



Family ownership and family involvement as antecedents of strategic action: A longitudinal study of initial international entry

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ABSTRACT

This study integrates behavioral agency theory with the conditions of willingness and ability to investigate how family ownership and family involvement affect the likelihood of initial international entry, both directly and interactively. A firm's initial international entry—its first expansion into a foreign market—is considered a major, and often risky, strategic action that enables a firm to compete and grow. Among family firms, variance in initial international entry is theoretically explained by the family's willingness and ability to participate. Using survival analysis on data representing 190 different family firms across 10 years, our findings support hypotheses suggesting that family ownership and involvement decrease the likelihood of initial international entry. However, these two forms of family control also act as interactive substitutes in relation to initial international entry likelihood. Our findings provide for a more nuanced understanding of family control heterogeneity in relationship to major strategic actions.

1. Introduction

Within the family business field, the topic of internationalization has a long history that has attracted much attention (for recent reviews see Kontinen & Ojala, 2010; Pukall & Calabro, 2014). Prior research has investigated internationalization differences both between (e.g., Cappuyns & Pieper, 2003; Gallo & Pont, 1996) and among family firms, which focus on topics such as family ownership and involvement (Zahra, 2003), generational perspectives (Fernández & Nieto, 2005; Okoroafo & Koh, 2010) and financial structures (Claver, Rienda, & Quer, 2009). In general, there is a wide range of studies that suggest a linkage between family control in internationalization decisions and processes, although mixed findings exist (Pukall & Calabro, 2014; Sciascia, Mazzola, Astrachan, & Pieper, 2012).

While scholars have made significant progress in advancing the topic of family business internationalization, important pieces are absent that hinders a more complete understanding. To date, scholars have remained predominately focused on the nature (e.g., type of market entry) and extent of a family firm's international operations by examining either scale (e.g., ratio of international sales to total sales) or scope (e.g., number of countries in which a firm conducts operations). As such, the extant research has focused on international operations that have already commenced (e.g., D'Angelo, Majocchi, & Buck, 2016;

Majocchi & Strange, 2012; Sanchez-Bueno & Usero, 2014). That is, while scholars have extensively examined the ongoing international activity of family firms, questions remain regarding the preconditions and motives that compel family firms to take this very important *initial* strategic action.

The determinants of a family firm's initial international entry—their first foreign market penetration—is critically relevant given the global, social, and economic importance of family firms (Shanker & Astrachan, 1996; Sharma, Chrisman, & Gersick, 2012). Indeed, compared to scholarly investigations of firms already engaged in worldwide operations, the importance of initial international entry is underscored by the additional burdens that first-time international entrants must bear, such as establishing legitimacy and gaining knowledge of foreign market peculiarities (e.g., cultural norms, laws, politics). Such entrants are thought to operate at a disadvantage because they “face the problem of ‘unknown unknowns’” that is attributed to their lack of familiarity with the local business environment (Yip, Biscarri, & Monti, 2000: 10).

Conducting business in a foreign country thus leaves first-time entrants facing both steep costs and learning curves that only begin to level out as firms gain more knowledge of the market that was entered (Zaheer & Mosakowski, 1997). Overall, investigating the motives that drive initial entry is highly pertinent in terms of understanding not just what is necessary to sustain international operations within the family

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firm setting, but also the insufficiently-understood mechanisms through which the family's desire to expand internationally is motivated, developed, and perpetuated among family firm principals as it is successfully translated into a firm's initial international entry.

We attempt to close this gap in our understanding of the family control and internationalization relationship by considering the behavioral agency model (Wiseman & Gomez-Mejia, 1998) alongside the willingness and ability conditions forwarded by De Massis, Kotlar, Chua, and Chrisman (2014). Combining these theoretical perspectives, and utilizing survival analysis techniques on a longitudinal sample of 190 U.S.-based family firms (totaling 727 firm-year observations), we develop, test, and find support for hypotheses that predict a relationship between family ownership and family involvement in the family firm and the likelihood of initial international entry. In doing so, we make three key contributions to the extant literature. First, and most importantly, our study is the first to examine initial international entry as a separate and distinct strategic action of family firms. Our focus on a firm's initial international entry represents a key departure from existing internationalization studies. Indeed, first-time family firm international entrants face a different risk prospect when compared to subsequent entries that take place once global operations have commenced. For example, first-time international family entrants may lack managerial capabilities (Graves, 2006) and financial resources (Graves & Thomas, 2008) that immediately confront the family upon initial international entry. Comparatively, such constraints will likely be diminished, or absent, for those firms engaged in repeated or ongoing international operations, particularly since these firms have established momentum in terms of international scale and scope (Contractor, Kundu, & Hsu, 2003; Lu & Beamish, 2004). By providing a more nuanced perspective on the antecedents of initial international entry, our study helps disentangle how family firms deal with different risk and financial propositions ascribed to different stages in the internationalization process.

As a second contribution, we advance theory by supplementing the behavioral agency model (Wiseman & Gomez-Mejia, 1998) with the willingness and ability conditions proposed by De Massis et al. (2014). Although previous studies have linked family-oriented goals such as socioemotional wealth (SEW) preservation to a family's willingness to engage in distinctive behavior (e.g., Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007), such behavior will not happen unless the family also possesses the ability to make it happen. In terms of initial international entry exploration, our inclusion of logic grounded in the willingness and ability conditions helps develop a more complete understanding of the heterogeneity implications involved in determining the relationship between family control and family-oriented, particularistic behaviors (Chrisman, Memili, & Misra, 2014). Therefore, our study lends itself to advancing knowledge about the willingness and ability paradox in family firms that accompanies strategic activities such as investments in innovation (Chrisman, Chua, De Massis, Frattini, & Wright, 2015).

Finally, and building on the previous contribution, we add to the family business literature by recognizing, and explicitly testing for, the interactive effects of family ownership and involvement. Based on our findings, it appears that once sufficient family control has been attained through either ownership or involvement, increases in the other dimension of control no longer significantly contributes to the likelihood of engaging in a strategic action. This finding offers a more granular understanding of the strategic implications of heterogeneity and, more specifically, how such heterogeneity—couched in a family's willingness and, primarily, ability to act—impacts initial international entry as a major strategic action.

2. Theoretical foundations

According to Nordqvist, Sharma, and Chirico (2014: 194), “agency theory has by far dominated thinking on governance of family firms.”

