looking for strategic changes, such as internationalization. Additionally, [Okoroafo \(1999\)](#) proposed that succeeding generations are more open to new opportunities and are more willing to increase sales, based on the assumption that earlier generations have survived the start-up challenges and have witnessed some stagnation. Accordingly, as internationalization can be seen as a new opportunity for generating growth in revenue, [Fernández and Nieto \(2005\)](#) postulated that the commitment to and the extent of internationalization were positively associated with succession to the second generation. They also proposed that the succeeding generation could have more qualified education and international experience than prior generations, which could lead to internationalization behaviour.

Despite these preliminary findings, the literature still shows a fragmented picture of the impact of generational change on FB internationalization. While some studies report that generational succession

can be seen as a key determinant of internationalization patterns ([Graves and Thomas, 2008](#)) and is positively associated with a commitment to and the extent of internationalization ([Fernández and Nieto, 2005](#)), other studies suggest that FB internationalization commitment decreases with succeeding generations ([Okoroafo, 1999](#)). In line with the latter notion, [Mitter et al. \(2014\)](#) could not confirm that subsequent generations induce international activity, and their findings implicated a higher probability of internationalization among FBs of the founder generation. They add that the paternalistic and informal management styles prevalent among first generation businesses may be more likely to lead to internationalization. This view is also supported by the findings of [Sciascia and Mazzola \(2008\)](#), who suggest that a lack of a positive impact of subsequent generations on FB internationalization might be caused by their higher-generation FBs' potential for conflicts, which impede internationalization.

As this brief review shows, despite the high number of empirical studies (e.g., [Kraus et al., 2016](#)) and the great extent of theory building in the field ([Kontinen and Ojala, 2010; 2012](#)), FB researchers have not yet been able to draw a conclusive picture of the internationalization process of FBs, or whether generational change fosters or hinders FB internationalization. The existing research on this topic is mainly based on theories of stepwise internationalization, such as the Uppsala stage model. In our view, such high reliance on stepwise internationalization models may risk ignoring alternative theories on internationalization pathways, such as the BAG pathway and some specific dynamics of generational change in FBs.

3. Methods

3.1 Research approach

In order to gain further insights into the triggers for BAG internationalization pathways in FBs, we used a multiple-case study approach ([Eisenhardt, 1989; Miles and Huberman, 1994](#)), which is widely accepted as an adequate method in qualitative social science and in FB research ([Reay, 2014](#)). The case study method is generally used in many scientific research areas to extend existing or discover new theories ([Edmondson et al., 2001](#)), and it is well received and appreciated by the scientific community for such endeavours ([Bartunek et al., 2006](#)). The main rationales for our choice of a multiple-case study approach were the lack of published knowledge on the conditions under which generational change may foster BAG internationalization pathways of FBs, and the fact that multiple-case studies are especially suited to topics on which little prior literature is available ([Bonoma, 1985](#)). Following [Eisenhardt and Graebner \(2007\)](#), we decided to integrate multiple cases, which enabled us to draw conclusions on the basis of not just one, but various case sites. The recognition of patterns and relationships between the various cases in a multiple-case study allow theories to be developed ([Yin, 2009](#)). As suggested by [Eisenhardt \(1989\)](#), we aimed to compile a selection of cases that are as diverse as possible. However, in

order to go significantly beyond the few cases on BAG internationalization in FBs that could be studied by Graves and Thomas (2008) or Kontinen and Ojala (2012), we only accepted FBs for inclusion in our sample that had followed a BAG internationalization pathway.

3.2 Sampling Procedures

In order to keep cultural context factors that may lead to different internationalization patterns as constant as possible, we concentrated our study on FBs in German-speaking countries. In these countries, international activity is generally very important for the national economies. German industry, for example, is highly international, and exports account for approximately 50 per cent of German GDP, whereas exports from the United States only make up about 14 per cent of its GDP (European Commission, Economic and Financial Affairs 2012). FBs constitute 95 per cent of all businesses in Germany (Hauser and Kay, 2010), and similar facts can be presented for other German-speaking countries, such as Austria and Switzerland.

As our approach aims at developing theory from data, not testing it, we applied theoretical sampling procedures ([Eisenhardt and Graebner, 2007](#)). Accordingly, our cases were selected because they were particularly suitable and interesting for the analysis of the impact of generational change on FBs' BAG patterns. Our sample of 20 FBs was drawn from personal networks and Internet searches. In order to be a candidate for our study, a firm had to fulfil the following criteria:

- 1) FB according to the definition of [Roessl et al. \(2010\)](#)
- 2) Activity on the domestic market for a period of time, followed by sudden internationalization (representing a BAG pathway of internationalization)
- 3) Significant international revenue as a proportion of total revenue (at least 20 per cent)

[Roessl et al. \(2010\)](#) defined an FB as a business 1) in which several family members hold capital shares and 2) whose major business capital is held by one or more family members. Furthermore, 3) strategic decisions are made by several family members, whereby it is irrelevant whether the entrepreneurial family itself constitutes the management or controls the business through a management it has appointed. An FB is a business 4) in which several family members are directly dependent on its economic development, and – due to its importance to the family – is 5) intended to remain in the family's sphere of influence.

