

## Family Firms: Going Global Through a Digital Entry Mode

\* **Plakoyiannaki, E.**

Aristotle University of Thessaloniki, School of Economics, Department of Business Administration, Thessaloniki, 54 124, Greece

**Kampouri, A.**

Marketing Manager, Abaton, Thessaloniki, 57 001, Greece

**Stavraki, G.**

Aristotle University of Thessaloniki, School of Economics, Department of Business Administration, Thessaloniki, 54 124, Greece

**Kotzaivazoglou, I.**

Technological Educational Institute of Serres, Department of Business Administration, Terma Magnisias, 62124, Serres, Greece

Corresponding author E-mail: [emplak@econ.auth.gr](mailto:emplak@econ.auth.gr)

**Abstract:** *Our study contributes to the emerging literature stream of family business internationalization. Its purpose is twofold 1) to provide empirical evidence on the facilitators and obstacles of family firm internationalization, and 2) to understand the use of different internationalization pathways and entry modes in the internationalization of family firms. In doing so, we employ a multiple case study design that draws on various sources of data and examines 8 Greek companies in the apiculture sector. Our case study evidence fleshes out the concept of the “e-born global family firm”. This firm is distinct from the traditional “born global” firm, in that it intensively uses digital media in order to internationalize from its inception. It is versatile towards identifying opportunities and heavily relies on new technologies in order to reduce information asymmetries in foreign markets. Our cases brings to the fore the existence of a different mode of internationalization that we label as the “digital entry mode”, which allowed the investigated firms to achieve a speedy entry to foreign markets and compete in geographically distant markets in a manner limited discussed in the extant literature.*

**Keywords:** *e-born global family firm, family firm internationalization, case study, digital entry mode*

### 1. INTRODUCTION

Internationalization is a topic of emerging interest in businesses and entrepreneurship literatures (Oviatt, and McDougall, 2005). Firms of all sizes and ownership types try to expand their international operations (Zahra, 2003;) in order to achieve vital growth (Welch and Luostarinen , 1988), increase entrepreneurial knowledge (Zahra et al., 2000) and reinforce financial efficiency (Lu and Beamish, 2001). Even though internationalization has been a critical topic for the last 40 years, limited research has investigated the international expansion of family firms (Kontinen and Ojala, 2011). A theme in the internationalization of family business literature that apparently has received little attention refers to the *versatility that family firms manifest in terms of identifying international opportunities*. This void in the literature is supported by two recent articles in family business literature (Kontinen and Ojala, 2011; Sciascia, 2012), which argue that limited research has investigated the internationalization process of family firms and the role of flexibility in this process. To this end, facilitators (e.g. network ties) and obstacles (resource impediments) hold a critical role in understanding how family firms identify opportunities abroad and employ entry modes to enter international markets. Viewed in this light, the purpose of the current study is twofold: *1) to provide empirical evidence on the facilitators and obstacles of family firm internationalization and 2) to examine the use of different entry modes in the internationalization of family firms.*

### 2. LITERATURE REVIEW

#### 2.1 Family business internationalization: facilitators and obstacles

Internationalization is a complex and demanding process, crucial both for the development of entrepreneurial activities and the global economic-social environment. Despite the importance of this process for firm survival, family firms are less inclined to develop international operations in foreign markets. They are traditionally oriented to the domestic market, although they are forced to internationalize in order to survive competition. The extant literature suggests that limited access to resources, risk-averse behavior, lack of knowledge and conflict between owners pose challenges in family firm internationalization (Kontinen and Ojala, 2010), resulting in a conservative attitude of family firms owners towards

international activities.(Nieto and Fernández, 2006). Particularly, limited knowledge of the international markets coupled with information asymmetries maximize risks abroad. Hence family's perspective and stewardship problems in strategic decision constitute obstacles to family business expansion when crossing national borders. On the other hand, organizational resources (such as financial capital), managerial competencies, international experience and network ties may facilitate the expansion of the family firms in the international arena. In addition, the advent of the digital world serves as communicator facilitator, as it connects family firms and multiple stakeholders abroad, providing them with increased knowledge and reducing information asymmetries