However, agency theory's focus on incentive structures reveals shortcomings when it comes to exploring families and their businesses. Instead, family business scholars more often employ the behavioral agency model, which incorporates elements of prospect theory (e.g., Kahneman & Tversky, 1979) and the behavioral theory of the firm (Cyert & March, 1963), to relax many rationality assumptions ascribed to agency theory. In contrast to traditional agency theory, the behavioral agency model does not infer that firm owners or managers are necessarily risk averse or that risk preferences remain constant (Chrisman & Patel, 2012). Rather, in explaining and predicting the behavior of family firms, this model hinges on the premise that the preservation of SEW, which captures the “nonfinancial aspects of the firm that meet the family's affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty,” serves as a primary reference point for family firms and that family principals are loss averse with respect to SEW (Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007: 106). Preservation and protection of SEW typically involves a range of essential goals and related strategic behavior, primarily: a) maintaining family control and influence with respect to ownership and conducting operations, b) sustaining the family's dynastic aspirations and ensuring that the business remains viable across future generations, and,

c) enhancing and perpetuating family image and reputation (Naldi, Cennamo, Corbetta, & Gomez-Mejia, 2013). In many cases, preservation of SEW, which is invariably linked to the firm, is a critical stand-alone goal that can only be attained by continued family control and influence over the firm's decisions and behaviors. Hence, vis-à-vis financial considerations and obligations, family principals are likely to prefer strategies where family control over the firm's affairs is enhanced or sustained (e.g., Gómez-Mejía, Makri, & Larrazza-Kintana, 2010).

Family control, of course, varies from one firm to the next and is generally discussed by separating the terms of ownership, governance, and management (e.g., Villalonga & Amit, 2006). For example, in cases where ownership is high but involvement in governance and management is low, a family's control can be exercised through voting rights and the ability to determine the availability of resources to the top management team (Carney, 2005; Hambrick & Finkelstein, 1987). However, family control can also be exerted, even in the absence of high ownership, when family members are in prominent managerial and governance positions. So, while family ownership and family involvement in management and governance (heretofore, family involvement) are typically highly integrated, differences do exist that can potentially influence the strategic decisions and actions of the firm (e.g., Choi, Zahra, Yoshikawa, & Han, 2015).

Differences in the degree and nature of family firm ownership and involvement suggest that it is inappropriate to assume that the willingness and ability to pursue SEW goals will apply uniformly to all family firms (De Massis et al., 2014). Willingness refers to the family's favorable disposition to behave distinctively, which is commonly motivated by the desire to preserve SEW. For example, when family members have a large ownership stake in the firm, concerns regarding succession, reputation, and the identity of the family firm will be stronger influencing factors that dictate the goals and intentions of the firm. Therefore, it reasons that as family ownership increases relative to other shareholders, the willingness to behave in a way that is distinctively supportive of the family should also be present. In other words, as the disposition to act strengthens, families—as the dominant coalition (Brigham, Lumpkin, Payne, & Zachary, 2014; Chua, Chrisman, & Sharma, 1999)—should be able to compel the firm to act in ways that distinguish and differentiate it in terms of the family. Although direct measurement of willingness is difficult, it is expected to be associated with a family's ownership stake, where family ownership is expressed in terms of the goals and intentions of the firm (De Massis, Di Minin, & Frattini, 2015).

Ability, on the other hand, refers to the discretion of family members to “direct, allocate, add to, or dispose of a firm's resources” (De

Massis et al., 2014: 346). As such, the basis for the family's ability to behave distinctively is derived from *both* family ownership and family involvement since, together, high levels will provide the family with the full authority to direct organizational activities (Chrisman, Chua, De Massis, Minola, & Vismara, 2016). Thus, the more extensive the family's ownership and its involvement in management and the board of directors, the more ability the family has to impact firm behavior as decision makers.

3. Hypothesis development

Willingness and ability clarify the basic ways through which family ownership and involvement influence the decision to engage in a major strategic action or not (e.g., De Massis, 2012). In the following pages we develop hypotheses intended to test the effects—direct and interactive—of family ownership and involvement on a family firm's likelihood to take on major strategic actions, such as the firm's initial entry into a foreign market.

3.1. Initial international entry and family ownership

Family ownership, particularly large blocks relative to other shareholders, enables family members to influence a firm's mission, strategy selection, and decisions in a manner consistent with sound stewardship of the firm's resources (e.g., Zahra, 2003), all while championing the pursuit of the vision held by the family in a way that is potentially sustainable across generations (e.g., Chua et al., 1999). In general, perceptions of opportunities and risks by family principals drive much of the family's motives and aspirations in conducting international operations (e.g. Liu, Lin, & Cheng, 2011). More specifically, such perceptions are likely to depend on the extent of their ownership stake (e.g., George, Wiklund, & Zahra, 2005). For example, when family ownership is low, neither their willingness nor ability would be high enough to compel the firm to behave in a distinctive “family” way, such as taking a strategic action intended to preserve SEW. Conversely, when family ownership is relatively high (i.e., family members possess a large equity stake), and significant personal wealth is at stake, owners are expected to reflect a stronger willingness and ability to behave in a more risk-averse manner with respect to SEW, such that they will be able to take actions focused on protection and preservation of SEW (Liang, Wang, & Cui, 2014). The willingness to behave in this way will then be translated into taking actions to guide strategic initiatives, although this is expected to be tempered by the ability the family possesses.

For family owners, the significant up-front costs and administrative burdens of initial international entry are also expected to carry a higher likelihood of SEW loss (Bianco, Bontempi, & Golinelli, 2013; Kahneman & Tversky, 1979). Such an action not only impacts the scale and scope of a firm's existing operations, but also may require the infusion of additional capital endowments. Since capital that is used for growth opportunities is often accomplished through the issuance of new stock or through taking on debt (O'Brien, David, Yoshikawa, & Delios, 2014), the appearance of new stakeholders—particularly shareholders—may further dilute family holdings. Even though bringing stakeholders on board from outside the family may help attenuate the increased economic risks associated with initial international entry, it may also mean loss of family control (Gómez-Mejía et al., 2010). Moreover, in the context of initial international entry, family firms are likely to consider firm-specific liabilities such as unfamiliarity with the foreign environment, lack of infrastructure, and costs associated with travel, transportation, and coordination. Whatever the source, such burdens associated with initial international entry not only bring economic hardships to first-time entrants, but also imply relinquishment of SEW.

Overall, the up-front costs and burdens of initial international entry will likely demand additional capital infusion and a general loss of

SEW. Thus, families that possess larger equity stakes, which confer greater control for the family (Berle & Means, 1932), are expected to exhibit a reluctance to engage in the strategic action. Specifically, family firms with a larger family ownership should be more likely to forego initial international entry (i.e., be less likely to internationalize for the first time). Formally, we state:

Hypothesis 1. Family ownership is negatively related to the likelihood of initial international entry.

