Venturing Beyond the Backyard: Internationalisation of the Family Business

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Abstract[1]

Australian family firms make a significant contribution to the Australian and global economy. Despite the fact that the complexities associated with managing a family business are not addressed by classical management theory, limited empirical research has documented the international expansion of family firms. Building upon stage model theory, network theory and organisation capabilities perspective of internationalisation, this study examines whether family firms differ from non-family firms with regard to the propensity for and extent of their internationalisation. The results highlight that family firms are less likely to internationalise compared to non-family firms. However, once family firms have entered the global marketplace, their extent of internationalisation is comparable to that of non-family firms. The results also suggest that older and larger firms, committed to innovation, networking, and an orientation towards growth, are more likely to internationalise their operations. Finally, compared to non-family firms, family firms are less likely to engage in networking with other businesses, more likely to exhibit growth profiles typical of lifestyle / traditional firms, and be smaller in size. The implications of the findings for future research are discussed.

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Introduction

The ability of the Australian economy to benefit from globalisation is dependent upon Australian businesses developing a global mindset and exploiting their competitive capabilities internationally. D'Souza and McDougall (1989) argue that the ability of Small-to-Medium-Sized Enterprises (SMEs) to expand internationally is essential for their survival and growth. Although there is little empirical evidence linking exporting and survival, a number of studies have found that exporting SMEs record significantly higher levels of growth (Westhead, 1995; McDougall & Oviatt, 1996; McMahon, 2001b). Despite the persuasive arguments for expanding internationally, to date, only four percent of all businesses in Australia are engaged in exporting, which is well below that of most OECD countries (Austrade, 2002). In response to this, the Australian Government has set an ambitious target of doubling the number of Australian businesses exporting by 2006. Although geographical distance may explain why Australia lags behind its OECD partners in export activity, it can't explain the whole gap. As a result, further research is required to identify those factors that may influence the ability of Australian SMEs[2] to internationalise their operations.

Despite the increase in research into the internationalisation process of SMEs, there is still insufficient knowledge of this process and it is in an early stage of theory development (Leonidou & Katsikeas, 1996). There is considerable debate on what factors encourage SMEs to internationalise and what factors are critical for success in the internationalisation process (Westhead, Wright & Ucbasaran, 2001). In order for internationalisation theory to progress, Leonidou and Katsikeas (1996) call for knowledge from other disciplines to be drawn upon and integrated. Failure to integrate knowledge from other disciplines may reinforce the nine blind men and the elephant analogy:

> Just as the group of blind men felt and interpreted different parts of the elephant's body and ended up with no description that resembles the animal as a whole, research sometimes does the same. The quest for knowing more about less sometimes does the same. The quest for knowing more about less sometimes leads to very accurate views of the parts, but obscures that these parts are of some 'whole' (Daniels, 1991, p. 182).

Although it is well recognised that the majority of SMEs are family owned (and often family managed), and that the complexities associated with managing a family business are not entirely addressed by classical management theory (Davis & Stern, 1980), there is a lack of research on the internationalisation process of family firms (Gallo & Sveen, 1991; Harris, Martinez & Ward, 1994; Gallo & Pont, 1996; Okoroafo, 1999; Davis & Harveston, 2000; Zahra, 2001; Gallo, Arino, Manez & Cappuyns, 2002). Family business literature argues that the complexities unique to family firms influence the attitude towards, and extent of, internationalisation (Gallo & Sveen, 1991; Gallo & Pont, 1996; Cappuyns & Pieper, 2003). Yet, to date, such claims have received little empirical testing. As a result, the primary objective in this paper is to empirically determine whether family-owned SMEs (SMFEs) differ from non-family-owned SMEs (non-SMFEs) with regard to the propensity for and extent of their internationalisation.

[2] The Australian Bureau of Statistics defines a SME as businesses employing less than 200 employees (Australian Bureau of Statistics, 2002).

Background to the study

Current state of internationalisation research

For many years, a considerable amount of the international business and strategy research focussed on issues surrounding the globalisation of large businesses (Coviello & Munro, 1995; McDougall & Oviatt, 1996; Gankema, Snuit & Van Dijken, 1997; Lu & Beamish, 2001; De Chiara & Minguizzi, 2002). Over the last few years, research into the globalisation of SMEs has flourished (Coviello & Munro, 1995; Manolova, Brush, Edelman & Greene, 2002). In the main, SMEs have entered the global marketplace through internationalisation: the exploitation of their unique products and knowledge globally, from a domestic base. Although SMEs do engage in a range of different internationalisation strategies, exporting is considered the most common foreign market entry mode, due to the minimal business risk and capital required (Leonidou & Katsikeas, 1996).