## 2.2 Entry modes and pathways of internationalization

Strategic decisions, such as entry mode selection is the most critical decision for family firms since it affects all their future operations. Due to resource impediments and the high risk, it is not easy to constantly change from one entry mode to another without significant loss of time and money (Ekeledo and Sivakumar, 2004). Literature scholars classify the various modes of entry into two broad categories: the wholly owned entry modes, including acquisitions and the cooperative entry modes, including non-equity alliances, variety of contracts and joint ventures (Guth, 2009). The extant literature in internationalization pathways of family suggests that the majority of enterprises tend to follow a traditional stepwise process in order to internationalize, operating in nearby foreign markets, which have similar characteristics with the domestic market. This approach is the incremental (Uppsala) model of internationalization (Johanson and Vahlne 2009; Kontinen and Ojala, 2010). Yet, there are exceptions to the rule labeled as "born global" or "born-again" global family firms that pursue a rapid internationalization facilitated by new technologies. Despite the different pathways of family firm internationalization discussed above, limited research has provided empirical insights of these approaches (Kontinen and Ojala, 2010). We argue that new trends in technology such as Web 2.0 bring to the fore new pathways of internationalization that can substitute traditional ones and be beneficial for family firms, which due to various idiosyncrasies -remain sluggish. A positive perspective of the managers-owners of the firms, towards international operations and the adoption of "internetization" (Etemad et al., 2010) may trigger a point of entry, leading to the "*Digital entry mode*" and the emergence of the "*e-born global family firm*". We argue that the intrusion process of this digital entry may follow the path of born global firms; however the *e-born global family firm* will operate in the cyberspace and may be more proactive and compete in geographically distant markets, building new e-networks. These networks may complement and replace the ethnically based networks in the new emerging economy. The digital entry mode allows family firms to function competently in order to obtain higher efficiencies in each network. This assertion amplifies the possibility of getting new information related to opportunity recognition via ties from separate social e-networks.

## 3. METHODOLOGY

### 3.1 The case study approach

Since our study focused on *how* family firms internationalize and investigated a set of events in the internationalization arena the case study method was the most appropriate for our work (Yin, 1994). The case study approach is a methodology of choice in the study of international business phenomena as it can capture the deeply embedded processes, such as the one of internationalization (Piekkari et al., 2009). Our case study family firms were selected following purposeful and particularly criterion sampling (Piekkari et al., 2009). Criterion sampling includes the selection of cases that have a set of a priori criteria significant to our research. Particularly, the investigated firms had to: 1) be family firms that operate in the Greek apiculture sector; and 2) have at least one year of international experience in foreign markets (because we wanted to explore firms that were familiar with managerial issues related to international activities). The apiculture sector was selected for the current investigation as it has been described as dynamic and critical for the Greek economy due to its growth potential growth in foreign markets.

### 3.2 Multiple sources of evidence

Our research took place in 2011 and lasted six months. In order to achieve our purpose we obtained evidence from multiple data sources, including 30 in-depth personal interviews; observation of the firms' premises; archival records; examination of enterprises documents and publications ( Yin, 1994; Eisenhardt , 2007). In each firm, the owner (usually the founder of the firm) or CEO was contacted and constituted the primary respondent on the investigated issue. This primary respondent was requested to acknowledge another key respondent, using a snowball sampling (Miles and Huberman, 1994), who was included in our research.. All interviewees were asked the same set of questions and each interview was recorded, transcribed and lasted about two hours. The interviews were open-ended meaning that we invited interviewees to reflect in their internationalization experiences without imposing any a-priori conceptualizations (Kvale, 1994).. Additionally, documents, trade press publications, and internal presentations, were organized and carefully analyzed for content and context in order to increase the quality of our evidence.

### 1.3. Analysis and quality of findings

Analyzing and interpreting data lies at the heart of the theory building. In the current research data analysis was conducted in two phases: 1) within case analysis that included write-ups for each family firm and 2) with a cross case analysis that involved the quest of cross cases patterns (Miles and Huberman, 1994; Eisenhardt, 1989). This integrative approach was taken through a computer aided qualitative data analysis tool, namely Atlas software allows theory building in an iterative and incremental way. Particularly, Atlas assisted in the current study in identifying quotations, coding data, and building networks of concepts, increasing the methodological trustworthiness of the current study. Additionally, in order to enhance the quality of our findings, we followed the recommended practices in the literature (Healy and Perry, 2000). Specifically we used theory to construct the interview protocol and gathered data from documents, trade magazines and interviews with key respondents, in order to triangulate the emerging insights.