In line with Eisenhardt's (1989) suggestions that multiple-case studies should include a relatively large variety of cases, the selected organizations ranged in size from EUR <5 million in sales to EUR >1,000 million in sales. The percentage of sales generated internationally varied from 20 to 90 per cent. The number of employees ranged from <50 to >10,000. The descriptive characteristics of the firms in the sample are summarized in Table 1. Fifteen firms were engaged in manufacturing industries; three firms

were service companies and two operated in retail and trading. Interestingly, all of the manufacturing firms were in the business-to-business sector. The youngest company included was founded in 1995 and the oldest in 1845. However, most of the case firms were established in the second half of the 20th century (13 cases). Five were established in the first half of the 20th century and two dated back to the 19th century. Nevertheless, all had been engaged in rapid internationalization within the past 50 years, qualifying them as BAGs. As a consequence, some of the firms were owned by the first generation, whereas others were already in the hands of the sixth or seventh generation. Most of the firms were partially or fully owned by the second generation (13 cases), and seven case firms were partially or fully owned by the third generation. Thirteen firms did not have any external managers, whereas most of the others tended to have more family members than external managers in the top management team.

Table 1: Organization characteristics

Code	Industry	No. of employees	Annual turnover (€ million)	Share of int. sales	Number of foreign markets served	Generation of Ownership	Managing Generation	Management Family/ Non-Family	Year of establishment	Period of rapid internationalization
A	Manufacturer /	50	> 10	55%	40	1st	1st & 2nd	2/0	1995	since 2007
B	Manufacturer / Chemical industry	60	< 10	20%	8	1st & 2nd	2nd	3/0	1932	since 2011
C	Manufacturer / Building industry	400	> 100	>50%	60	1st, 2nd & 3rd	2nd	3/0	1967	1990s
D	Manufacturer / Food industry	100	>20	35%	> 60	1st & 2nd	2nd	1/0	1977	since 2000
E	Manufacturer / Lighting industry	45	< 10	35%	15	2nd	2nd & 3rd	3/0	1957	Since 2012
F	Manufacturer / Toy industry	45	> 20	35%	40	2nd & 3rd	3rd	2/1	1948	1980s
G	Manufacturer / Building industry	1,500	> 200	90%	170	4th & 5th	5th	2/0	1863	1960s
H	Manufacturer / Chemical industry	350	< 50	50%	12	6th & 7th	7th	2/0	1845	1990s
I	Retailer / Chemical industry	< 200	> 1,000	90%	20	2nd	2nd	1/2	1980	1990s
J	Manufacturer / Food industry	880	> 200	40%	7	2nd & 3rd	3rd	2/2	1938	2000s
K	Manufacturer / Building industry	400	> 100	90%	40	3rd	3rd	1/0	1913	1980s
L	Manufacturer / Logistics industry	450	> 50	25%	> 40	2nd	2nd & 3rd	3/0	1972	2000s
M	Manufacturer / Chemical industry	800	> 100	65%	35	2nd & 3rd	3rd	1/0	1951	2000s
N	Service Provider / Travel industry	80	< 1,000	90%	170	1st	1st & 2nd	2/0	1987	early 2000s
O	Manufacturer / Building industry	1,500	< 500	70%	50	2nd & 3rd	3rd	1/3	1950	1970s
P	Retailer / Furniture industry	> 10,000	> 1,000	80%	12	2nd & 3rd	2nd & 3rd	4/0	1989	2000s
Q	Retailer / Automotive industry	> 250	< 1,000	30%	22	3rd	3rd	2/2	1925	late 1970s
R	Manufacturer / Building industry	> 1,000	< 200	20%	6	1st	1st & 2nd	2/2	1960	early 1990s
S	Service Provider / Health Industry	>1,000	> 50	40%	8	1st & 2nd	-	0/3	1983	late 1990s
T	Manufacturer / Furniture Industry	> 100	< 50	50%	> 30	2nd	-	0/1	1924	late 1990s

3.3 Data generation and analysis

After having identified potential case firms with the help of the criteria set out above, we contacted them by email and telephone and invited them to participate in the study. Our data was then mainly collected in 40 in-depth, semi-structured interviews. At each of the 20 case sites, these interviews were held with a) a family member who plays or has played an active role in the management of the FB at the director, president or CEO level and b) a second key informant in each of the participating firms (such as management accountants). All interviews were conducted in person or via telephone in 2014. The interviews were digitally recorded and fully transcribed. Additional notes were taken during the interviews and were expanded immediately after each session. Furthermore, an analysis of secondary data sources such as marketing material and internal material provided by the firms was used to acquire a comprehensive understanding of the case firms and their characteristics. For instance, in one case firm, a family member has written an autobiography that provides very detailed insights on the relationship of the FB's internationalization and the family member's international education as well as the experience of the succeeding generation. Moreover, in many cases the websites of the FBs provided useful information regarding internationalization steps, especially for the older case firms. These multiple information sources served as a useful means of data triangulation ([Chrysochoidis, 1996](#)), and yielded a great amount of useful background information and, in some cases, provided invaluable insights into the issues raised by the study.