3.2. Initial international entry and family involvement

Family involvement plays a fundamental role in the definition of a family firm, and is thought to capture the extent to which family members control the decision making or setting of the firm's strategic direction (e.g., Zahra, 2003). Family involvement may take on different forms, such as membership in the top management team, positions on the board of directors, or other roles of authority within the organizational structure. Scholars generally maintain that family involvement offers a sense of psychological ownership to family members (Pierce, Kostova, & Dirks, 2001) and generates a recognition of the challenges the firm might be dealing with, as well as a better understanding and appreciation of the organization's strengths, weaknesses, resources, and capabilities (e.g., Zahra, 2003). Indeed, one important reason that family members seek to be involved in the firm's management or governance is to pursue noneconomic utilities (e.g., Gómez-Mejía et al., 2007). At a basic level, since continued family control of the firm is critical to SEW preservation, those firms with a high level of family involvement are expected to assign a higher priority to the safeguarding of family SEW than those with lower family involvement (Liang et al., 2014).

One prominent concern for family firms is that initial market entry generally demands the accrualment and utilization of much greater resources, including social and human capital (e.g., Gedajlovic, Honig, Moore, Payne, & Wright, 2013; Hitt, Bierman, Uhlenbruck, & Shimizu, 2006). Human capital considerations are particularly important because, unlike ongoing international operations where the necessary resources and learning have already been established, a firm may need to develop new skills or hire new workers with certain talents in order to meet the specialized needs of conducting international activities for the first time (e.g., Eriksson, Johanson, & Majkgård, 1997). Such requirements may compel family firms to grow, often through nonfamily hires, to facilitate new human capital needs. This presents a threat to SEW because such hires tend to dilute the control of the family; non-family managers, in particular, are often delegated control that could appropriate family authority and diminish family influence over the firm (e.g., Gómez-Mejía et al., 2007). Further, while these human resources external to the family may be deemed necessary to enable initial international entry, they could also disrupt the harmonious nature of the family firm and threaten the firm's identity by impeding the influence of family values or by generating conflict between family members regarding firm goals (e.g., Berrone, Cruz, & Gomez-Mejia, 2012). Thus, due to the risk of losing strategic control of the firm and loss of SEW related to initial international entry, family firms with greater family involvement are expected to exhibit a reluctance toward this strategic action.

As previously noted, family firms tend to exhibit particularistic behavior when the involved family has the willingness and ability to act (De Massis et al., 2014). In terms of ability, family owners and managers are thought to have the authority to not only select from a range of strategic choices of their making, but also to pursue the alternative that best aligns with family-oriented goals (e.g., Hambrick & Finkelstein, 1987). Such ability means the family can unilaterally elect to forego initial international entry since it exploits the tendency for family firms to have weaker and/or fewer external ties than nonfamily firms that limit the availability of information,

knowledge, and other network-based resources (e.g., Liang et al., 2014). Therefore, firms with relatively high family involvement are less likely to choose initial international entry—or take other major strategic actions as the case may be—and opt for a more cautious strategic direction, such as domestic development. This argument is generally supported by related internationalization studies. For example, Sciascia, Mazzola, Astrachan, and Pieper (2013) found that a relatively high level of family involvement negatively affects (i.e., minimizes) sales internationalization; one reason such a relationship exists is because increased family involvement constrains board capital by limiting human and external social capital, which may be necessary to facilitate international activity.

In summary, we put forth that the effect of family involvement on a family firm's initial international entry will be based on the involved family members' ability, or discretion to act, with respect to major strategic actions. Consistent with De Massis et al. (2014), since greater family involvement suggests greater family control to pursue strategic decisions and behaviors of the family's choosing, firms with greater family involvement will exhibit a reluctance to engage in initial international entry since it is a process encumbered by SEW-diminishing requirements that weaken family control and rely on the acquisition of external (nonfamily) talent and network ties. Formally, we state:

Hypothesis 2. Family involvement is negatively related to the likelihood of initial international entry.

3.3. The interactive effects of family ownership and involvement on initial international entry

Prior research has examined the direct effects of family ownership and family involvement on various family firm outcomes, including different forms of international activities and operations (e.g., Liang et al., 2014). However, a preponderance of scholarly investigation remains focused on the contrasting mechanisms of control in family ownership and family involvement rather than considering insights into how these mechanisms might interact to affect family business outcomes. As such, a primary interest of this study is associated with whether family ownership and family involvement demonstrate a substitutive relationship, given their association with willingness and ability discussed previously. As Siggelkow (2002: 901) explains, “Two activities are said to interact as substitutes if the marginal benefit of each activity decreases in the level of the other activity.” In the context of the present study, a substitutive relationship simply refers to the marginal effect that family ownership has on the likelihood of initial international entry decreasing with increased family involvement, and vice versa.

As previously noted, family ownership and involvement relate to, but do not necessarily accompany, the family's willingness to engage in idiosyncratic behaviors that reflect goals and motivations exclusive to the family, particularly the preservation and protection of SEW (Chrisman et al., 2014). Likewise, family ownership and involvement drive the family's ability to allocate or dispose of a firm's resources in such a manner that aligns with their family-oriented, particularistic goals (Carney, 2005). On the other hand, family ownership and involvement are so intertwined within family firms that their ability to act as a check and balance for efficient resource allocation disappears (Hart, 1995).

With both ownership and involvement providing family control, we suggest a sufficient level of ownership will alleviate the need for additional involvement, and vice versa. For example, a family firm with relatively high levels of stock ownership can likely impose significant influence over strategic and tactical options presented to the top management team by virtue of their voting (i.e., vetoing) power. Likewise, family members on the board of directors—which are elected, in part, by family member shareholders—provide further influential monitoring of firm management. Consequently, if nonfamily members

on the management team do not act in the best interest of the controlling family, the board has the authority to remove management team members. On the other hand, when a member of the family is both CEO and chairperson, he or she serves dual roles as top manager (e.g., CEO) and leader of the board that provides corporate oversight of the management team. In this scenario, increases in family ownership become less relevant as the effect of the board's monitoring duties has essentially been realized through the family member's roles as chairperson and CEO (Rechner & Dalton, 1991).

Overall, we suggest that ownership and involvement may substitute for each other in generating the ability for the family to strategically direct the firm in a family-oriented, particularistic way. In other words, increased family ownership brings voting rights to appoint board members (Berle & Means, 1932), among other mechanisms of influence; in turn, this diminishes the need for the controlling family to maintain involvement via such mechanisms as board membership or CEO duality. Likewise, as the family becomes better represented on the board or a family member serves as both CEO and chairperson, the effect—and necessity—for family ownership diminishes. Formally, we state:

Hypothesis 3. Increases in family ownership/involvement will attenuate the negative relationship between family involvement/ownership and the likelihood of initial international entry.