#### 4. FINDINGS

Beekeeping has always been a significant and integral component of Greece's lifestyle and culture. During the last decades this sector has experienced steady growth. It is strongly connected to the tourism sector, as visitors in Greece purchase a vast output of the domestic production. Greek beekeepers are frequently involved in the internationalization process through exporting bulk product, as it is difficult to export its branded version, owing to its high price. However in all the investigated family firms the respondents reported that Greek honey has a competitive advantage due to its high quality that has contributed to increased demand in international markets. All investigated case firms produced and marketed bee products (particularly honey), with Apivita specializing also in cosmetic products, which are based on derivatives of the honeybee. They all marketed their honey in Greece and in foreign markets. Table 1 shows the case study firms, their size, years of operation, first country to internationalize, key international market and years of international experience. Five of our investigated family firms have evolved to large and medium -sized companies while three of them were small sized firms with limited production over time. These firms participated in international activities as members of joint ventures and partnerships of beekeepers in Greece. The investigated firms are all well known to Greek customers and operate in various segments in their international markets. It was shared belief among our cases that U.K. and Germany constitute the key markets in this sector. Additionally, Spain, Japan and USA were perceived as promising markets offering opportunities for growing expansion. Especially Japan was viewed a sizeable country with customers demanding high quality standards that could match the high quality of Greek honey.

**Table 2**

<i>Firm</i>	<i>Type</i>	<i>No. of employees</i>	<i>Years of Operation</i>	<i>Years abroad</i>	<i>First country internationalize</i>	<i>Key international market</i>
"Attiki"	Family ownership	110	84	80	U.K. (1932)	U.K., U.S.A ,Germany
"Apivita"	Family ownership	160	33	32	Spain (1980)	Spain, Japan, U.S.A.
"Centre of Greek apiculture"	Born Global (start-up)	5	13	13	U.K. (1999)	Germany, U.K.
Partnership of Thasos	Partnership	104 (Beekeepers)	39	8	Germany(2004)	Germany
Joint Venture of Greek beekeeping	Joint venture	100 (Beekeepers)	58	22	U.K. (1990), Germany(1990)	Germany, U.K.
"Delfoi" honey	Family ownership	7	6	4	Germany, USA & U.K. (2006)	Germany, U.K.
Partnership of "Sithon"	Partnership	116 (Beekeepers)	50	20	Germany	Germany, U.K.
"Abaton"	e-Born global family ownership	5	22	1	Germany(2010)	Germany, U.K.

*Research objective 1:* The case study firms have presence in the two key international markets, yet their international presence is the result of a conservative rather than a proactive stance abroad. With the exception of 2 family firms (Attiki and Apivita),our investigated case firms had been largely reluctant to internationalize due to the lack of support from the state and the limited resources to operate in the international arena. Table 2 presents the findings regarding to the obstacles and the facilitators of the investigated firms when entering the key international markets. The main obstacles of internationalization were: 1) the high production cost that escalated in the product price, 2) the difficulties in acquiring quality certificates (i.e. ISO 22000, HACCP) that would ensure product acceptance in international markets, 3) the conservative company culture of the majority of the investigated companies, 4) the lack of knowledge and network ties in international markets and 5) the lack of guarantees, which operated as obstacles in the internationalization process of the selected firms (Kontinen and Ojala, 2010). Our evidence showed that some case companies were market seekers as their overriding motive to internationalize was to direct sell-off their stock rather than increase market share abroad. All interviewee respondents agreed the incentives that motivated to international expansion pertained to risk attitude, saturation of domestic market and competitive advantage (its quality in relation to other honey from all over the world, due to

Greece's environment). Although they had no support or assistance from the State in their attempt to operate internationally, the willingness of the managers to develop activities in foreign markets activated those firms in overcoming difficulties. According to our evidence the main facilitators of their internationalization were organizational, managerial and communicative. Specifically, the recruitment of local skilled employees with cultural, entrepreneurial, and industry-specific knowledge, the participation in trade exhibitions and the use of digital media, respectively enabled the case firms to overcome psychic distance, build network ties and increase their entrepreneurial activities to target markets abroad. Networks proved to be particularly valuable in entering the key international markets of U.K. and Germany. In addition the participation of all the case study firms in international trade exhibitions, such as the ANUGA trade fair, coupled with the use of the internet facilitated information circulation with international partners. Particularly, the partnerships of Thasos and Sithon promoted their products abroad through "e-bloko", an online intermediary that enabled partner identification in Germany. On the contrary, Attiki and the Centre of Greek apiculture accessed directly representatives in foreign markets to enhance product control and sales revenues. Additionally, the adoption of new technology solutions in Apivita and Abaton facilitated the dissemination of product information and cultural knowledge to international partners and customers