The internationalisation of the firm has been researched using different perspectives, and as a result, there is little agreement in the academic literature over the precise meaning of the term ‘internationalisation’. Beamish (1990, p. 77) defined internationalisation as

> …the process by which firms both increase their awareness of the direct and indirect influence of international transactions on their future, and establish and conduct transactions with other companies.

Despite the array of definitions of internationalisation that have emerged over the last two decades, Beamish’s (1990) definition is the most useful as it accommodates economic and behavioural views of internationalisation into one holistic concept (Coviello & McAuley, 1999). Secondly, it views internationalisation as a dynamic phenomenon (a process) as opposed to a static one (Johanson & Vahlne, 1992; Melin, 1992).

Internationalisation theories can be broadly grouped into four perspectives:

1. <u>*An economic perspective*</u>: Drawing upon Williamson’s (1975) transaction-cost (TC) theory and Dunning’s (1981; 1988; 1993) eclectic paradigm, economists argue that a firm’s method of international expansion is dependent upon the size of three associated advantages: ownership (asset power), location (market attractiveness) and internalisation (transaction costs). Although these theories may be useful for explaining firm structure at latter stages of the internationalisation process (Andersen, 1993), these theoretical frameworks have been predominantly used to explain foreign direct investment patterns of large firms. As Fillis (2001, p. 774) argues ‘given that many small firms do not progress beyond a certain stage, these frameworks will be largely redundant in explaining their internationalisation behaviour.’

2. <u>*A process perspective*</u>: Under this perspective, internationalisation is viewed as an ongoing process, consisting of a series of stages reflecting gradual increases in international expansion (Johanson & Wiedersheim-Paul, 1975; Bilkey & Tesar, 1977; Cavusgil, 1980; Reid, 1981; Czinkota, 1982). The key assumption underlying stage models is the deterministic role of knowledge in the internationalisation expansion of the firm. Stage models have been used to explain two patterns of internationalisation: internationalisation though a series of progressive steps, and the selection of markets based upon psychic distance (Johanson & Vahlne, 1990). Stage model theory has received mixed support in internationalisation research (Coviello & McAuley, 1999). Stage models may be useful for explaining traditional exporters, however, alternative theories such as network theory may be needed to explain the internationalisation process of born global and late starter (born again) firms (Madsen & Servais, 1997).

Scant research has investigated the internationalisation process of family firms (Gallo & Sveen, 1991; Harris et al., 1994; Gallo & Pont, 1996; Okoroafo, 1999; Davis & Harveston, 2000; Zahra, 2001; Gallo et al., 2002). Because family firms have to contend with the influence of three diverse sub-systems: family, ownership and business systems (Tagiuri & Davis, 1992), they may be less growth oriented compared to non-family firms. As one of the main motivations for undertaking internationalisation strategies is firm growth (OECD, 1997, p. 43), SMFEs may be less likely to internationalise compared to non-SMFEs. Anecdotal evidence suggests that, because of their risk-averse nature, family firms are more likely to choose psychically close countries when expanding globally (Harris et al., 1994). This may explain why Zahra (2001) found that family influence was positively associated with sales to foreign countries, but negatively associated with the number of countries that the firm sold to. Compared to non-family firms, family firms prefer to locate their operations in close proximity to the residence of family members (Kahn & Henderson, 1992; Shaw & Young, 2001), thereby limiting their potential to expand internationally by setting up operations overseas. This suggests that the degree of internationalisation of SMFEs is likely to be lower than that of non-SMFEs.

3. *A relational perspective*: Increasingly, networks are been seen as playing a critical role in the internationalisation process of the firm, where the ability and extent of a firm's internationalisation depends upon its set of network relationships rather than a firm-specific advantage (Coviello & McAuley, 1999). Networks can assist the internationalisation of a firm in two ways: access to market knowledge and international contacts, and access to resources and capabilities required for internationalisation.

