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1. INTRODUCTION

The objective of this chapter is to develop research purpose and questions. There are four sections in this chapter: First, background of this thesis is provided, focusing on the area of socioemotional wealth (SEW). Second, research problems are discussed to identify the research gaps in the areas of SEW and internationalization of family firms. Third, research purpose and research questions in this study are clarified. The final section provides the definition of main terms and concepts covered in this study.

1.1 Background

Family business is a predominant form of business in the world (Sharma, Chrisman, Gersick, 2012), accounting for two thirds of all businesses worldwide (Michelli, 2014). In Europe and the Americas, more than 60% of all companies are family businesses (Ernst & Young, 2012). Among these family businesses, the so-called "Hidden Champions"" draw much attention due to their excellence in performance, sustainability, and a capability of internationalization. "Hidden Champions" coined by Simon (2009) is a term to describe those midsized firms which are world leaders in their industries but remain hidden, and two thirds of these Hidden Champions are family-owned businesses.

Over the last two decades, family businesses have attracted the attention of scholars worldwide due to their ubiquity and complexity. In family business research, scholars seem to agree that what makes family business unique is the interaction between the family and the business (Yu, Lumpkin, Sorenson, and Brigham, 2012). Hence, the exploration over the influence of family involvement on family business is a major area of family business research.

When doing research on the influence of family involvement on the behavior and performance of family firms, one challenge for scholars is that their empirical studies present inconsistent findings. For example, some studies report that the family involvement has a negative effect on the internationalization of family firms (Graves and Thomas, 2006;

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Fernández and Nieto, 2006), while other studies report a positive effect of family involvement (Crave and Thomas, 2008; Carr and Bateman, 2009). The inconsistent and conflicting observations of the influence of family involvement could be explained by the heterogeneity of family firms (Chua, Chrisman, Steier and Rau, 2012). Indeed, some scholars have called further research for a more nuanced view of subjects due to the heterogeneity of family firms, and the SEW logic as a key driver of family firm behavior could help understand the characteristics of the family system (Sharma et al., 2012).

The SEW logic suggests that family firms are motivated by the preservation of SEW in their strategic decision-making, and SEW refers to "affective endowments" of the owning family which derives from the family's controlling position in a particular firm (Berrone, Cruz, and Gomez-Mejia, 2012). As a theoretical model based on previous family business studies, SEW has proved its value in explaining the differences in strategic choices of family firms compared with non-family firms, for example in risk taking choice, environmental protection, internationalization, human resources management, proactive stakeholder engagement (Cennamo, Berrone, Cruz and Gomez-Mejia 2012; Naldi, Cennamo, Gomez-Mejia, 2013). However, in the majority of current studies, SEW has been regarded by most scholars as a broad and unitary construct, and has been used for exploratory explanation. Only some scholars have drawn attention to various degrees of SEW which result from the heterogeneity of family firms.

In order to measure various degrees of SEW, Berrone et al (2012) have proposed a five-dimension model and a set of items to gauge each dimension of SEW. Some scholars have used this five-dimension model to explain qualitatively their empirical findings. However, to date, no empirical study has been conducted to verify the five-dimension scale and the relevant measures (Berrone et al., 2012). To develop the SEW paradigm, there is a need to come up with a psychometric measurement on SEW, because only with a valid psychometric measurement on SEW, could scholars demonstrate directly on the effects of SEW on the strategic choices and their outcomes in family firms, and executives in family firms could assess their levels of SEW, and subsequently manage the effects of their SEW on

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their strategic choices and outcomes.

1.2 Problem Discussion

The term of SEW was coined by Gomez-Mejia and his colleagues in 2007, and the SEW preservation logic was used to explain their empirical findings (Gomez-Mejia, Takacs, Nunez-Nickel and Jabobson, 2007). As a promising theoretical model, SEW is becoming popular for family business scholars to explain their diverse findings compared to the behaviors of non-family firms. However, as pointed out by Berrone et al. (2012), most of the current studies have used SEW as a broad and unitary exploratory construct and have not measured SEW directly.