At the beginning of each interview session we asked the respondents to briefly sum up the firms' business model and history. In most of the cases, internationalization was directly mentioned by interviewees right at this occasion when explaining their firm's business model and history. If not, we asked the respondents to describe the current international business activities of their firms, how internationalization had started and what had triggered it. Following that, we asked for successors and generational change, and their impact on the company and internationalization, if it had not already been mentioned by the respondents before. We proceeded with individual questions on each firm and the characteristics of the family. On every occasion when the interviewees provided information on the relationship between succession and internationalization, we asked for more details.

For the analysis of the interviews, a coding system was developed that integrates the key aspects of internationalization patterns and generational change. Useful quotations were translated from German into English, and were proofread by a native English speaker. For analysing the data generated using this procedure, we followed the so-called general inductive approach as proposed by Thomas (2006). Inductive approaches are common in qualitative data analysis ([Dey, 1993](#); [Bryman and Burgess, 1994](#)). According to [Strauss and Corbin \(1998\)](#), inductive analysis is appropriate if the research is aimed to let theory emerge from data, which is the case in the research project reported in this paper. In line with [Thomas \(2006\)](#), we applied the following procedure: 1) preparation of the raw data, 2) close reading of

the text, 3) creation of categories, 4) overlapping coding and uncoded text, and 5) revision and refinement of category system. Each step was taken with a sharp eye on the most relevant findings for our research focus on generational succession and BAG internationalization patterns. The first two steps of the procedure were focused on the individual cases of our study and thus may be regarded as within-case analysis. At this step, we browsed all interviews for identifying the triggers of the BAG internationalization pathway of the case firms. Having identified all triggers, we then concentrated on the trigger “generational change” and conducted a more detailed analysis of each interview to carve out the conditions under which generational change may foster an FB’s BAG internationalization pathway. In turn, steps 3, 4 and 5 were focused on cross-case analysis: once we were able to identify points relevant for our research aim in one case, we also screened the other cases for similarities and discrepancies in order to create codes and refine our coding system.

The interview analysis revealed no material differences in the insights offered by the two respondents from each case site, and hence in the findings section, we mostly describe a firm’s internationalization process without contrasting views from its two respondents.

4. Findings and Development Proposition

Each of the 20 case firms can – *prima facie* – clearly be identified as having followed a BAG internationalization pathway according to the characteristics of BAG firms suggested by Bell et al. (2001): first, they established a very strong position in their domestic markets with no, or only marginal international sales, and they then suddenly started actively pushing activities in international markets. We observed some minor differences regarding the specific internationalization patterns of the case firms. Nevertheless, all case firms correspond to the characteristics proposed by Bell et al. (2001).

Analysis of the interviews and the supplementary material revealed that there are several distinct triggers for a BAG internationalization pathway that are specific to FBs, and that the most influential factor is the succession to the next generation. As our focus was on the analysis of BAG internationalization pathways in the very particular environment of FBs, we expected to identify additional triggers to those described by Bell et al. (2001), who did not concentrate on FBs. Table 2 summarizes all the triggers identified in the present study.

Trigger	Cases observed	No. of cases
Generational change in top management	B, C, D, E, F, L, M, R	8
Development of product portfolio	A, E, H, K, N, T	5
Customer followership	G, I, O, S	4
Development of a business model	K, N	2
Access to market (contractual & political)	C, Q	2
External knowledge in top management	J, P	2

Table 2: Triggers for BAG pathways

Some of the critical incidents identified by Bell et al. (2001), such as management buy-outs, takeovers and acquisitions, could not be observed in the FBs included in our sample. However, this was to be expected, because a firm would probably no longer fall within our definition of FB if it had been taken over or acquired by another firm or a financial investor, and would therefore not have been selected for this study. Similar to the findings of Graves and Thomas (2008) and Kontinen and Ojala (2012), we identified generational change as an important trigger for rapid internationalization in eight of the 20 cases (B, C, D, E, F, L, M, R). Table 3 gives an overview of the identified triggers and describes the internationalization processes of all the case firms. However, given this paper's aim to shed more light

on the conditions of generational change and BAG internationalization of FBs, we will concentrate on generational change and related triggers in the following.