   Swinth and Vinton (1993) contend that, because family firms share some very important characteristics (such as trust, loyalty, reliability, long-term orientation), international joint ventures between family firms are more likely to succeed. As a result, family firms prefer to enter into joint ventures with other family businesses when entering a foreign market with greater psychic distance (Harris et al., 1994). However, to date, little research has investigated the role of networks in the internationalisation of family firms. Although many family firms desire to develop ties with foreign family firms, the reality is that only a small number have been able to do so (Okoroafo, 1999). Donckels & Frohlich (1991) found that family firms tended to have fewer socio-economic networks, and less cooperation and collaboration with other firms, possibly due to the family firm's preference for privacy (Litz, 1997; Ward, 1997). Okoroafo (1999) found that the majority of family firms were not aware of networks, such as government programs, that would assist them in internationalising. The lack of knowledge and/or involvement in networks suggests that SMFEs may have greater difficulty in internationalising their operations when compared to non-SMFEs. Because networks play a critical role in the success of SMEs, Donckels and Frohlich (1991) call for more research into the networking relationships of family firms.

4. *A capabilities perspective*: Drawing upon Barney's (1991) resource-based view of competitive advantage and Teece's (1997) dynamic capabilities framework, the organisational capabilities (OC) perspective is increasingly being used to examine the influence of a firm's unique bundle of resources and capabilities upon its internationalisation process. Using the OC perspective, it is argued that the firm's ability to expand globally is dependent upon its ability to configure firm-specific resources to create globally relevant capabilities. Increasingly, organisational culture is being viewed as a critical resource in a firm's internationalisation. Ireland and Hitt (1999) argue that the

challenge to remain competitive in the 21st century will not be rational or technical, but cultural. An organisational culture characterised by 'creativity and innovative thinking, opportunity recognition, risk taking ability, networking and relationship building' could be considered an 'enabling' capability in the internationalisation process of the firm (Fillis, 2001, p.775). McMahon (2001b) found that statistically significant relationships between innovation and exporting exist and persist over time. To date, only a limited number of studies have employed an OC perspective in internationalisation research, but is expected to grow substantially in the coming years as more and more SMEs venture abroad (Peng, 2001).

Although it has been argued that family businesses possess some distinctive resources and capabilities (Habbershon & Williams, 1999; Habbershon & Williams, 2000), to date, little research has investigated how family firms create, reconfigure and exploit their resources and capabilities for success in the global marketplace. Because family businesses are often characterised as having a culture that is inward-looking and resistant to change, and where decision-makers are constrained by the firm's history and tradition (Kets de Vries, 1993; Dyer & Handler, 1994; Gersick, Davis, Hampton & Lansberg, 1997), SMFEs may have greater difficulty than others in internationalising their operations. Using the arguments developed by Oliver (1997), SMFEs that can cultivate their institutional capital, which supports the acquisition, development and deployment of globally relevant capabilities, are more likely to be successful in internationalising their operations.

Research Hypotheses

The review of the literature highlights that the complexities associated with managing a family business are not entirely addressed by classical management theory and that there has been a lack of research on the internationalisation process of family firms. Although the family business literature asserts that the complexities unique to family firms influence the attitude towards, and extent of, internationalisation, to date, such claims have received little empirical testing. As a result, the following null-hypotheses are proposed for testing in this study:

H0A: After controlling for demographic and other relevant influences, there is no statistically significant difference in internationalisation status between SMFEs and non-SMFEs.

H0B: After controlling for demographic and other relevant influences, there is no statistically significant difference in the extent of internationalisation between SMFEs and non-SMFEs.

Research method

Research data

The data used in this study was obtained from the Business Longitudinal Survey (BLS). The Australian Bureau of Statistics (ABS) conducted this survey over the financial periods from 1994/95 to 1997/98 inclusive. The purpose of the surveys was to provide information on the growth and performance of Australian employing businesses and to identify selected economic and structural characteristics of these businesses (Australian Bureau of Statistics, 2000). In the BLS, data was collected using self-administered, structured questionnaires predominantly containing closed questions. The ABS collected information in the BLS under the authority of the Census and Statistics Act 1905. As a result response rates exceeded ninety percent – much higher than that typically achieved in academic research (McMahon, 2001b).

The specific BLS data used in this study are included in a Confidentialised Unit Record File (CURF) released by the ABS on CD-ROM in December, 1999. This CURF contains data on

9,731 SMEs. This study is only concerned with manufacturing SMEs that were operating in all four years of the BLS CURF, representing approximately 12 percent of all businesses contained in the file. This study also narrowed its focus by only considering those manufacturing SMES that legally organised themselves as proprietary companies. This additional focus was imposed for two reasons. Firstly, one of the main motivations for undertaking internationalisation strategies is firm growth (OECD, 1997, p. 43). Because incorporated firms are more likely to be growth oriented (Hakim, 1989; Gray, 1992; Freedman & Godwin, 1994; Hughes & Storey, 1994; Yellow Pages Australia, 1995), incorporated SMEs are more likely to internationalise. Secondly, interest in the performance of incorporated companies is not uncommon in SME research worldwide (Freedman & Godwin, 1994, p. 234). In the BLS CURF, approximately 71 percent of manufacturing SMEs are proprietary companies.