There is no psychometric measurement on SEW in current family business research. In literature, secondary measures such as ownership distribution, percentage of family members in board, and CEO family status are often used as proxies to capture the intensity of SEW (Berrone et al., 2012). In addition, archival panel data such as control, dynasty and reputation are also used to approximate SEW in their studies (Naldi et al., 2013). To avoid oversimplification and explain the factors behind various degrees of SEW, Berrone et al. (2012) have identified a five-dimension model to capture SEW, and have proposed a set of measuring items that are useful for conducting a questionnaire. However, the five dimensions and the relevant measuring items have not been tested in empirical studies, and there is a call for empirical validation of the hypothesized content structure of SEW (Berrone et al., 2012).

The SEW preservation logic has been used widely to explain the different strategic choices of family firms compared to non-family firms. Among the various strategic choices of family firms, internationalization becomes increasingly important due to growing market globalization and global economic uncertainty. However, as an emerging area of family business research, much remains to be done in the research on internationalization of family businesses. In current studies of the internationalization of family business, the

majority of scholars focus on small-middle-sized (SME) family firms, which mainly engage in export, and often use the export data to measure internationalization (Pukall and Calabro, 2013). Only a few of scholars have involved family-owned Multinational Corporations (MNCs) in their recent studies, and have examined the internationalization with some measures which are commonly used in international business research, for example Percentage of Foreign Sales to Total Sales (FSTS) (Gomez-Mejia, Makri, and Kintana, 2010) and Transnational Activity Spread index (TASi). (Oesterle, Richta and Fisch, 2013). There is a need to investigate the internationalization of family-owned MNCs.

To sum up, there is a need to establish a psychometric measurement on SEW and apply the measurement to investigating the effect of SEW on the internationalization of family-owned MNCs. SEW has been used widely to distinguish the behaviours of family firms from their counterparts. However, there is no direct measurement on SEW to demonstrate directly the effects of varying sources and degrees of SEW. In addition, family business research mainly focuses on the internationalization of SME family firms, and has paid much less attention to family-owned MNCs. With internationalization as one growth engine, many family-owned Hidden Champions are MNCs. A study of the SEW of family-owned Hidden Champions and the influence of the SEW on the internationalization of these firms could contribute to the research on SEW and the internationalization of family businesses.

1.3 Research Purposes

Within the context of family-owned Hidden Champions, this study intends to replicate the five-dimension model (Berrone et al., 2012) in an empirical study to verify the psychometric measurement on the degree of SEW. Furthermore, the effects of SEW on strategic choices of family firms will be investigated, and internationalization was chosen as an example to demonstrate the effects of SEW on family firms' strategic choices and outcomes.

To fulfill the above research purposes, this study focuses on the two research questions

below:

(1) How can the degree of SEW of a family firm be examined?

(2) How does SEW affect the internationalization of a family firm?

In this study, various degrees of family-owned Hidden Chamions' SEW are measured by items constructed from the five dimensions, which are proposed by Berrone et al (2012), and the standard psychometric procedures (e.g., exploratory factor analysis and confirmatory factor analysis) are used to test these items' internal consistency and reliability. Furthermore, the relationship between degrees of SEW and degrees of internationalization is investigated in the context of family-owned Hidden Champions.

As for the remaining parts of this thesis, definitions of main terms and concepts used in this study are provided in 1.4. In section two, the theoretical framework is laid out. The methodology is discussed in section three, including methodological approach, sampling and data collection, etc. The results are presented in section four, including SEW and its effect on the internationalization of family-owned Hidden Champions. The discussion section includes main research findings, contributions, limitations, and indications for further research. Finally, a conclusion is drawn.

1.4 Definitions

1.4.1 Socioemotional Wealth

Socioemotional Wealth (SEW) is a term defined by Gomez-Mejia and colleagues (2007) and refers to "non-financial 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".

The SEW model suggests that "family firms are typically motivated by, and committed to, the preservation of their SEW"; and when issues are framed negatively by the owning

families in terms of SEW losses, the family business owners tend to choose risky economic actions in order to preserve SEW (Berrone, Cruz and Gomez-Mejia, 2012).