Item / Firm	A	B	C	D	E	F	G
Trigger /motivation	Sudden change from domestic to global through new product development; rapid penetration of global markets to generate further growth	Succession of next generation with strong international background	Combination of succession of next generation and sudden access to foreign markets through change in political conditions	Extension of managerial capabilities through entry of next generation into company	Product development and extension of management capabilities through entry of next generation into company	Next generation enters management.	Reaction to international requests from domestic customers
Internationalization pattern and pace	First, establishment of strong position in national market, then strong expansion into European countries and key markets overseas	Establishment of strong position in national market and development of competitive product portfolio, then rapid geographic expansion	Strong position in key German- speaking markets, then expansion into Eastern & Central Europe, Americas	Initially slow pace in Central Europe, then active internationalization into Eastern European countries, Middle East, the Americas, Asia	Initial internationalization through pull factors from different markets, then active internationalization in Europe, the Americas, and Middle East	Strong position in domestic market, then rapid geographic expansion following psychic distance factors	Establishment of strong position in the domestic market in the first 40 years; rapid internationalization at the beginning of the 1960s in pursuit of international customers
Mode of entry	Local sales representatives, their own sales subsidiaries in key markets, manufacturing concentrated on national basis	In early internationalization use of sales representatives and agents, then change of strategy towards their own sales force and subsidiaries	Mostly their own subsidiaries in key markets, in some countries use of distributors	Exclusive or non-exclusive sales representatives or distributors in all foreign countries, no subsidiaries	Exclusive or non-exclusive distributors in all foreign countries, some agents, no subsidiaries	Initially just sales representatives, then use of their own sales force, sales representatives and distributors	Market entry mode was export, followed by representatives; first subsidiaries were built in the period of rapid internationalization.
Internationalization strategy	Initially ad hoc & opportunistic, then structured approach based on geographic distance and economic perspectives of markets	Initially ad hoc & opportunistic, then restructuring of export activities and concentration on dedicated key markets in Europe	Initially followership of international clients, then active and rapid internationalization; HQ leads strategic direction and local subsidiaries adopt.	Coverage of as many markets as possible	Coverage of as many markets as possible in dedicated key regions to create brand awareness	Initially ad hoc & opportunistic in response to demand, then structured and actively developed	Follows the customer; the products are very complex and have to be adapted to the conditions of the target market in which the customers operate.
Financing method	Retained profits	Retained profits	Retained profits, bank loans, dormant investor	Retained profits	Retained profits	Retained profits	Retained profits

Item / Firm	H	I	J	K	L	M	N
Trigger /motivation	International opportunities through new product development	Reaction to international requests from domestic customers	Entry of external managers into top management	Sudden change from domestic to global orientation through new business model and product developments	Next generation enters management.	Next generation enters management.	New business model and product developments; rapid penetration of global markets to take first-mover advantage
Internationalization pattern and pace	Establishment of strong position in domestic market. Response to international inquiries, then rapid setup of international sales department and sales structure in key markets	Establishment of strong position in national market and development of competitive product portfolio, then rapid geographic expansion	In the first 50 years the company established a very strong position in the domestic market to overcome the (national) boundaries of growth; then company decided to internationalize.	In the first 40 years only little export business; period of accelerated internationalization in the 1980s; establishment of subsidiaries started in the 2000s	First, strong position in the domestic market; export started after generational succession, then subsidiaries were built. Acceleration through joint ventures	Very strong position in domestic market and client followership into the most important markets in Europe; then active internationalization to all continents	Established on domestic market for years; rapid internationalization to Europe and Latin America, followed by Africa, North America, Asia and Australia
Mode of entry	Subsidiaries in active markets; all other markets are serviced from HQ; future objective is fewer subsidiaries to simplify business processes.	Market entry mode was export; later, subsidiaries were built.	Market entry mode was export; later subsidiaries were built.	Market entry mode was export; later, subsidiaries were built.	Market entry mode was export; later, subsidiaries were built, followed by joint-ventures in non-EU countries.	In the beginning agents, then subsidiaries and their own sales force	Use of sales agents and distributors for global leverage, followed by rapid establishment of wholly company-owned sales subsidiaries and corporations
Internationalization strategy	Internationalization planned from the beginning, foundation of subsidiaries in key markets in Europe	Focus on the customer; the company has just a few (very big) customers who are located in different EU countries.	Internationalization as an instrument for continuous growth; no growth means death in the long run.	Because the domestic market was insignificant (too small), the company started export activities, followed by acquisitions, which accelerated growth.	Gaining new knowledge and impulses from foreign markets	Covering the most important markets with subsidiaries; pushing into all other markets with their own sales force, but reduced cost structure	Reactive and trial-and-error based; then structured and very focused
Financing method	Retained profits	First small bank loan, then retained profits	Retained profits	Retained profits	Retained profits	Retained profits	Retained profits