Finally, a question relating to networking with other businesses was asked in all surveys except for the 1994/95 survey. Therefore, this study will focus on the analysis of the data collected from the 1995/96, 1996/97 and the 1997/98 surveys.

Method of data analysis

The variables used in this study are either categorical in nature, or if metric, exhibit highly non-normal distributions and are subject to extreme variables. Although data can be normalised by using various transformation statistical techniques, such action often creates difficulties when interpreting results. Removing extreme variables may reduce the representational faithfulness of the sample, thereby undermining the validity of the results. As a result, this study utilises non-parametric statistical techniques because they are distribution free, and logistic regression analysis, which is robust when using non-normal data (Hair, Anderson, Tatham & Black, 1998).

Measurement of variables

Dependent variables

A review of the literature highlights that there is disagreement over the measurement of internationalisation, particularly of large firms (Sullivan, 1994; Sullivan, 1996; Lewis & Minchev, 2001)). Because exporting is considered the most common foreign market entry mode of SMEs (Leonidou & Katsikeas, 1996), the most common measurement of SME internationalisation is export sales to total sales (Cavusgil, 1980; Chetty & Hamilton, 1996; McDougall & Oviatt, 1996; Crick & Chaudhry, 1997; Gankema et al., 1997; Chetty & Holm, 2000; Davis & Harveston, 2000; Bell, McNaughton & Young, 2001; Westhead et al., 2001). Therefore, consistent with prior SME research, this study will measure internationalisation as the percentage of export sales dollars to total sales dollars.

In order to test the two hypotheses outlined earlier, two dependent variables were generated:

- Internationalisation status (export status): firms that engaged in exporting during the financial period (export sales dollars > 0) were coded ‘1’ while all other firms were coded ‘0’. This variable was generated for each of the three years included in this study.
- Degree of internationalisation (export intensity): the median export intensity (export sales dollars / total sales dollars) was calculated using only those firms that were exporting in that year. Exporting firms with an export intensity greater than the median export intensity were coded ‘1’ while exporting firms with an export intensity below the median were coded ‘0’. Again, this variable was generated for each of the three years included in this study.

Independent variables

- *Innovation:* Consistent with McMahon (2001b), the extent of innovation activities (innovation commitment) was calculated by expressing the expenditure on research and development as a percentage of total sales in each of the three years in the survey.
- *Networking*: In the BLS, each firm was asked whether they had engaged in any formal networking with other firms. Firms that had engaged in formal networking were coded '1' while firms that did not were coded '0'.
- *Growth intentions*: In order to ascertain a firm's growth orientation, the BLS asked each firm whether they intended to increase production during the following three years. Firms that indicated their intention to increase production over the next three years were coded '1' while firms that did not were coded '0'. Because growth intentions influence behaviour in the following year onwards, growth intentions in the year being analysed was based upon the firm's growth orientation response in the preceding year. For example, when analysing the data for the 1995/96 financial year, firms with growth intentions were ones that indicated growth intentions in the 1994/95 survey (that is, firms that indicated intentions to grow in 1995/96-1997/98).
- *Family business status*: Although a single agreed definition of a family business still remains elusive, in the literature there is broad agreement that a business owned and managed by a nuclear family is a family business (Chua, Chrisman & Sharma, 1999). This is not to suggest that all businesses owned and managed by a nuclear family are a homogeneous group. As highlighted by Shanker and Astrachan (1996) and Astrachan (2002), family businesses differ with regard to the degree of family influence. Nevertheless, consistent with a number of other studies, this study defines a family business as one where a family has controlling ownership (Barnes & Hershon, 1976; Davis, 1983; Rosenblatt, DeMik, Anderson & Johnson, 1985; Stern, 1986; Lansberg, Perrow & Rogolsky, 1988; Dreux, 1990; Donckels & Frohlich, 1991; Gallo & Sveen, 1991; Lyman, 1991; Welsch, 1993; Cromie, Stephenson & Montieth, 1995; Litz, 1995; Smyrnios, Romano & Tanewski, 1997; Neubauer & Lank, 1998; Westhead, Cowling & Howorth, 2000). Firms which are majority family owned (>50%) were coded '1' (family business), while all other firms were coded '0' (non-family business);
- *Firm size*: Prior research has used firm size as a proxy for the amount of resources available for internationalisation (Zahra, 2001). Consistent with previous SME research (Moini, 1995; Zahra, 2001; Dhanaraj & Beamish, 2003; Mittelstaedt, Harben & Ward, 2003), total number of employees will be used to measure firm size;
- *Firm age*: As discussed previously, the process perspective argues that knowledge and experience are associated with internationalisation (Johanson & Vahlne, 1977). Because older firms are more likely to accumulate greater knowledge and experience, this study will control for the influence of firm age. The BLS measured firm age using an ordinal variable, reflecting age in two-yearly intervals up to thirty years, with a single category capturing firms greater than thirty years of age.