1.4.2 Family Firm and Family-controlled Firm

There is no general consensus on the definition of *family firm*. This study follows Chua, Sharma, and Chrisman (1999) in defining a family firm as "a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families".

Like the term *family firm*, there is no general consensus on the definition of *family-controlled firm*. This study follows Arregle, Naldi, Nordqvist and Hitt (2012) in defining a family-controlled firm as a firm "in which a family unilaterally controls the firm through a majority ownership (i.e., at least 50% of the shares) and has managerial and board presence." In family-controlled firms, owning families have the power to make major strategic choices and policy decisions.

1.4.3 Hidden Champions

Hidden Champions is a term coined by Hermann Simon to describe those highly successful firms that can meet the three criteria below (Simon, 2009):

> *"(1) Number one, two or three in the global market, or number one on its continent. The market position is generally determined by market share. As it is not possible to monitor every market, we rely on the market share information provided by the companies.*
>
> *(2) Revenue below 4 billion USD (approximately 3 billion Euros).*
>
> *(3) Low level of public awareness. This aspect cannot be quantified precisely, but over 90% of the companies included meet this requirement from the qualitative point of view."*

The European Commission (2014) defines a medium-sized firm as a firm which has a number of employees less than 250 and has an annual turnover of no more than € 50 million. Not following the European Commission's definition, Simon (2009) describes

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Hidden Champions as midsized firms. According to Simon (2009), the average Hidden Champion has only 2,037 employees, and even the biggest Hidden Champion is still much smaller than companies on the Fortune Global 500 list and can be described as midsize.

1.4.1 Internationalization, Globalization and Multinational Corporations

This study follows Welch and Luostarinen (1988) in referring to internationalization as "a process that a firm increases its involvement in international operations across borders". Internationalization covers a lot of themes, and the study of internationalization here is limited to the degree of internationalization, which is common construct to measure internationalization performance

The term globalization is often used interchangeably with *internationalization* in the business press, and some sources also use *globalization* in lieu of *standardization* globally (Kotabe and Aulakh, 2002). In this study, the term *globalization* is synonymous with *internationalization*, and is used in accordance with the references cited.

The definition of Multinational Corporations (MNCs) in this study follows Dunning's (1974) definition as firms that own and control income-generating assets in more than one country.

2. THEORETICAL FRAMEWORK

The objective of this chapter is to establish a measurement model and develop theoretical hypotheses. There are four sections in this chapter: First, SEW in the family business literature is reviewed, focusing on SEW's five dimensions and its measurement. Second, the internationalization of family firms is discussed, focusing on the degree of internationalization. Third, the relationship between SEW and internationalization is discussed. The final section consists of five hypotheses relating to the effects of SEW's five dimensions on the degree of internationalization of family-owned Hidden Champions.

2.1 Socioemotional Wealth

The SEW model is a general extension of behavioral agency theory, fundamental to which is "the notion that firms make choices depending on the reference points of the firm's dominant principals" (Berrone et al., 2012). In family firms, preserving SEW is critical for family principals. Hence, the SEW preserving logic is used by family business owners in their strategic choices, and it has been reported that family business owners are willing to bear economic loss in order to preserve their SEW (e.g., Gomez-Mejia et al., 2007; Berrone, Cruz, Gomez-Mejia and Larraza-Kintana, 2010). Indeed, the SEW preserving logic is supported by Hegel's theory on *Recognition*. Family business owners have a passion for family recognition, and consider family recognition as the most important factor in their strategic decision-making. When family recognition is challenged or threatened, family business owners are ready to sacrifice economic gains in order to maintain or restore their family recognition. Therefore, the core of the SEW paradigm is found in family's inclination for recognition.

The SEW paradigm has been used by scholars to explain empirical differences between family- and non-family-controlled firms, mainly on how SEW influences family firms' behaviors and performances (e.g., Gomez-Mejia et al., 2010; Zellweger, Nason, Nordqvist and Brush, 2011; Deephouse and Jaskiewicz, 2012). When using the SEW logic to explain their empirical findings, many scholars regard family-controlled firms as homogeneous.