Table 3

<i>Research objective 1</i>			
<i>Firm</i>	<i>Obstacles</i>	<i>Facilitators</i>	<i>Motives to internationalize</i>
"Attiki"	P, QS	D, MD, SD, CA, PA	"We wanted to produce a unique product for the Greek market as well as abroad. Greek honey is a product that it could be exported to countries around the world with a minimum risk because of its superior quality. Without taking any risk, there is neither success nor experienced knowledge. "
"Apivita"	QS	MD, PA, CA	"Our motivation to internationalize has been the Greek Diaspora. We are country that can develop in a strong brand. We manufacture remarkable products and we have to take the risk to show that.
"Centre of Greek apiculture"	QS	MD, SS, CA	"Our motivation has been the growing demand from tourists and the need for financial resources. However we had some difficulties in the quality of standards and certifications requested by different international markets. Thankfully we managed to harness these challenges."
Partnership of Thasos	IK, IE, P	MD, SS, CA	"There is an increasing demand from tourists and financial incentives. However the assistance from the State is absent."
Joint Venture of Greek beekeeping	IS, IK, IE	D, SS, MD, CA	"The surplus of honey and the need for further cash flows facilitated our operations abroad. We aim at integrating systems of quality assurance as it is essential for international activities".
"Delfoi" honey	IS, IK, IE, P, RA	D, CA	"Our product needs to meet clear standards in order to be exported. The quality of Greek honey is leading to increased demand."
Partnership of "Sithon"	P, QS, RA	D, MD, SS, CA	"We were seeking to develop the enterprise, increase the trading volume and develop a competitive advantage abroad"
"Abaton"	P, IE, RA	D, CA, MD, SS	"Initially we wanted to sell the stock. However we have been quite risk-averse towards international activities due to the high price of honey. Once, the management of these activities was passed to the younger generation, the firm developed network with potential international customers through participation in trade exhibitions and our website."

P=Pricing (expensive product), QS= Quality Standards IK= Inadequate knowledge, IE= Inadequate experience, IS= Inadequate support by the state, RA= Risk avoidance, MD= Managers desire, D=Demand, CA= Competitive advantage, SS= Sell-off the stock, SD= Saturation of domestic market, PA= Positive attitude towards risk

*Research objective 2:* Our findings are in line with the Uppsala model that highlights the importance of psychic distance when selecting markets to internationalize (Nieto and Fernández, 2006; Johanson and Vahlne, 2009; Guth, 2009; Kontinen and Ojala, 2011). All investigated firms reported that although internationalization is vital to their survival, they followed an incremental (conservative) path due to the lack of relevant resources, threats from the external environment and risk avoidance. Many of our respondents reported that they tried to mimic the leader's, namely Attiki's internationalization trajectory. *Figure 1* shows a network generated from Atlas software, which shows the entry modes that the investigated firms followed. All case study family firms exported through intermediaries, agents or wholesales. Apivita was a unique case in that it had a wholly-owned subsidiary in the Spanish market to service its international customers. All investigated firms were seeking to reach or maintain agreements with exclusive representatives. Our evidence suggests that only Abaton tried to develop network ties through new technologies. Paradoxically, although most interview respondents claimed that new technologies and social networking are essential for internationalization, they have realized their full potential.