4. Methods

4.1. Data and sample

Our sample was constructed by first identifying a sample of firms (both family and nonfamily firms) that engaged in initial international entry from 2006 through 2015 using Compustat North America (e.g., Anderson & Reeb, 2003; Chrisman & Patel, 2012). The period of observation was selected for three reasons. First, since foreign income started being a required reporting point in 1984, starting our observation in 2006 provided enough time to ensure that sample firms had not previously reported foreign income in years prior. Second, the decade-long observation window (2006–2015) allowed ample time to identify initial international entry if it occurred. Third, this observation time-frame provides a sufficient window to include periods of both economic growth and contraction (Martin, Levey, & Cawley, 2012).

The sample was initially restricted to U.S.-based firms listed on the NYSE, the NASDAQ exchange, or the NYSE MKT (formerly the AMEX); this was done ensure that initial international entry was not influenced by variations in national laws, regulations, or customs (Shrader, Oviatt, & McDougall, 2000). Of these, firms had to meet one of two criteria to be included in the final sample: 1) no foreign sales could appear dating back to Compustat's first year of foreign income reporting (1984) or, 2) firms that appeared in Compustat more recently had to report only domestic income for a minimum of five years before entering. We initially identified 592 firms that engaged in initial international entry during the period of observation.

To identify family firms, we manually inspected share ownership, positions, and relationships in proxy statements (i.e., DEF 14As) and company histories published on their websites. While there are a variety of criterion used for classifying a firm as family controlled (e.g., Anderson & Reeb, 2003; Gómez-Mejía, Cruz, Berrone, & De Castro, 2011), family firms are generally considered those organizations with multiple family members participating in firm management and/or who have a significant ownership stake (Anderson & Reeb, 2003; Shanker & Astrachan, 1996). Explicitly following Miller, Le Breton-Miller, Lester, and Cannella (2007), we defined a family firm as one whereby multiple members of the same family, by blood or marriage, are insiders (officers or directors) or major owners (5% or more firm equity, individually or collectively) concurrently or over the life of the firm as descendants. For example, though less common, a firm was considered a family firm if it had multiple family directors on the board,

even if these family members maintained very little ($< 5\%$) equity. Additionally, we considered two people to be related if they were members of the same descendant group (Gómez-Mejía, Larrazakintana, & Makri, 2003). In the rare case of firms with multiple families present, we considered ownership and involvement data on the family with the greatest aggregate ownership stake (Villalonga & Amit, 2006). The final sample was comprised of 159 family firms that engaged in initial international entry during the period of observation.

In order to test our hypotheses and determine the likelihood of initial international entry, we required a matched set of family firms that did not go international before or during the observation period. Therefore, given that international operations tend to be correlated with industry and with the scale of a firm (e.g., Gaba, Pan, & Ungson, 2002; Gómez-Mejía et al., 2003), we matched each of the 159 initial international entry family firms to a control firm (i.e., firm that did not engage in initial international entry during the period of observation) based on an exact match with a firm's 2-digit SIC code and a nearest-neighbor match based on total assets listed in the firm's first year of observation (Abadie, Drukker, & Herr, 2004). This effort resulted in an initial matched set of 318 family firms.

In constructing the final sample, we eliminated firms with the following characteristics discovered in our manual inspection of the dataset: 1) holding companies, 2) firms that ceased to exist due to a major governance or ownership change during the observation period, 3) firms with incomplete or missing data, and 4) those that transitioned to a nonfamily firm (e.g., family members vacated certain executive positions, family equity decreased below the 5% threshold) at any point during the period of observation. By eliminating firms that transitioned from family to nonfamily, we mitigate potentially confounding effects of family firms that were likely not focused on the preservation of SEW, which is considered a foundational characteristic of family firms and a basis for our hypotheses (e.g., Berrone et al., 2012). In fact, such a change in ownership status suggests that families in these firms have less SEW to protect and preserve (e.g., Salvato, Chirico, & Sharma, 2010), or are seeking a way to be compensated for the relinquishment of SEW associated with giving up ownership (Zellweger, Kellermanns, Chrisman, & Chua, 2012).

To mitigate undue influence of extreme cases, we followed prior internationalization literature and limited our sample to firms younger than 25 years (Carr, Haggard, & Hmieleski, 2010). Limiting the sample to younger firms alleviates differences in SEW valuation based on generational control. Indeed, extant literature suggests that the family's control and influence, sense of dynasty, and emotional attachment to the organization are enhanced in younger family firms—typically while the founder is still involved—and tend to weaken as the firm ages and subsequent generations assume control (Berrone et al., 2012; Chua et al., 1999). As such, older firms are less likely to demonstrate many of the SEW preservation principles intended to inform the goals of this study. Overall, after the sample reduction, we were left with 190 family firms and 727 firm-year observations; 92 of the family firms engaged in initial international entry during the period of observation. The mode of entry used by the initial international entry firms was as follows: six via exporting, 17 via alliances, two via joint ventures, and 67 via wholly-owned subsidiaries. Due to our restrictions regarding the sampling timeframe, we did not include firms in the sample that internationalized prior to 2006, which resulted in left-censoring. However, according to Ridder (1984), samples with left-censoring do not produce biased results, and Allison (1982) recommends discarding all left-censored observations.

4.2. Dependent variable

To accommodate our survival analysis (described below), the dependent variable is *initial international entry*, which is an event defined

as a firm's first entry into a foreign country. For each firm-year, the dependent variable equals zero if the firm did not report foreign income and one if the firm reported foreign income for the first time. Once a firm reported foreign income, it was removed from the dataset as a firm can only engage in initial international entry one time. If a sample firm did not engage in initial international entry by the end of the observation period, it was considered right-censored.

4.3. Independent variables

We operationalized family ownership using *percent ownership by family*, which was calculated as the percentage of the firm's outstanding shares held by all members of the controlling family. Following prior studies (e.g., Villalonga & Amit, 2009; Zahra, 2005), family ownership measures were manually obtained from SEC-mandated fractional equity and beneficial ownership information found in company proxy statements. The ownership variable is time varying and collected in annual spells corresponding with each firm-year observation.