Only a small number of scholars have drawn attention to the heterogeneity of family firms, and have argued that there are various degrees of SEW in different family firms, and that the effect of different degrees of SEW drives different family firms to choose different strategies (Berrone et al., 2012; DeTienne and Chirico, 2013). To develop their measurement of SEW, Berrone et al. (2012) have proposed that SEW could be defined by five major dimensions, and have claimed that the major dimensions of SEW would have different weights depending on the owning family's preferences. The five dimensions proposed by Berrone et al. (2012) are: *"(1) family control and influence; (2) identification of family members with the firm; (3) binding social ties; (4) emotional attachment; and (5) renewal of family bonds to the firm through dynastic succession".* The five dimensions are labeled by Berrone et al. as FIBER.

To date, the FIBER model has only been used by some scholars to explain their empirical findings qualitatively. Cennamo et al. (2012) have applied the FIBER model to elaborate the involvement of owning families in proactive stakeholder engagement (PSE) activities. They divide the five dimensions of SEW into two categories of instrumental motives and normative motives. According to their theoretical analysis, all dimensions have positive effect on PSE, leading to either instrumental motives or to normative motives. In their study, *Identification of Family Members with the Firm* is considered to lead to both instrumental and normative motives for PSE. The study of Cennamo et al. shows the positive effect of SEW on PSE activities of family firms; however, Kellermanns, Eddleston and Zellweger (2012) argue that the dimensions of SEW could be perceived as either a positive or negative valence on PSE activities. In addition, instead of analyzing the five major dimensions, some scholars have analyzed some of the main dimensions of SEW in their studies. For example, Naldi et al. (2013) examine the level of SEW from three dimensions of *Family Control and Influence*, *Family Dynasty*, and *Family Reputation (Family Identity)*. Considering the heterogeneity of family firms, the five different dimensions of SEW could have different weights valued in SEW in different family firms, resulting in different impact on strategic decision-making and ultimately performance.

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To get a better understanding of SEW, the five dimensions of SEW and the relevant measuring items proposed by Berrone et al. (2012) are reviewed below. In addition, the effect of each dimension on the issue of internationalization is discussed.

Family Control and Influence

The literature on family business states that family control is highly desired by family members (e.g., Zellweger, Kellermanns, Chrisman and Chua, 2012). Family members execute control over strategic decisions, and the power to control can be exerted directly by family member as CEO or chairman of executive board, or more subtly by, for instance, appointing the TMT members. Compared with non-family firms, family firms are more likely to perpetuate family control and independence regardless of financial considerations (Gomez-Mejia et al., 2007).

Berrone et al. (2012) define family control and family influence together as one dimension of SEW. However, Zellweger et al. (2011) argue that the influence of owning families may vary among family firms with similar ownership and control characteristics. Owning families can execute control through the power of ownership, while the influence of owning families depends on the interaction between family members and non-family members. In terms of influence on internationalization, owning families can achieve their influence on internationalization through family members' direct interaction with overseas management team members, and/or through international interaction of TMT members who share similar cultural values of owning families. In the relevant literature, family control is often measured by family ownership concentration, number of family members in board, and number of family members in management team.

Berrone et al. (2012) propose the six items below for the measurement on the dimension of Family Control and Influence (FCI):

"(1) The majority of the shares in my family business are owned by family members.

(2) In my family business, family members exert control over the company's strategic decisions.

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(3) In my family business, most executive positions are occupied by family members.

(4) In my family business, non-family managers and directors are named by family members.

(5) The board of directors is mainly composed of family members.

(6) Preservation of family control and independence are important goals for my family business."

Among the six items above, only item (4) is relevant to family influence, and more items are proposed to add to measure family influence, for example the intensity of the interaction between family members and non-family managers. In terms of family influence on the internationalization of family firms, owning families can influence their foreign subsidiaries directly via family members' interaction with their management team in foreign countries.