Research findings

Table 1 displays the relative frequency distribution of exporting and non-exporting firms. Analysis of Table 1 highlights that, in each of the three years, SMFEs constitute around 70% of the 871 manufacturing firms sampled. Table 2 reveals that 55% of SMFEs are operated by first generation owners, approximately 35% are operated by second generation owners, while around 10% are operated by 3rd to 4th generation owners[3]. These figures are similar to those in recent research, which estimated the proportion of Australian firms that are family businesses

[3] There was a limitation in the manner the BLS collected data on the generation operating the business. Because the BLS did not require all family-owned businesses to indicate the generation operating the business, of the ~70% of firms that were SMFEs, only ~58% disclosed this information.

to be 67%, with 55% first generation owned, 28% second generation owned and 17% third to fifth generation owned (Smyrnios & Walker, 2003).

INSERT TABLES 1 AND 2 ABOUT HERE

Table 1 also reveals that of all firms sampled, approximately 40% are engaged in exporting while 60% are not. In each of the three years, the proportion of SMFEs engaged in exporting is approximately 35%. This is lower when compared to non-SMFEs where at least 53% of non-SMFEs are engaged in exporting in all three years. The Chi-square (χ^2) test highlights that the difference in the export status of SMFEs and non-SMFEs is highly significant in all three years. This suggests that, when compared to non-SMFEs, SMFEs are less likely to be exporters.

Table 3 displays the relative frequency distribution of above and below-mean export intensity firms. Analysis of Table 3 highlights that, over the three years, the proportion of exporting SMFEs characterised as above-median export intensity firms ranged from 46.8% to 48.2%. This is lower when compared to exporting non-SMFEs, where the proportion characterised as above-median export intensity firms ranged from 52.9% to 55.2%. The Chi-square (χ^2) test highlights that the difference in export intensity status of exporting SMFEs and non-SMFEs is not significant in any of the three years. This suggests that, family firm status has no bearing on the export intensity of exporting firms.

INSERT TABLE 3 ABOUT HERE

Logistic regression analysis was used to further test the influence of family business status upon exporter status and export intensity whilst controlling for other independent / control variables. Based upon a review of the literature, six independent / control variables were entered into the logistic regression models: family business status, innovation commitment, networking with other firms, growth intentions, firm age and firm size.

Table 4 summarises the coefficient details in the logistic regression modelling of the dependent variable exporter status.

INSERT TABLE 4 ABOUT HERE

Controlling for the influence of other variables, the results indicate that in each of the three years, a highly significant negative relationship exists between the variables family firm status and exporter status, therefore the null-hypothesis **H0A** is rejected. SMFEs are less likely to internationalise their operations when compared to non-SMFEs. All other independent variables included in the model were significant and positively associated with exporting status. This provides support for previous research, highlighting that innovation commitment, networking with other firms, growth orientation, firm age and firm size are all positively associated with exporting.

Table 5 summarises the coefficient details in the logistic regression modelling of the dependent variable export intensity.

INSERT TABLE 5 ABOUT HERE

Controlling for the influence of other variables, the results indicate that there was a moderately significant negative relationship between the variables family firm status and export intensity in 1995/96. However, in the other two years, no significant relationship exists between these variables. Overall, this provides little support to reject the null-hypothesis **H0B**. The results suggest that that family firm status has no bearing on the extent of internationalisation of exporting firms. Although networking with other firms was significant and positively associated with export intensity in 1996/97, it was not significant in the other two years, suggesting that no significant relationship exists between networking and export intensity. Innovation commitment was significantly and positively associated with export intensity in all three years. This provides further support of prior research, highlighting the link between innovation and internationalisation. All other independent variables included in the model were not significant, suggesting that export intensity is not influenced by a firm's growth intentions, age or size.