For family involvement, we utilized the measure *family CEO duality*, which takes the value of 1 when any focal family member serves as both CEO and chairperson of the board. Duality is linked to more substantive involvement in strategic actions related to internationalization (e.g., Zahra, 2003). Family CEO duality is also time varying and was collected in annual spells corresponding with each firm-year observation.

4.4. Control variables

We included several control variables to isolate the effects of the predictors on the likelihood of initial international entry. Unless otherwise specified, controls were lagged one year and collected from the Compustat family of databases. Six variables were employed to control for certain firm-level characteristics. First, we constructed *firm size* as the natural logarithm of each firm's book value of assets (e.g., Lin, 2012). A larger firm typically means greater financial and managerial resources that would enable initial international entry (e.g., Tuppura, Saarenketo, Puimalainen, Jantunen, & Kylaheiko, 2008). Second, we used return on assets (ROA) as a measure of *firm performance*; ROA was calculated as the ratio of net income divided by total assets. Owners and managers in underperforming businesses tend to take greater risks that are associated with the exploitation of international markets (Zahra, 2005). However, successful past performance also provides the slack resources that drive new growth strategies. Third, we constructed the variable *firm diversification*, which we calculated as the natural logarithm of the number of business segments the firm was involved in during a given year. We controlled for firm diversification since experiential learning and capability development obtained from operating a more diverse firm could influence a firm's ability to internationalize (Kim, Arthurs, Sahaym, & Cullen, 2013). Fourth, we controlled for R & D expense, since prior research suggests R & D creates greater benefits of internationalization (Lu & Beamish, 2004). Fifth, we included a firm's debt-to-equity ratio to control for their ability to finance international expansion. Finally, to account for the influence of nonfamily entities, we constructed the variable *institutional ownership*, which we calculated as the average institutional ownership reported over the prior four quarters using data from Thomson Reuters Institutional Holdings (13F) database. Institutional equity holders can exert substantial influence on the decisions, strategies, and structures of a firm (Miller et al., 2007).

Three variables were employed to control for industry and timing effects. First, we constructed the variable *industry performance*, which was calculated as a three-year moving average of the industry ROA using 2-digit SIC codes (Arrfelt, Wiseman, & McNamara, 2015). Industry performance can often influence internationalization activities since firms may perceive the risk and resource allocation associated

with international expansion differently across industries. Further, to control for any potential unobserved industry effects, we included *industry dummies* at the 1-digit SIC code. Finally, we included *year dummies* to capture potential unobserved year effects.

4.5. Models

Hypotheses were tested using the extended Cox regression model, which is appropriate for survival datasets with time-variant variables (Allison, 1982). As mentioned above, our data are longitudinal with firm variables potentially possessing unique values for each year a firm was in the sample. Using survival analysis provides several advantages. First, survival analysis not only takes into account whether a firm engaged in initial international entry, but also incorporates the number of periods the firm was at risk for doing so. This enables a more complete analysis of the likelihood of initial international entry. Second, survival analysis allows for the incorporation of information from firms that have yet to engage in initial international entry by the end of the observation period (i.e., right-censored firms). The survival models presented below account for each sample firm's entire period at risk to engage in initial international entry. As such, this approach provides researchers the opportunity to utilize more data by incorporating key economic or institutional influences that impact all firms at risk over a given period of time (e.g., Shumway, 2001). Third, survival analysis incorporates the time that the firms were at risk of initial international entry prior to the observation window by incorporating the firm's age, which is referred to as left-truncation.

To control for potential endogeneity of family ownership and involvement, we utilized the method of two-stage residual inclusion (2SRI). Terza, Basu, and Rathouz (2008) and Atiyat (2011) demonstrate that 2SRI provides consistent estimators and is the preferred method for endogeneity correction in Cox models, particularly when compared to the two-stage least squares approach. Following Chrisman and Patel (2012), we constructed instruments to control for a family's use of its ownership and involvement to appropriate private benefits from the firm, but do not affect the likelihood of initial international entry. Accordingly, we constructed three instruments: number of members on the board of directors, number of analysts following the firm, and the median analyst forecast error. The number of members on the board indicates the level of monitoring that can inhibit family members' ability to extract private benefits. Likewise, the number of analysts and median analyst forecast error indicates the ability of the family to refrain from disseminating firm strategy to investors, which would enhance their ability to extract private benefits. In the first stage, we regress percent ownership by family (OLS) and family CEO duality (logistic) on all exogenous regressors, as well as the three instruments. In the second stage, we include the residuals from the first stage with the endogenous and exogenous variables. A significant Hausman test indicates that the variables are endogenous, though both *percent ownership by family* and *family CEO duality* maintain statistical significance and directionality when endogeneity is not corrected.

5. Results

Table 1 presents the descriptive statistics and correlations. None of the correlations are excessively high, including the correlations between the ownership and involvement variables; this suggests that they capture different dimensions of governance.

5.1. Direct effects

Table 2 presents the results of the first stage models and the second stage extended Cox regression models. Models 1 (OLS) and 2 (logistic) present the first-stage regressions run on percent ownership by family and family CEO duality, respectively. The residuals of Models 1 and 2 were then included in the second-stage—with results displayed in

Table 1
Descriptive statistics and correlations.

Variables	Mean ^a	S.D.	Min	Max	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) Initial international entry	15.772	6.062	0.997	25.243											
(2) % ownership by family	17.663	17.040	0.00	89.00	0.072										
(3) Family CEO Duality	0.497	0.500	0.00	1.00	−0.065	−0.031									
(4) % ownership by family directors	11.611	15.191	0.00	89.00	0.076	0.793	−0.036								
(5) % family members on board	16.636	8.825	0.00	63.636	0.027	0.159	0.093	0.301							
(6) R & D expense	19.862	60.031	0.00	628.823	0.046	0.135	0.012	0.173	−0.122						
(7) Debt-to-equity	0.084	31.420	−834.014	80.106	0.001	0.005	−0.017	0.021	0.004	0.010					
(8) Firm size (Ln)	0.406	0.661	0.001	4.661	−0.121	0.013	0.114	0.050	0.062	0.142	0.021				
(9) Firm performance	−0.081	0.380	−3.648	0.529	0.069	0.083	0.091	0.095	0.051	−0.026	−0.002	0.138			
(10) Industry performance	−2.770	5.954	−59.682	10.747	0.012	−0.046	0.050	−0.014	0.084	−0.175	−0.006	0.058	0.095		
(11) Firm diversification (Ln)	0.391	0.568	0.00	1.946	0.065	0.040	−0.106	−0.001	0.016	0.189	−0.015	0.156	0.100	0.074	
(12) Institutional ownership	0.399	0.343	0.00	1.409	0.114	−0.201	0.116	−0.134	−0.098	0.189	−0.025	0.249	0.273	−0.040	−0.027

^a Correlations greater than |0.073| are significant at the 0.05 level.