Identification of Family Members with the Firm

The identity of the owning family is often tied to the family firm that carries the family's name, which causes the stakeholders to see the family firm as an extension of the family itself. Due to the heightened identification, family members are motivated to pursue a favorable corporate reputation (Berrone, et al, 2010; Deephouse and Jaskiewicz, 2012). To achieve enhanced reputation, status, and social capital, family members may intensify the control of the family business (Deephouse and Jaskiewicz, 2012). However, Craig, Dibrell and Davis (2008) report according to their empirical study that family-based brand identity does not influence firm performance directly, and that instead family identity influences firm performance via the firm's competitive orientation, for example customer-centric orientation.

To measure the dimension of Identification of Family Members with the Firm (IFMF), Berrone et al. (2012) have proposed the following six items:

"(1) Family members have a strong sense of belonging to my family business.

(2) Family members feel that the family business's success is their own success.

(3) My family business has a great deal of personal meaning for family members.

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(4) Being a member of the family business helps define who we are.

(5) Family members are proud to tell others that we are part of the family business.

(6) Customers often associate the family name with the family business's products and

services"

When analyzing these six items, it is found that items (1), (3) and (4) could be replaced by item (2). When family members have a strong sense of belonging and consider that the family business has a great deal of personal meaning for them, they tend to feel that the family business's success is their own success.

An additional item of "Family members are motivated to pursue a favorable corporate reputation" is proposed on the basis of the literature reviewed. Deephouse and Jaskiewicz (2013) report in their empirical study that family members identify more strongly with their family firms than non-family members, and the heightened identification motivates family members to pursue a favorable corporate reputation. It is also suggested in the literature that favorable corporate reputation might be an important SEW goal (Berrone et al., 2010; Cennamo et al., 2012).

Binding Social Ties

Family firms imprint kinship ties derived from family employment with characteristics of closed network and strong ties. Members in a closed network develop collective social capital, which promotes shared norms and cooperation among the members in the network, and as a result has a positive effect on firm performance (Cruz, Justo and De Castro, 2012). Family business research has shown that the reciprocal social bonds are not exclusive between family members, but are likely shared with external stakeholders, for instance, non-family employees, suppliers, distributors, and the community at large as well (Berrone et al., 2012). *Binding Social Ties* allows family firms to build up trust networks, which are valuable social capital for firm performance.

Berrone et al. (2012) have proposed the five items below to measure the dimension of

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Binding Social Ties (BST):

"(1) My family business is very active in promoting social activities at the community level.

(2) In my family business, non-family employees are treated as part of the family.

(3) In my family business, contractual relationships are mainly based on trust and norms of reciprocity.

(4) Building strong relationships with other institutions (i.e., other companies, professional associations, government agents, etc.) is important for my family business.

(5) Contracts with suppliers are based on enduring long-term relationships in my family business."

In the study of Naldi et al (2013), long-term relationship over transaction is considered to be a characteristic of family dynasty. Therefore, item (5) might not be properly used here to measure Binding Social Ties.

Emotional Attachment

Emotion presents different perspectives in the context of family firms. The research has reported that family's emotional attachment to the firm is likely to strengthen with ownership and family control, and has influence on family business's decision-making processes. Berrone et al. (2012) state that owning families' emotional attachment to family firms could help family members to maintain a positive self-concept and facilitate persistence to compete in the market. However, strong emotional ties can also result in low performance due to over-persistence (Cruz et al., 2012). Emotional ties in the family can affect professional decision-making in the business, and sentiments can make kin relations dysfunctional. Emotional ties are considered incompatible with the business, which is supposed to be more task-oriented (Cruz et al., 2012).

Berrone et al. (2012) have proposed six items to measure the dimension of Emotional Attachment (EA):

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"(1) Emotions and sentiments often affect decision-making processes in my family business.

(2) Protecting the welfare of family members is critical to us, apart from personal contributions to the business.

(3) In my family business, the emotional bonds between family members are very strong.

(4) In my family business, affective considerations are often as important as economic considerations.