To summarise, the above results highlight that, although family business status has no bearing on the export intensity of an exporting firm, it does appear to influence whether a firm is engaged in exporting. To examine this finding further, the innovation commitment, networking activities, growth intentions, age and size of SMFEs and non-SMFEs were compared and contrasted. In addition, the differences in growth profiles of SMFEs and non-SMFEs were also examined. This is in response to McMahon's (2001a, p. 211) call for further research to compare and contrast manufacturing SMEs on different development pathways in terms of their ownership structures. In his study, McMahon discerned three relatively stable SME development pathways: low growth (traditional or lifestyle firms), moderate growth (capped growth firms) and high growth (entrepreneurial firms). Because a persistent significant relationship was found to exist between growth profile and exporter status (McMahon, 2001b), significant differences in exporting status between SMFEs and non-SMFES may be partly explained by their growth profiles.

The relative frequency distributions of the categorical variables (networking, growth intentions, growth pathway) are displayed in Table 6, while the mean values of the ordinal/metric variables (age, size, innovation commitment) are displayed in Table 7.

INSERT TABLE 6 ABOUT HERE

Analysis of Table 6 reveals that the proportion of SMFEs engaged in networking with other firms is around 18% in each of the three years. This is lower when compared to non-SMFEs where around 27% of non-SMFEs were engaged in networking in each of the three years. A Chi-square (χ^2) test highlighted that the difference in the proportion of SMFEs and non-SMFEs networking was significant in all three years, suggesting that SMFEs are less likely to network with other firms. Table 6 reveals that, in each of the three years, the proportion of SMFEs with growth intentions was less than that of non-SMFEs. A Chi-square (χ^2) test highlighted that the difference in growth intentions between SMFEs and non-SMFEs was only moderately significant in one of the three years. Overall, this suggests that there is no significant difference in the growth intentions of SMFEs and non-SMFEs. In Table 6, a comparison of the growth profiles of SMFEs and non-SMFEs reveals that over the three years, a greater proportion of SMFEs are characterised as low growth (lifestyle / traditional) firms, while a greater proportion of non-SMFEs are characterised as moderate growth (capped growth) firms and high growth (entrepreneurial) firms. A Chi-square (χ^2) test highlighted that the difference in growth profiles between SMFEs and non-SMFEs was highly significant in all three years, suggesting that compared to non-SMEs, SMFEs are more likely to exhibit growth profiles similar to that of lifestyle / traditional firms.

INSERT TABLE 7 ABOUT HERE

Analysis of Table 7 reveals that in each of the three years, the innovation commitment of SMFEs was lower than that of non-SMFEs. A Mann-Whitney test highlighted that the difference in innovation commitment between SMFEs and non-SMFEs was highly significant in one of the three years, but not significant in the other two. Overall, this suggests that there is no significant difference in the innovation commitment of SMFEs and non-SMFEs. Table 7 reveals that, in each of the three years, non-SMFEs are older than SMFEs. However, the Mann-Whitney test reveals that the difference in age between SMFEs and non-SMFEs is not significant in any of the three years. Table 7 also highlights that SMFEs are smaller in size when compared to non-SMFEs. A Mann-Whitney test highlighted that the difference in size between SMFEs and non-SMFEs was highly significant in all three years. This suggests that SMFEs are likely to be smaller in size than their non-family counterparts.

Conclusions and Recommendations

Based upon the results presented, the null-hypothesis **H0A** was rejected. Linkages between family business status and exporting status were found to be statistically significant and to persist over time. This suggests that SMFEs are less likely to internationalise their operations when compared to non-SMFEs. Linkages between exporting status and the variables innovation commitment, networking, growth orientation, firm age and firm size were found to be statistically significant and to persist over time. This suggests that older and larger firms, committed to innovation, networking with other businesses and an orientation towards growth, are more likely to internationalise their operations.

Little evidence was found to reject the null-hypothesis **H0B**. Linkages between family firm status and export intensity was not found to be persistently significant over time. This suggests that there is no difference in the extent of internationalisation of exporting SMFEs and non-SMFEs. Of all the other variables included in the analysis, only the linkage between innovation commitment and export intensity was found to be statistically significant and to persist over time. This suggests that firms committed to innovation are more likely to experience greater international expansion.