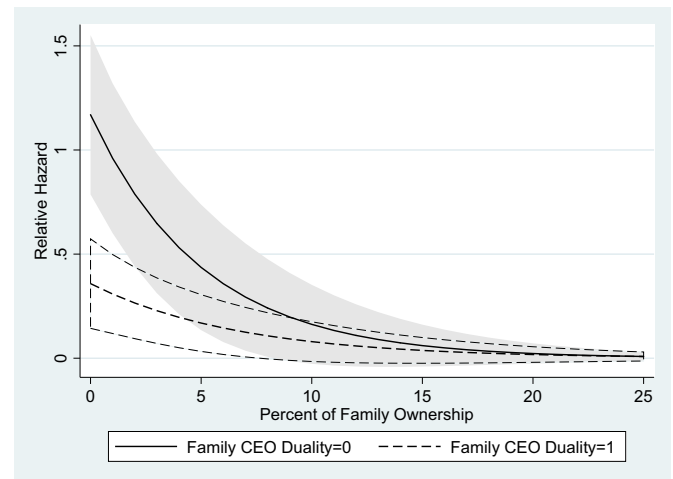
Table 2
Hypotheses tests.

Variables	First stage ^a		Second stage ^a	
	% ownership by family	Family CEO duality	Initial international entry	
	(1)	(2)	(3)	(4)
% ownership by family		1.080 (0.061)	H1 0.842** (0.053)	0.821** (0.051)
Family CEO duality	– 0.206 (1.163)		H2 0.625* (0.133)	0.306*** (0.096)
% ownership by family × family CEO duality			H3	1.048** (0.016)
Controls				
R & D expense	0.015* (0.006)	1.002 (0.010)	1.004** (0.001)	1.005*** (0.001)
Debt-to-equity	0.001 (0.005)	1.014 (0.015)	1.000 (0.001)	1.001 (0.001)
Firm size	– 1.154+ (0.686)	42.434** (46.536)	1.092 (0.197)	1.081 (0.181)
Firm performance	1.827* (0.830)	0.011* (0.022)	1.994 (0.898)	1.958 (0.819)
Industry performance	– 0.007 (0.029)	1.072 (0.056)	0.969** (0.012)	0.966** (0.011)
Firm diversification	– 0.425 (0.572)	1.272 (1.749)	1.112 (0.242)	1.138 (0.240)
Institutional ownership	– 1.132 (1.256)	253.925 + (811.146)	0.264* (0.150)	0.279* (0.147)
Firm age	0.051 (0.178)	0.956 (0.137)		
Industry dummies	Included	Included	Included	Included
Year dummies	Included	Included	Included	Included
1st stage residuals				
Family CEO duality residual			2.138 + (0.865)	2.121 + (0.835)
% ownership by family residual			1.168* (0.073)	1.175** (0.071)
Instruments				
# of board of directors	– 0.509* (0.230)	0.151** (0.096)		
Number of analysts	– 1.928*** (0.415)	6.120 + (6.316)		
Analysts forecast error	0.264 (0.913)	0.003** (0.005)		
Constant	27.809*** (6.466)	0.118 (0.656)		
Log pseudolikelihood		– 169.78	– 291.22	– 286.76
Wald chi-square	99.1***	134.48***	66.67***	90.94***
Degrees of freedom	27	27	26	27

^a Standard errors in parentheses; 190 firms (92 failures) with 727 firm-years.*** $p < 0.001$.** $p < 0.01$.* $p < 0.05$.+ $p < 0.10$.

Models 3 and 4—to control for possible endogeneity of family ownership and family involvement. Models 3 and 4 are extended Cox regression models with hazard ratios presented instead of coefficients. Hazard ratios greater than one indicate an increased likelihood of initial international entry with an increase in the independent variable, while hazard ratios of less than one indicate a decreased likelihood of initial international entry with an increase in the independent variable.

Model 3 presents the results for both [Hypotheses 1 and 2](#). Percent ownership by family possesses a significant impact ($p = 0.007$) reducing the likelihood of initial international entry. For a one percentage point increase in family ownership, the likelihood of initial international entry decreases by 15.8%. This provides support for [Hypothesis 1](#). Family CEO duality also possesses a significant impact ($p = 0.027$),

**Fig. 1.** Interaction between family ownership and family CEO duality^a.^a A relative hazard rate of 1.0 implies a firm's hazard rate equals the baseline hazard rate.

decreasing the likelihood of initial international entry by 37.5% in its presence. This provides support for [Hypothesis 2](#).

5.2. Interaction effects

Model 4 includes the interaction of percent ownership by family and family CEO duality. Running a likelihood ratio test for model improvement, Model 4 demonstrates a significantly better fit than Model 3 (chi-squared = 8.92; $p = 0.003$). In Model 4, the interaction hazard ratio is greater than one and significant ($p = 0.002$), which provides evidence that the two governing mechanisms possess a substitutive relationship. When a family firm does not have a family member serving as CEO and chairperson (i.e., family CEO duality), a one percentage point increase in ownership by family decreases the likelihood of initial international entry by 17.9% ($p = 0.002$). On the other hand, when a family member serves as CEO and chairperson, a one percentage point increase in ownership by family decreases the likelihood of initial international entry by 13.9% ($p = 0.013$). [Fig. 1](#) presents a graphical representation of the relative hazard rate when family CEO duality is present (i.e., duality = 1) and when family CEO duality is not present (i.e., duality = 0).

5.3. Robustness tests

We ran various tests to ensure the robustness of the results. First, we constructed two alternative measures for ownership and involvement. For ownership, we constructed the variable *percent ownership by family directors*, which was calculated as the percentage of the firm's outstanding shares held by only those focal family members who were also directors (i.e., members of the board of directors). For involvement, we constructed the measure *percent of family members on the board*, which aggregates family member involvement in strategic decision making (e.g., [Zahra, 2003](#)), and was calculated as the percent of directors on the board who were focal family members. The results were similar when the alternative measures were included with the main measures. However, the percent of family members on the board was not statistically significant in any model and did not produce a statistically significant interaction with percent ownership by family directors. The results suggest that family CEO duality had a greater influence on particularistic behavior than board involvement.