(5) Strong emotional ties among family members help us maintain a positive self-concept.

(6) In my family business, family members feel warmth for each other."

Renewal of Family Bonds to the Firm through Dynastic Succession

From the perspective of the owning family, the family firm symbolizes the family's heritage and tradition and is not just an asset that may be easily sold. Maintaining the business for future generations is commonly seen as a key goal for family members in family firms. In order to preserve the family's dynasty and values, a long-term orientation strategy is fostered to build patient capital through building capabilities and learning in family firms (Berrone et al., 2012). Family firms' long-term orientation positively influences the internationalization of family firms (Crave and Thomas, 2008; Carr and Bateman, 2009).

Berrone et al. (2012) proposed four items as a measurement of the dimension of *Renewal Family Bond to the Firm through Dynastic Succession* (RFB):

"(1) Continuing the family legacy and tradition is an important goal for my family business.

(2) Family owners are less likely to evaluate their investment on a short-term basis.

(3) Family members would be unlikely to consider selling the family business.

(4) Successful business transfer to the next generation is an important goal for family members."

2.2 Internationalization

Internationalization is generally understood as a process in which a firm increases its involvement in international operations across borders (Welch and Luostarinen, 1988). The process occurs when a firm starts to expand its selling, production, R&D and other business activities into foreign markets. And in the process of internationalization, the firm needs to develop its international strategy according to international environment, corporate strategies, and local subsidiaries' strengths and weaknesses. According to different types of international strategies, the firm can be categorized as a multinational MNC, global MNC, or transnational MNC (Bartlett and Ghoshal, 1989).

In the literature of international business, there is no coherent approach to measure the performance attributes of MNCs' internationalization. Degree of Internationalization is a common construct to measure internationalization performance, and Degree of Internationalization can be operationalized by individual measures or composite measures. Individual measures include percentage of foreign sales to total sales (FSTS), percentage of foreign assets to total assets (FATA), percentage of foreign employment to total employment (FETE), number of foreign subsidiaries (NFS), number of foreign countries in which a firm has affiliates (NFC). It has been widely accepted that FSTS is the most common indicator of a MNC's involvement in international business, followed by FATA and FETE (Sullivan, 1994; Asmussen, Pedersen and Petersen, 2007). But the weakness of these three measures is that they do not provide information about how the firms' international activities spread geographically. NFS and NFC could measure the geographical distribution of a MNC's international activities, but they provide no information about how much economic value is created by the MNC's foreign subsidiaries (Oesterle et al., 2013). Thus, some scholars use composite measures to operationalize DOI.

Three different internationalization indexes could be identified in the literature on this subject (Dörrenbächer, 2000; Oesterle et al., 2013).

(1) Degree of Internationalization Scale (DOI_{ins}), proposed by Sullivan (1994).

$$DOI_{ins} = FSTS + FATA + OSTS + PDIO + TMIE$$

OSTS: percentage of Overseas Subsidiaries to Total Subsidiaries;

PDIO: Psychic Dispersion of International Operations; and

TMIE: Top Managers' International Experience.

(2) Transnationality index (TNi), used by UNCTAD (1995).

$$TN_i = (FSTS + FATA + FETE)/3$$

(3) Transnationality index (TASi), proposed by Ietto-Gillies (1998).

$$TASi = (ASi + SSi + ESi)/3$$

NSi = Network Spread index

= Number of foreign countries in which the company has affiliates (NFC) /178

ASi = Assets Spread index = FATA x NSi,

SSi = Sales Spread index = FSTS x NSi,

ESi = Employment Spread index = FETE x NSi,

Remark: 178 is the number of foreign countries in which, potentially, the company could have located affiliates, which is proposed by Ietto-Gillies according to statistic data in 1997 Ietto-Gillies (1998).

Dorrenbacher(2000) states that in the literature there are two frameworks behind most measures of internationalization. One is based on the dichotomy foreign versus home activities; and the other one is based on overall spread of activities among many host countries, for example TASi proposed by Ietto-Gillies (1997). The indication of high spread can be taken as the competitive advantages of resources, potential market share, and bargaining power toward the governments in actual and potential host countries (Dorrenbacher, 2000).