Table 3: Triggers and the internationalization process of FBs

Item / Firm	O	P	Q	R	S	T
Trigger /motivation	Reaction to international requests from domestic customers	Founder re-enters the company after period of international work experience in another company.	Sudden access to foreign markets through contractual agreement	Next generation enters management	Reaction to international requests from domestic customers	International opportunities through new product development
Internationalization pattern and pace	Established on domestic market for half a century, sudden internationalization to Southern Europe, followed by constant internationalization to foreign markets	Established on domestic market for decades, rapid internationalization to other European markets followed by a period of consolidation	Established on domestic market for half a century; sudden internationalization to key European countries followed by a period of consolidation.	Established on domestic market for 2 decades; moderate expansion to German-speaking markets, followed by other neighbouring European markets	Established on domestic market only, then first step towards internationalization with their own subsidiary and five years later foundation of multiple subsidiaries in different markets	Established on domestic market after business model change in previous generation, then sudden internationalization after new product development
Mode of entry	At the beginning exclusive use of travel engineers; later, wholly company-owned sales subsidiaries were established within the key markets.	The company acquired other companies in foreign markets and integrated them into its organisation.	Use of distributors in the early stage; company now uses a combination of own travel sales agents and partially company-owned joint ventures.	Subsidiaries used from the very beginning in all countries	Subsidiaries used from the very beginning	Exclusive or non-exclusive distributors in all foreign countries, their own sales force, no company-owned subsidiaries
Internationalization strategy	At the very beginning the company followed its major clients and exploited customer networks. Later markets were selected by their industry potential.	Extensive use of founders' international network; the company analyses the potential of foreign markets and then seeks adequate acquisition objects.	Building of extensive sales network due to exclusive distribution contract for Europe	Covering the most important markets with subsidiaries right from the beginning	Strategy of client followership to have initial sales in a market, but at the same time identification of markets with the biggest potential	Active internationalization right after trigger with their own sales force and creation of network from scratch
Financing method	Retained profits	Retained profits	Retained profits	Retained profits	Retained profits	Retained profits

4.1 Long-term orientation and BAG internationalization

As an illustration of the importance of business succession as a trigger for BAG internationalization pathways in FBs, the CEO of firm C explained the development in his company as follows:

'When my brother and I entered the company, the questions that we faced were: What kind of company do we want to enter? Do we want to inherit a company that is and continues to be active in its two core markets, or do we see our purpose in the company as being to design the internationalization process within the next generation and push the company forward? These were the key aspects that we had to consider and that led us to the decision to take the next steps.'

Similarly, the CEO of firm B (which is currently still in the phase of rapid internationalization) stated:

'In principal, it's as follows: my brother and I have a couple of years left until retirement, and the German-speaking countries will therefore just not be enough for us.'

Both statements illustrate that the new generations perceive their tasks to have a long-term orientation, and even to be a lifetime assignment – which clearly exceeds the average CEO tenure of six to seven years in NFBs (Kaplan and Minton 2012). Detailing their long-term view in the internationalization process, the CEO of case firm E explained:

'Well, there are two major points. The first is our on-going and daily engagement for our company. And, for sure our long-term perspective. If we decide to start something new, we, as family managers, do not have the pressure to achieve financial results in the short-term.'

This quote makes clear that case firm E has a long-term orientation. They are willing to start long-term projects without expecting short-term results if the projects and the investments promise future growth for the FB and the family. Accordingly, a family member of the board of firm R added:

'Over the last decades, the company has become bigger and bigger. The responsibility has increased accordingly. In addition to the responsibility for the company and its importance for the family, I have also recognized our responsibility for all the people around who are dependent on the company. As our company is located in a small village, many people depend on our company as their employer; and, well, as our company has grown, many suppliers have grown in the same way. So, each decision we make is influenced by this responsibility and, to return to your question, I evaluate the entry into foreign markets as a good strategy for the future of the company and all its stakeholders.'

These findings are congruent with the findings of [Gómez-Mejía et al. \(2007\)](#), who postulate that family members identify themselves strongly with the firm, and are very closely tied to it over generations

(Berrone et al., 2012). Our case evidence shows that this long-term orientation in FBs, as supported by the statements above, is very important for the succeeding generation's perception of the kind of business the new generation is entering.

On the other hand, we found some variance in our sample regarding long-term orientation as a trigger for BAG patterns. Case firm Q, for example, which is currently under the management of the third generation, did not start a BAG pattern as a result of the succeeding generations' long-term orientation. Although the internationalization process was enabled by a successor, interviews with respondents from this firm indicated that the momentum of generational change did not play a decisive role. Case firm Q had responded to a sudden access to foreign markets with a BAG internationalization pattern.

Our results therefore underpin the findings of Graves and Thomas (2008) and Kontinen and Ojala (2012) in terms of the impact of generational change as a trigger for FB BAG pathways. Extending their findings, our cross-case analysis and the interview quotes displayed above suggest that BAG internationalization is often intertwined with the successors' long-term orientation. This leads us to our first research proposition:

P1: Family business successors internationalize their firms in a born-again global pathway of internationalization due to their long-term orientation.

4.2 Successors' self-actualization and BAG internationalization

A further aspect that could be identified in some cases is that the new generation feared being involved in a 'boring' company, and therefore pushed for an active internationalization strategy in order to make their workplace more interesting. In these cases, BAG internationalization can be understood as an entrepreneurial activity, and therefore seems suited to support the individual advancements of the successor through the entire hierarchy of needs, including the need for self-actualization.

When asked for the reason why concentration on the German-speaking countries would not be enough for her and her brother, CEO B explained:

'Well, as mentioned, I still have a couple of years until retirement, and basically everything here in the German market is set up profoundly and runs smoothly. As I am a very ambitious person, I would be rather annoyed and even bored by the task of just managing the existing market. Additionally, having studied internationally for so long, I would not like to work in a purely domestic environment afterwards, but would rather work in an international firm.'