To further test the influence of family involvement, we also ran the analyses using the measure *Family CEO*, which equals one if the CEO was a family member; this measure did not consider whether or not the family member was also the chair of governing board. The results suggest that having a family member in the CEO position only (i.e., did

not also occupy the board Chairperson position) reduced the likelihood of initial international entry, following the same patterns as the family CEO duality measure, although the effect was weaker in magnitude. The interaction with percent ownership by family was statistically insignificant. For family members, these results suggest that occupying the CEO position does not bestow sufficient control by itself to substitute for the control obtained through equity ownership. With family CEO duality, the CEO does not have to report to a separate chair assigned the duty of aligning the CEO's actions with the goals of the shareholders rather than the goals of the family (e.g., protection and preservation of SEW).

Finally, we ran analyses on subsamples based on the mode of international expansion (e.g., [Fernández & Nieto, 2014](#)): exporting, alliances, joint ventures, and wholly-owned subsidiaries. Such entry modes are thought to consider a firm's resources and ability to commit those resources ([Root, 1994](#)). To alleviate concerns that differences in entry mode might be driving our results, we ran three separate models: one that excluded exporting, one that excluded both exporting and alliances, and one that excluded exporting, alliances, and joint ventures. With each additional exclusion, the greater the resource commitment—and corresponding threat to SEW—the initial international entry decision would signify. The results of all three models are nearly identical in direction and significance as the main analysis.¹

6. Discussion

A more complete understanding of family firm heterogeneity and how it influences strategic behavior is a key consideration in the field of family business ([Steier, Chrisman, & Chua, 2015](#)). To this end, we employ the SEW-preservation tenets of the behavioral agency model ([Wiseman & Gomez-Mejia, 1998](#)), along with the willingness and ability conditions offered by [De Massis et al. \(2014\)](#) to provide a more theoretically comprehensive and empirically-detailed explanation of the antecedents of family firm engagement in initial international entry. For these firms, as demonstrated in our results, a central finding is that initial international entry is less likely to occur as family ownership and involvement increase. Furthermore, we reveal that ownership and involvement substitute for each other as explanatory mechanisms of initial international entry. Overall, our study accounts for family ownership and involvement to extend the SEW foundations of the behavioral agency model ([Wiseman & Gomez-Mejia, 1998](#)) and offers a complementary explanation via the family firm's willingness and ability to engage in family-oriented, particularistic behavior. In doing so, this study's emphasis on family ownership and family involvement provides a more complete understanding of the interplay between family control heterogeneity, SEW priorities, and the family's willingness and ability to engage in major strategic initiatives. Our conclusions complement the behavioral agency model such that it can now more fully predict a family firm's actions based on goals that are in line with the family's priorities, rather than nonfamily shareholders' preferences. The results for percent of ownership by family suggest a strong influence in the family firm's ability to behave favorably toward family-oriented, particularistic strategic actions. Specifically, our analysis suggests that for a one percentage point increase in family ownership, the likelihood of initial international entry decreases by nearly 16%. Similarly, the results suggest that family CEO duality provides substantial ability for the family to direct the firm toward family-oriented, particularistic strategic actions. Specifically, we found that firms with family CEO duality experienced a nearly 38% decrease in the likelihood of initial international entry. Broader research indicates that dual CEO-chairpersons can wield their power to control board agendas ([Ocasio, 1997](#)), which aligns with the *raison d'être* of such duality: to provide a single

and clearly visible point of leadership ([Anderson & Anthony, 1986](#)). In family firms, a family member serving as CEO and chairperson might limit, or even eliminate, discussions related to initial international entry from board agendas more often than scenarios where family CEOs do not also fill the chairperson position. While stifling initial international entry may align better with the goals and strategies chosen by the controlling family, these particularistic actions by dual CEO-chairpersons may restrict firm growth or cause financial harm, particularly over the long term ([Rechner & Dalton, 1991](#)).

Beyond investigating the effects of family ownership and family involvement in isolation, our study also explored the interactive effects of these two dimensions of family control. Specifically, we investigated whether family ownership and family involvement possess a substitutive relationship in creating the ability for a family to direct the firm toward family-oriented, particularistic strategic actions. We found significant substitutive interaction effects between percent family ownership and family CEO duality. Put simply, when a family member is both CEO and chairperson, the effect of a marginal increase in the percent ownership by family significantly decreased the likelihood of initial international entry. Incorporating the results from the robustness tests, duality may create additional unfettered control (i.e., ability) beyond that of CEO or board membership that enables the family to possess less equity, yet remain in control of firm strategic actions.

Our findings can be explicitly linked to another perspective articulated by [Chua, Chrisman, Steier, and Rau \(2012\)](#), which suggests that family firms may differ in their ability to execute particularistic strategic actions. Despite the expectation that family principals, given their extensive discretion over firm activities, might be inclined to pursue the benefits associated with internationalization, this may not be the case since “goals, governance, and resources will not lead to the predicted outcomes unless the controlling family can execute effectively” ([Chua, Chrisman, Steier, & Rau, 2012: 1105](#)). In the context of internationalization, [Arregle, Naldi, Nordqvist, and Hitt \(2012\)](#) suggested that this is because family-controlled firms need to access and assemble external parties and resources to serve as a catalyst for international operations. Thus, there may be circumstances where families desire to go international, but lack the external resources to do so ([Graves, 2006](#); [Graves & Thomas, 2008](#)). Such a scenario would be further explained by the ability mechanism employed here; this disparity may be enhanced in firms with increased family control.

Some researchers make a counter argument to the one presented in this study, suggesting that there may be a positive association between family ownership and involvement and internationalization (e.g., [Sciascia et al., 2013](#)). Generally, family members are argued to take on a stewardship perspective (e.g., [Davis, Schoorman, & Donaldson, 1997](#)), which favors international activity because it extends the business in a diversified way and safeguards the business for future generations. Perhaps family firms' lack of access to the necessary resources discussed by [Arregle et al. \(2012\)](#) offers reconciliation with why [Zahra \(2003\)](#) found that the interaction of family ownership and family involvement was positively related to *ongoing* international operations, whereas our findings demonstrate that the interaction of family ownership and family involvement has a negative—and substitutive—relationship with respect to the likelihood of *initial* international entry. Put simply, studies like [Zahra \(2003\)](#) only consider family firms engaged in ongoing international activity, where firms presumably already have the required resources (e.g., knowledge) and capabilities (e.g., expertise) in place to sustain their internationalization efforts. In our study, family firms face a more significant decision, ascribed with more uncertainty since international entry is being accomplished for the first time; these family firms are expected to approach initial international entry with more caution. However, the implication for family firms is that once initial international entry occurs, such operations are more likely to perpetuate. This suggests that the mindset of focal families (e.g., long-term orientation) regarding what is best for the family and the business may shift based on past experiences, and that transitions in the form of

¹ Results for the analyses presented in this section are available from the authors upon request.

the family business are relatively common (Brigham & Payne, 2015).