2.3 SEW and Internationalization

In the research on internationalization of family firms, SEW has been used to explain the

diverse empirical findings of family firms compared to those of non-family firms. Gomez-Mejia et al.(2010) find that family firms exhibit lower levels of international diversification than non-family firms, and use the SEW preservation logic to explain the difference, specifically the preservation of family control. However, SEW encompasses more than one dimension, thus the other dimensions may also play a role in the strategic decision-making for the internationalization of family firms. In addition, because of the heterogeneity of family firms, different owning families may prioritize different dimensions of SEW according to their preferences, resulting in different effect on the internationalization of family firms.

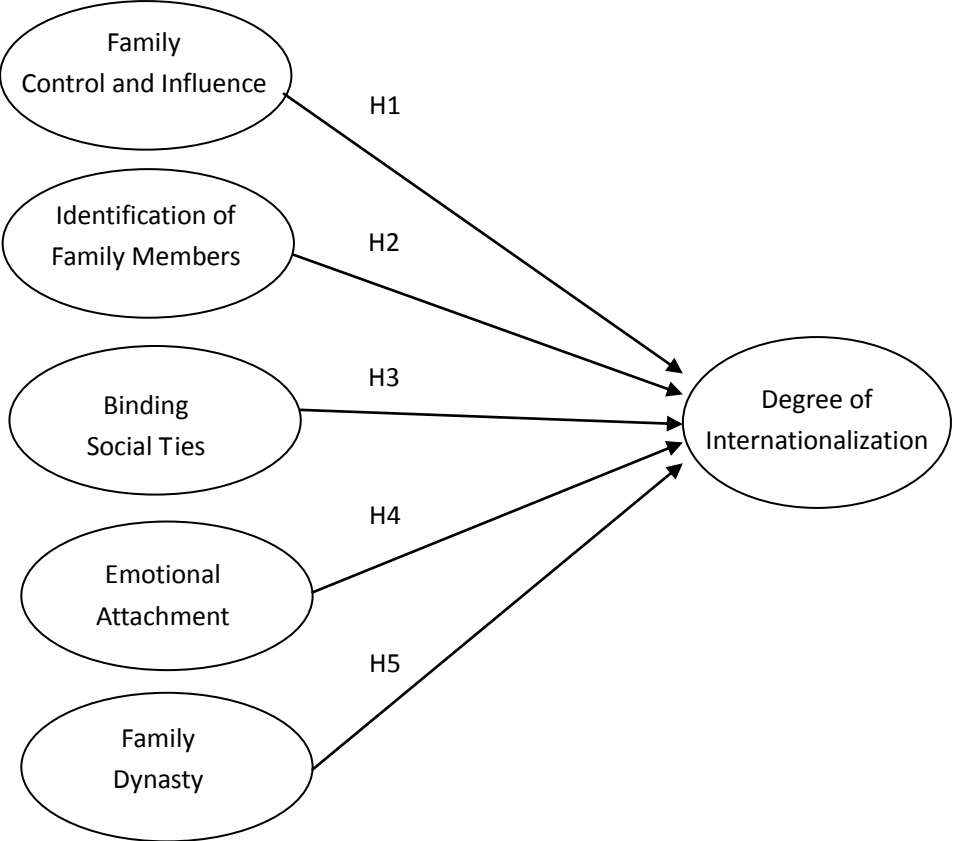A theoretical framework is proposed below, and the hypotheses are developed in the following part.

Fig 2.1 Summary of proposed relationships

2.4 Hypotheses Development

As what has been reviewed above, family members desire control over their family business (Zellweger et al., 2012). Family members execute control over governance and strategic decisions. Sometimes, family owners are more likely to perpetuate family control and independence regardless of financial considerations (Gomez-Mejia et al., 2007).