Referring to the motivation of his son, whose entry into the company triggered the active pursuit of an internationalization strategy, the CEO of firm I stated:

'He worked hard on it, mainly driven by his ambitions and his strong will for his own individual fulfilment.'

Likewise, the CEO of firm E commented on his son, who triggered the internationalization of the firm:

'Previously, when we were just regionally active, our son was never quite sure whether he wanted to enter the company or not. I guess for him the business was always too small and too boring. Then, however, he noticed the international opportunities that the company had, and the chances these gave him to shape the future firm according to his vision.'

These three excerpts show that the long-term orientation in FBs brings up a new point of view for the succeeding generation: they see their FB jobs as long-term assignments and therefore do not want to be in a company that does not enable the (exciting) life they envisioned. Put differently, succeeding generations seem to recognize internationalization as their way to achieve self-actualization (Argyris, 1973; [Segaro, 2012](#)). In the three respective cases, the next generation sought to find personal fulfilment in shaping the business according to their own visions, and towards international activity. This leads us to our second proposition:

P2: The more the successors seek self-actualization through their family business, the more likely the family business is to follow the born-again global internationalization pathway.

4.3 Successor experience and education and BAG internationalization

The statement by firm B presented above contains another point that affects the trigger of generational change. As the interviewee mentioned that her prior studies and international experience related to her FB's international activity, we analysed the impact of the role of international experience or knowledge of the new generation on the BAG process. In seven of the eight cases (B, C, D, E, L, M, R), those in the new generation had prior international knowledge and proven language skills. As can be seen in Table 4a, they had either lived and worked abroad, and thus had gained practical experience (cases B, C, D, E, L, M), or had participated in exchange programs and studied abroad (cases B, C, E, M, R). The younger generation in case firm M, for example, had gained international experience at university, had participated in postgraduate study programs in multiple English-speaking countries and had lived abroad for longer periods of time. Similarly, the CEO of case firm L stated that he was in charge of starting up the internationalization process, and mentioned:

'Yes, the decision to go international was made by the executive board. Which actually means that I made the decision.'

We then asked him about his prior international experience, and he responded:

'Well, I am qualified in shipping, which is an international business by nature. I therefore gained a lot of experience abroad during my apprenticeship.'

Case	International experience of succeeding generation
B	Semester abroad in the USA during high school, various international summer schools, two semesters abroad in Singapore and UK during university, international job projects in Brazil and Denmark
C	Two-year job experience in the USA
D	Semester abroad during university education, extensive international job experience
E	Various international internships and semester abroad during university education
L	Extensive international job experience
M	International MBA program including international internships (UK, France, Russia)
R	International internship (UK) and semester abroad (USA)

Table 4a: International experience of succeeding generation

Aside from international experience, the generation that triggered the internationalization process had received a higher level of education than the parental generation in six cases (B, C, D, E, M, R). Table 4b provides an overview on the higher educational level of the succeeding generations in comparison to the preceding generation.

The current CEO of firm B assessed the situation in the following way:

'Well, as I received my PhD in this field, I obviously have a lot of theoretical knowledge in this area. Because when you work on a topic for so long, you receive a great amount of theoretical input. Furthermore, from my time working as a consultant on international projects, I know how to approach the topic from the practical side. I know, for example, how to evaluate a market, as we did that in one of the projects for a client. I think that this is a very important skill, to be able to translate knowledge into action, and I also think that it is very important to get to know different work environments before entering a family business. That way, one can really push for change when entering the company and use pre-existing tools learned elsewhere.'

Moreover, we also found evidence for both the international experience and education of the succeeding generation as additional triggers for BAG internationalization in case R. While the founding generation only had a very basic educational level, the succeeding generation was able to graduate from university. With regard to international experience the member of the succeeding generation stated:

'After passing my A-Levels, I completed an international apprenticeship in a large bank. Afterwards, I started studying at university, and carried out some international internships prior to joining my father's company.'

Case	Education level of succeeding generation	Education level of preceding generation
B	PhD in Economics	University degree
C	University degree	Commercial apprenticeship
D	University degree	High school diploma
E	University degree	High school diploma
M	MBA	Middle school diploma
R	University degree	Lower secondary education

Table 4b: Overview of education level

Based on these findings, we conclude that new generations with an international background and a higher level of education are more likely to pursue an international vision for the company they take over, which then results in BAG internationalization pathways. The personal characteristics of those in the succeeding generation are therefore factors that may influence whether a generational change in a company triggers a BAG internationalization pathway. This leads us to two more research propositions regarding generational change:

P3a: Generational change in the top management team of a family business is more likely to trigger a born-again global pathway of internationalization if the succeeding generation has previous international experience and/or an international mind-set.

P3b: Generational change in the top management team of a family business is more likely to trigger a born-again global pathway of internationalization if the succeeding generation has a higher level of education than the preceding generation in the top management team.