Overall, these results suggest that compared to non-SMFEs, SMFEs are less likely to expand overseas. However, once they have entered the international marketplace, their degree of internationalisation is no different to that of non-SMFEs. Further analysis was conducted to investigate the differences between SMFEs and non-SMFEs. The results identified several statistically significant differences: SMFEs are less likely to engage in networking with other businesses, more likely to exhibit growth profiles typical of lifestyle / traditional firms, and be smaller in size. These differences may explain why SMFEs are less likely to internationalise. Firstly, they may lack the networks required for international expansion. Secondly, the traditions of the firm or lifestyle ambitions of owners may foster a preoccupation with the domestic marketplace. Finally, because of their smaller size, they may lack the resources required to develop capabilities required for the international marketplace.

Further research is required to explore why SMFEs are less likely to internationalise their operations when compared to non-SMFEs. Davis and Harveston (2000, pp. 118-119) argue that when examining the internationalisation process of family firms, researchers should consider the dynamics of family relationships. Similarly, Litz (1997) argues that researchers should adopt case-intensive methodologies, in order to avoid collecting data that is superficial to understanding the characteristics and complexities of these firms. Therefore future research lends itself to using qualitative research techniques in order to fully comprehend, for example, what differentiates SMFEs that have internationalised verses those that have not.

Table 1: Relative Frequency Distribution of Exporting and Non-exporting SMEs

	1995 / 96			1996 / 97			1997 / 98		
	SMFEs	Non-SMFEs	Total	SMFEs	Non-SMFEs	Total	SMFEs	Non-SMFEs	Total
Exporter	218	143	**361**	208	138	**346**	218	140	**358**
% of SMFEs; % of non-SMFEs	*34.8%*	*58.4%*	*41.4%*	*33.9%*	*53.7%*	*39.7%*	*35.4%*	*54.7%*	*41.1%*
Non-Exporter	408	102	**510**	406	119	**525**	397	116	**513**
% of SMFEs; % of non-SMFEs	*65.2%*	*41.6%*	*58.6%*	*66.1%*	*46.3%*	*60.3%*	*64.6%*	*45.3%*	*58.9%*
Total	**626**	**245**	**871**	**614**	**257**	**871**	**615**	**256**	**871**
% of total firms	*71.9%*	*28.1%*	*100.0%*	*70.5%*	*29.5%*	*100.0%*	*70.6%*	*29.4%*	*100.0%*
Test for Exporting Status and Family Business Status	$\chi 2$ statistic		40.217	$\chi 2$ statistic		29.724	$\chi 2$ statistic		27.641
	df		1	df		1	df		1
	Significance		**0.000**	**Significance**		**0.000**	**Significance**		**0.000**

Table 2: Relative Frequency Distribution of Generation Operating the Business

	1995 / 96		1996 / 97		1997 / 98	
	Frequency	**%**	**Frequency**	**%**	**Frequency**	**%**
1st Generation	201	55.2	199	55.3	198	55.8
2nd Generation	129	35.4	123	34.2	123	34.6
3rd - 4th Generation	34	9.3	38	10.6	34	9.6
Total	364	100	360	100	355	100

Table 3: Relative Frequency Distribution of Above and Below-Median Export Intensity SMEs

	1995 / 96			1996 / 97			1997 / 98		
	SMFEs	Non-SMFEs	Total	SMFEs	Non-SMFEs	Total	SMFEs	Non-SMFEs	Total
Above Median	102	79	**181**	100	73	**173**	105	74	**179**
% of SMFEs; % of non-SMFEs	*46.8%*	*55.2%*	*50.1%*	*48.1%*	*52.9%*	*50.0%*	*48.2%*	*52.9%*	*50.0%*
Below Median	116	64	**180**	108	65	**173**	113	66	**179**
% of SMFEs; % of non-SMFEs	*53.2%*	*44.8%*	*49.9%*	*51.9%*	*47.1%*	*50.0%*	*51.8%*	*47.1%*	*50.0%*
Total	**218**	**143**	**361**	**208**	**138**	**346**	**218**	**140**	**358**
% of total firms	*60.4%*	*39.6%*	*100.0%*	*60.1%*	*39.9%*	*100.0%*	*60.9%*	*39.1%*	*100.0%*
Test for Export Intensity and Family Business Status	$\chi 2$ statistic		2.47	$\chi 2$ statistic		0.771	$\chi 2$ statistic		0.751
	df		1	df		1	df		1
	Significance		**0.132**	**Significance**		**0.442**	**Significance**		**0.448**