Our findings also provide insights for investors. In particular, we implicate that family firm strategic action may not align with action demonstrated by traditional risk bearers. Indeed, Fama and Jensen (1983) explicitly suggest that the lack of separation between ownership and management can be beneficial for family firms with 100% family ownership, but inefficient for common shareholders in publicly-held family firms as the firm will invest in family-oriented, particularistic strategies. Thus, investment in family firms trying to grow may not provide efficient returns for nonfamily shareholders. On the other hand, this may not be the case for large, internationally-established family firms; this notion is supported by previous research that indicates family firms make financially-based investments eventually (Graves & Thomas, 2004; Zahra, 2003). Our results further emphasize that investors would be wise to pay attention to the presence of dual CEO-chairpersons in family firms, since this arrangement provides sufficient discretion for family principals to behave favorably in a family-oriented, particularistic way with respect to initial international entry; however, such a strategy may not align with investment strategies of traditional risk bearers.

Finally, although our results demonstrate important implications that family control heterogeneity has on the behavior of family firms relative to their goals, policies, and strategies, our study further responds to recent calls for more empirical rigor in family business research. Specifically, we note that in their review of empirics in family business research, Evert, Martin, McLeod, and Payne (2016) assert empirical rigor has improved in recent years, but a renewed focus is necessary. To this end, our study's employment of survival analysis using a unique longitudinal dataset answers their call by explicitly incorporating temporality into our research design.

This study, of course, is not without its limitations. Indeed, we join other studies that suggest an emerging association between a family's ownership stake and the willingness condition (e.g., Chrisman et al., 2015; Davis & Harveston, 1998), but are limited in the conclusions they can make based on empirical results. Admittedly, this limitation is primarily attributable to our employment of secondary data. Moreover, while ownership and involvement are likely correlated with willingness, other measures may exist that better capture the willingness component, as well as other key constructs such as SEW (e.g., Chrisman & Patel, 2012). Still, our theoretical foundations and empirical findings appear to support prior assertions by De Massis et al. (2014) that suggest for scholars to fully comprehend the influence of family ownership and involvement in a family firm's behavior, efforts must be taken to resolve theoretical limitations and empirical indeterminacies involving family-orientated, particularistic behavior, and that the family's willingness to engage in this behavior is an important aspect of such resolution. Using this study as a starting point, research seeking to explore ability, willingness, or SEW could be particularly enriching when combined with different lone-founder and family-founder variables (e.g., Miller, Le Breton-Miller, & Lester, 2011), or various business characteristics that influence decision making in the firm.

Another limitation exists due to our analysis of only one major, albeit important, strategic action: initial international entry. To improve generalizability to other strategic actions, future investigations would be well-served to study other key strategic choices and resultant actions.

Additionally, our results may have further generalizability concerns given that the sample is comprised exclusively of U.S.-based public firms. Although previous studies are generally supportive of our findings, most have used sample firms based in countries other than the United States (e.g., Liang et al., 2014). It is conceivable that family control may have a different impact on internationalization activities in different worldwide settings. Findings may also differ if our study is replicated using a sample of small or medium private firms, rather than larger, public entities.

Another potential issue involves our sampling technique whereby a small number of firms that transitioned from family firm to nonfamily firm during the period of observation were dropped from the overall sample. Although deletion in this manner falls short of the goal to study a complete sample, it does mitigate the confounding effects presented by including such transitioning firms. In particular, these transitioning firms may not be concerned with the protection and preservation of their SEW endowment and are likely to demonstrate different desires to protect and preserve SEW, a primary theoretical differentiator employed in our study to explain particularistic strategies and behaviors of family firms (e.g., Gómez-Mejía et al., 2010). Thus, a potential drawback to this sampling technique is that our study may only generalize to family firms owned and managed by family members that seek to preserve SEW.

Future research related to family firms and strategic actions, such as initial international entry, holds great promise. One avenue for additional inquiry might be to explore potential contingencies between family control and other outcomes related to initial international entry. Such research could be designed to meet the challenge offered by Zachary, Gianiodis, Payne, and Markman (2015), and explicitly consider the moderating effects of the “who,” “where,” “what,” and “how” dimensions of international entry; possible moderators to explore include cultural distance or geographic distance of the country of expansion. Although cultural distance, which involves adjusting to a new business culture (Barkema, Bell, & Pennings, 1996), concerns all firms conducting business overseas, it likely has a greater impact on family firms engaging in initial international entry (versus firms with established international operations) because they lack critical know-how regarding how to deal with cultural norms that could have serious implications for business. In short, some countries are culturally closer, whereas other countries are culturally farther away; perhaps a family firm's initial international entry is more likely to take place in a culturally-closer country where potential differences and unfamiliarity are easier to manage or overcome (e.g., Hitt, Hoskisson, & Kim, 1997).

Geographic distance might also represent an interesting moderator since nations that are geographically closer to a firm's home country are generally less expensive to enter, in part, because of factors such as lower transportation costs (Ojala & Tyrväinen, 2007). Indeed, contingency-based research may trigger further explorations of the motivations driving family members' discretion to act with respect to initial international entry, and even whether a sequence with respect to other dimensions of entry might contribute to the broader development of a theory of entry timing (e.g., Zachary et al., 2015). Finally, this study has potential to contribute to the corporate governance literature, specifically as it relates to family firms. Given our more nuanced understanding of the focal family's role in initial international entry, future governance research might consider family-controlled boards more explicitly. For instance, boards could be examined in relationship to their ability to act as a team, examining the factors that lead to higher effectiveness in the board room, including the family influence (Payne, Benson, & Finegold, 2009). Further, process models are relatively rare in both governance and family business research (Payne, Pearson, & Carr, 2017); future research would greatly benefit the field by examining the processes through which family businesses, involving both the top management team and the board, make major strategic decisions.

7. Conclusion

Our consideration of the behavioral agency model (Wiseman & Gomez-Mejia, 1998), alongside the conditions of willingness and ability (De Massis et al., 2014), provides a more nuanced and complete understanding for how family ownership and family involvement influence distinct family firm behavior with respect to major strategic actions. Our findings demonstrate empirical support for the effects of family ownership and involvement on decreasing the

likelihood of a family firm to engage in initial international entry; similar support was revealed for the substitutive nature of family ownership and involvement. As such, our study highlights important opportunities for future research seeking to expand insights regarding a firm's willingness and ability to impact strategic decision making and action in pursuit of both economic and noneconomic goals.

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