5. Discussion and Conclusions

This study has sought to generate a deeper understanding of the conditions under which generational change fosters BAG pathways in FBs. A multiple-case study approach was therefore used to identify propositions that can help to develop directions for further investigation and to enhance research into FB internationalization. As far as we know, the present study is the first to focus exclusively on BAG pathways of FBs. The findings of our cross-case analysis support Bell et al.'s (2001) view that BAG pathways are triggered by critical events. In contrast to their work, we examined an all-FB sample, and our results therefore suggest additional triggers and conditions for BAG patterns that may be unique to FBs. Generally, the findings of our study contribute to the research into FB internationalization and, in comparison to the findings provided by Graves and Thomas (2008) and Kontinen and Ojala (2012), deepen our knowledge about generational change and the conditions under which generational change is more likely to serve as a trigger for BAG pathways of FBs.

Our results are summarized in Figure 1. They suggest that the succeeding generation's long-term orientation is one important trigger of BAG patterns in FBs (see P1). Our results also indicate that the characteristics of the succeeding generation could have a decisive impact on BAG pathways. On the basis of our results, we propose that generational change is more likely to serve as a trigger for BAG pathways if internationalization is perceived as a way to seek self-actualization by the succeeding generation (P2), if the succeeding generation has previous international experience and an international mind-set (P3a), and/or if the level of education of the succeeding generation is higher than that of the preceding generation (P3b). These findings generally extend the literature on FB internationalization, which has so far mainly focussed on stage-based models of internationalization.

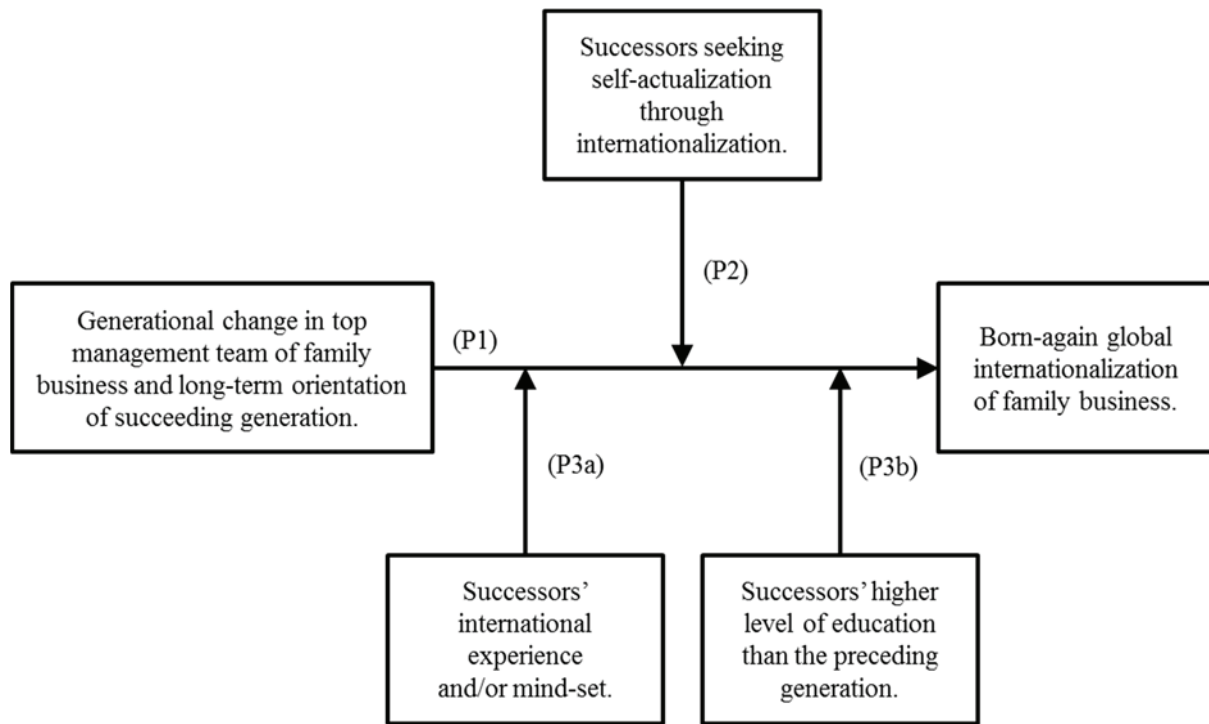


Figure 1: Summary of findings

Our findings may also inform the more general literature on FBs' risk-seeking or risk-averse behaviour (for an overview, see Hiebl, 2013). Our results challenge earlier findings that later-generation FBs are generally risk-averse and therefore overly careful in internationalization decisions (Okoroafo, 1999; Mitter et al., 2014; Sciascia and Mazzola, 2008) and that the entrepreneurial spirit of the founder generation may be lost over the course of time in later-generation FBs (Hiebl, 2015). Our findings rather point to the notion that generational change may also enable or unlock growth and bring back the entrepreneurial spirit in FBs, which may result in sudden and rapid internationalization of FBs.