Table 4: Coefficient Details in Logistic Regression Modelling of Exporter Status

Independent Variable	1995 / 96	1996 / 97	1997 / 98
Family business status	Negative***	Negative***	Negative***
Innovation commitment	Positive***	Positive***	Positive***
Networking with other firms	Positive***	Positive**	Positive***
Growth intentions	Positive***	Positive*	Positive***
Firm age	Positive***	Positive***	Positive***
Firm size (# of employees)	Positive***	Positive***	Positive***

*   indicates statistical significance at the 10% level
** indicates statistical significance at the 5% level
*** indicates statistical significance at the 1% level

Table 5: Coefficient Details in Logistic Regression Modelling of Below / Above Median Export Intensity

Independent Variable	1995 / 96	1996 / 97	1997 / 98
Family business status	Negative*	Negative	Negative
Innovation commitment	Positive**	Positive**	Positive**
Networking with other firms	Positive	Positive**	Positive
Growth intentions	Negative	Positive	Negative
Firm age	Negative	Negative	Negative
Firm size (# of employees)	Negative	Negative	Negative

*   indicates statistical significance at the 10% level
** indicates statistical significance at the 5% level
*** indicates statistical significance at the 1% level

Table 6: Relative Frequency Distribution of Networking, Growth Intentions and Growth Pathway

		1995 / 96		1996 / 97		1997 / 98	
		SMFEs	**Non-SMFEs**	**SMFEs**	**Non-SMFEs**	**SMFEs**	**Non-SMFEs**
Networking with other firms	**Yes**	**110**	**68**	**112**	**68**	**110**	**72**
% of SMFEs; % of non-SMFEs		*17.6%*	*27.8%*	*18.2%*	*26.5%*	*17.9%*	*28.1%*
	No	**516**	**177**	**502**	**189**	**505**	**184**
% of SMFEs; % of non-SMFEs		*82.4%*	*72.2%*	*81.8%*	*73.5%*	*82.1%*	*71.9%*
$\chi 2$ statistic		11.23		7.463		11.464	
df		1		1		1	
Sig. (2 tailed)		**0.001**		**0.006**		**0.001**	
Growth intentions	**Yes**	**325**	**148**	**295**	**137**	**247**	**114**
% of SMFEs; % of non-SMFEs		*51.9%*	*60.4%*	*48.0%*	*53.3%*	*40.2%*	*44.5%*
	No	**301**	**97**	**319**	**120**	**368**	**142**
% of SMFEs; % of non-SMFEs		*48.1%*	*39.6%*	*52.0%*	*46.7%*	*59.8%*	*55.5%*
$\chi 2$ statistic		5.116		2.006		1.422	
df		1		1		1	
Sig. (2 tailed)		**0.024**		**0.157**		**0.233**	
Growth pathway	**Low**	**500**	**129**	**489**	**140**	**481**	**148**
% of SMFEs; % of non-SMFEs		*79.9%*	*52.7%*	*79.6%*	*54.5%*	*78.2%*	*57.8%*
	Moderate	**114**	**89**	**115**	**88**	**122**	**81**
% of SMFEs; % of non-SMFEs		*18.2%*	*36.3%*	*18.7%*	*34.2%*	*19.8%*	*31.6%*
	High	**12**	**27**	**10**	**29**	**12**	**27**
% of SMFEs; % of non-SMFEs		*1.9%*	*11.0%*	*1.6%*	*11.3%*	*2.0%*	*10.5%*
$\chi 2$ statistic		75.45		72.313		51.047	
df		2		2		2	
Sig. (2 tailed)		**0.000**		**0.000**		**0.000**	

Table 7: Mean Values for Innovation Commitment, Firm Age and Firm Size

	1995 / 96		1996 / 97		1997 / 98	
	SMFEs	Non-SMFEs	SMFEs	Non-SMFEs	SMFEs	Non-SMFEs
Innovation commitment	**1.034**	**1.163**	**0.711**	**1.234**	**0.866**	**1.029**
Mann-Whitney Z statistic	-3.055		-1.294		-1.589	
Sig. (2 tailed)	**0.002**		**0.196**		**0.112**	
Firm age	**7.99**	**8.13**	**8.42**	**8.51**	**8.81**	**9.15**
Mann-Whitney Z statistic	-0.050		-0.064		-0.862	
Sig. (2 tailed)	**0.960**		**0.949**		**0.389**	
Firm size (# of employees)	**26.7**	**49.6**	**27.1**	**46.8**	**28.0**	**44.2**
Mann-Whitney Z statistic	-10.231		-8.507		-7.082	
Sig. (2 tailed)	**0.000**		**0.000**		**0.000**	

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