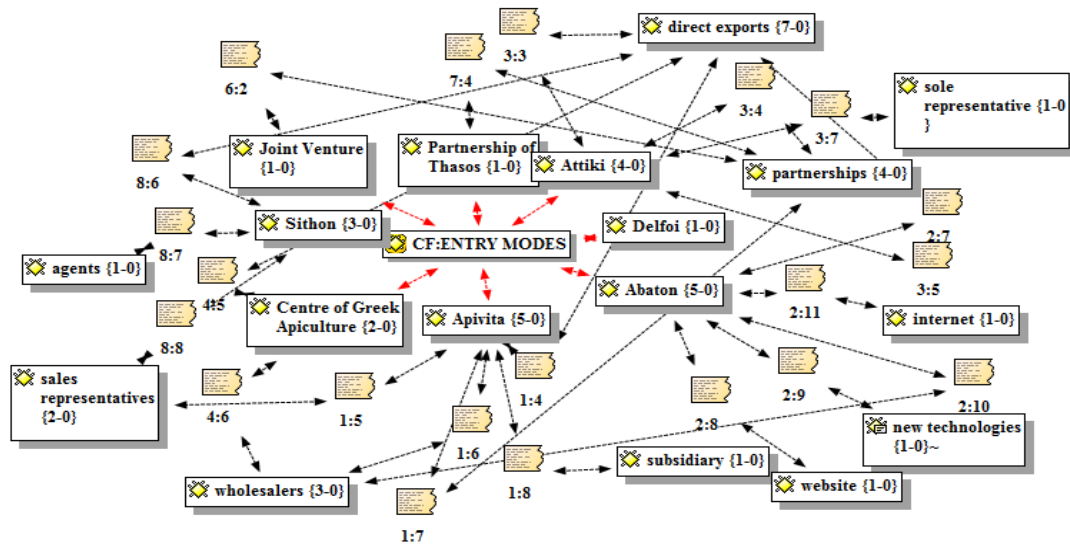


Figure 2: Entry Modes of the case study family firms (network from Atlas.ti)

Table 3 presents the adaption of internet technology in each of family firms. The majority of case firms had websites, which were randomly used for their internationalization activities. An exception to the rule, were Apivita and Abaton that systematically invested in technology to reach international markets. Apivita deployed e-commerce activities while establishing its subsidiary in Spain. It is noteworthy that Apivita developed network ties new technologies before its expansion in this key market. Abaton had also developed websites in three foreign languages (Greek, English and German) and begun to communicate on a regular basis with their distributors abroad. On the other hand, Delfoi is an interesting example of a family firm with high growth potential. However the firm to date has considering new technologies leading to growth stagnation and weaker ties with customers.

Table 3

Research objective 2	
Firm	Quotations
Attiki	“A new medium that seems to have positive impact in our firm is social networking. We see changes by using these new technologies, especially in the flow of information. ... To be able to persuade people needs immediate and continuous communication with them...This can be achieved by social networks. New technologies are important to market survival as mass marketing is changing to one- to- one marketing.”
Apivita	“We believe that new technologies on the level of development of new products or on marketing activities are significant for the future of the firm. That's why we invest systematic effort and capital in research and development. Recently we hired someone responsible for e-commerce and our company uses e-commerce for Europe and America. In general we wanted to develop through the cyberspace ... you see what happens with facebook and twitter. We don't want to abstain from all these.”
Centre of Greek apiculture	“Through our website and facebook we made a network of clients with whom we have direct contact, increasing information and heard truly flattering comments.”
Partnership of Thasos	“Through new technologies we can advertise our honey to everyone who is interested.”
Joint Venture of Greek beekeeping	“New technologies have a significant impact nowadays. However, a personal contact in this business has a greater impact and contributes to increased sales.”
Delfoi honey	“Everyone can advertise their product via internet. E-commerce is critical priority for us.”
Partnership of Sithon	“Most enterprises are aligned to new technologies and we will be modernized following these pathways”
Abaton	“If we do not keep up with changes, the market will forget us! Apart from our presence in the international exhibitions of the industry, another approach is our contact with potential customers via Internet. We believe that cyberspace offers links to markets we cannot physically visit easily.”

5. CONCLUSIONS

The present study contributes to the investigation of family business internationalization. Our findings show that information technology has been changing international business. It can offer opportunities in family firms to compete successfully in a worldwide market and overcome difficulties such as lack of State support from the domestic market or obstacles in communicating with foreign customers and distributors. The unique competitive advantage associated with

digital media made it possible for Apivita and Abaton to select, enter, and compete in geographically distant markets in a way that current theory have not discussed in-depth. Our evidence suggests that those firms could be described as “*e-born global family firms*”, which exhibit higher levels of risk attitude, flexibility and proactiveness in their international activities in key markets.

The “*e-born global family firm*”, is distinct from the “*born global firm*” (or global start up), as it intensively gathers from its inception entrepreneurial knowledge for its key markets through internet and social networks. As a result, it manifests versatility in the identification of international opportunities. Specifically versatility towards identifying opportunities heavily draws on new technologies that increase the knowledge base of family firms and reduce information asymmetries through interaction with virtual communities of potential customers and partners. This is an interesting finding that brings to the fore the existence of a different path of internationalization that occurs through a digital entry mode. This mode of entry is distinct from the incremental path of internationalization as it facilitated the case study firms to be more proactive and expand through social networking, e-commerce adoption and Web 2.0 technologies. The digital entry mode constitutes a key finding of this study with implications for future research. Further studies may examine the role of digital entry modes and the concept “*e-born global family firm*” in various national contexts and industry sectors. To this end, qualitative research may highlight contextual factors as well as facilitators and obstacles associated with the digital mode of entry in emerging and developed market environments.

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