Our analysis of the conditions of generational change and BAG internationalization of FBs also contrasts Pukall and Calabro's (2014) view on the BAG internationalization pathways of FBs. Based on a theoretical triangulation of elements of the socio-emotional wealth literature and FB internationalization, they proposed that the FBs' BAG internationalization of FBs would be mainly triggered by family members fearing the loss of socio-emotional wealth, thereby a more reactive than proactive motivation. However, our multiple-case study findings and interview quotes presented above rather suggest that succeeding generations do not reactively internationalize their FBs by BAG pathways, but adopt rather proactive and change-seeking approaches. For such purposes, they can draw on their international experience and education (thus, their resources, see P3a and P3b) and are motivated by their long-term orientation (see P1) and by enjoying an exciting life as the FB manager (see P2). Furthermore, they actively capitalize international market opportunities for product and/or business model innovations that may not have been realized by the preceding generations. In sum, this creates a picture of the succeeding generations of FBs who are more willing to take risks than the

preceding generations. This in turn may be seen as adding evidence to prior research, which has found that FBs in later generations are more likely to internationalize than in earlier generations (e.g. [Fernández and Nieto, 2005](#); [Graves and Thomas, 2008](#); [Kontinen and Ojala, 2012](#); [Zaniewska, 2012](#)). As discussed in section 2, the empirical findings of the impact of generational change on FB internationalization are, however, mixed. Based on our results, a potential reason for such mixed findings may be the underlying internationalization pathways of FBs. Although we found that while the adoption of a BAG pathway for FB internationalization by succeeding generations may be regarded as rather proactive and risk-taking, it may be the case that succeeding generations who act in a more risk-averse way may tend to adopt less rapid internationalization pathways – if at all – (which can possibly be described as following stage models of internationalization). Thus, the mixed empirical results on generational change and FB internationalization could be due to different underlying internationalization pathways.

While this notion will, of course, need careful empirical corroboration, it is our view that it presents a very promising way to enrich our understanding of FB internationalization. In addition to this avenue, we have identified some additional starting points for further research. First, we believe that research into the process of knowledge generation in the context of the FB internationalization process could deepen our understanding of FB internationalization. It is clear that international market knowledge can be a competitive advantage for SMEs ([Knight and Liesch, 2002](#)) and therefore constitutes an important aspect of firm internationalization ([Blomstermo et al., 2004](#); [Fletcher et al., 2013](#)). We therefore assume that international market knowledge can have an impact on the pathways of FBs. Another starting point for further research would be the role of external managers in the FB internationalization process. For example, [Lazzarotti and Pellegrini \(2015\)](#) found that the degree of openness concerning innovation is higher for FBs with presence of non-family managers at the top managerial level. We did not find much evidence in our sample that external managers influence the BAG pathway of FBs, but it may well be imagined that non-family managers bring in the necessary knowledge and that FBs may thereby adopt a BAG internationalization pattern after their engagement. In this connection, and following [Sirmon et al. \(2008\)](#), we suggest differentiating between family-influenced and family-controlled firms, and identifying their individual internationalization patterns as well as specific drivers for internationalization success, e.g. via choice experiments with the respective decision-makers.

In addition to these implications for research, our findings also hold some practical implications. As our findings suggest, succeeding generations are more likely to initiate a BAG-like internationalization if they have international experience and/or superior education. Both the preceding and the succeeding generation may therefore find it useful to carefully plan the educational and practical experiences of the successors, especially when internationalization is identified as a long-term strategy for the FB and the preceding generation does not – for whatever reasons – find it feasible to implement the internationalization themselves. Also in the light of self-actualization it seems appropriate to integrate

the succeeding generations very early and enable them to see the business as a good way to achieve their very own self-actualization. Moreover, senior FB leaders might also consider including succeeding generations in product portfolio or business model innovation projects, because our results indicate that the international market potential of such innovations may be more likely to be realized if the succeeding generation is involved in them.

Any any, also our study holds some limitations. A first limitation might be the age of the firms, which differs in some cases by more than a hundred years, but we found no proof that the age of firms affects our conclusions. Moreover, in some cases, the interviewees were not able to present all information in detail, especially if decisions were made two or more generations ago. Furthermore, the fact that our study was conducted solely in German-speaking countries represents a limitation, because the results cannot be generalized to other contexts. Additionally, a potential limitation of our study might be the omission of other important variables, for instance the measurement of psychic distance to foreign countries or knowledge- and learning-related variables. Similarly, when comparing Swiss FBs (from a non-EU-member country) with FBs from Germany and Austria (from EU-member countries), as we did in our study, there may be the risk that environmental factors are different due to EU membership. We did not find signs of such biases in our analysis; nevertheless, there could be some biases that we did not detect, which presents another limitation. Finally, a further limitation may be our methodological approach of a multiple-case study *per se*. While our study contains a respectable number of twenty case firms and 40 interviews, our approach harbours the risk that findings from our cross-case analysis are particular, and are only valid for the specific setup. We have tried to minimize this risk, however, by broadening our sample of case firms to eliminate extreme characteristics in most dimensions.

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