There has been discussion on the effect of the preservation of family control on the internationalization (Gomez-Mejia et al., 2010). In order to internationalize the business, the owning family may have to cede ownership to a certain degree due to insufficient financial funds, and may appoint non-family members to the top management team due to insufficient international managerial talents within the family. They may also rely on the resources controlled by its counterparts in foreign countries. Therefore, internationalization might lead to the loss of family control and influence. In order to control the family business, family firms often prefer to allocate their resources and efforts to their home market. For all these reasons, there is more of a negative effect of family control and influence on the internationalization of family firms.

Hypothesis (H1): Family control and influence negatively affects the internationalization of family firms.

The identity of the owning family is often tied to the family firm that carries the family's name. Family members consider the family firm as an extension of the family itself. Hence there is motivation for family members to maintain a good image both within and outside of family firms (Naldi et al., 2013, Berrone, et al, 2010; Deephouse and Jaskiewicz, 2012). In the process of internationalization, family members often express concerns about the loss of good image due to the lack of control on their overseas activities. However, such concerns may also increase the commitment of family members to their internationalization, including both investment and knowledge management. In addition, due to the identification of family members with the firm, family members develop and

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maintain trust relationships with their business partners (Zellweger et al., 2011), including partners in overseas markets. Moreover, the goodwill they build in the local community also positively affects their local business activities. Therefore, generally speaking, *Identification of Family Members with the Firm* has a positive effect on the internationalization of family firms.

Hypothesis 2 (H2): Identification of family members with the firm positively affects the internationalization of family firms.

In the theories of internationalization, *network approach* (Johanson and Mattsson, 1988) emphasizes the importance of networking in international business. In family business, strong networking is one of the distinguishing features of family firms because social ties are strengthened by values such as trust, integrity, and responsibility, which are favored by many families and their firms. Family business research has highlighted the reciprocal social bonds within and outside of family firms (Berrone et al., 2012). Internally, employees in a closed network develop collective social capital, which may promote shared norms and cooperation, positively affecting the international activities of the firm. Externally, strong ties with foreign partners help the family firm explore more international opportunities and access more overseas resources. In addition, strong ties with foreign customers help the foreign sales directly.

Hypothesis 3 (H3): Binding social ties positively affect the internationalization of family firms.

As discussed above, emotional attachment presents different perspectives in family business. With unselfish emotional attachment, family members are likely to present goodwill within and outside of the firm (Cennamo et al., 2012), having a positive effect on the firm's performance. However, when there is conflict between business objectives and family objectives, a strong emotional attachment may have a negative effect on the strategic choices of family firms. In addition, strong emotional ties can also result in low

performance due to over-persistence (Cruz et al., 2012). In international business, family members often face information constraints concerning their overseas activities, and the strong emotional attachment may results in unreasonable strategic decision-making. Generally emotional ties are considered incompatible with the business, which is task-oriented (Cruz et al., 2012), and thus have a negative effect on internationalization performance.

Hypothesis 4 (H4): Emotional attachment negatively affects the internationalization of family firms.

The dimension of Family Dynasty stresses the fact that family owners wish to transfer the family business to future generations, making "long-term orientation" one important characteristic of family business (Berrone et al., 2012). With this long-term orientation, family firms like to design their global network well in order to achieve efficiency, and like to invest in their global IT systems and HRM systems to ensure knowledge sharing and consistent quality standard in their worldwide operation. In addition, with the objective of family dynasty, family members like to build up a network of long-term relationships with their stakeholders, and like to maintain goodwill in the society (Cennamo et al., 2012), which is expected to benefit the international business in family firms. There may be a few negative effects due to family dynasty, for example when unqualified family members are appointed to supervise international business (Naldi et al., 2013). Overall, however, there is a positive effect of family dynasty on the firms' internationalization.

Hypothesis 5 (H5): Renewal of family bonds to the firm through dynastic succession positively affects the internationalization of family firms.

A summary of the effects that the five dimensions of SEW have on the internationalization of family firms is presented in Table 2.1.

Table 2.1 Summary of Hypotheses

H1: Family control and influence negatively affects the internationalization of family firms.
H2: Family members' identification with the firm positively affects the internationalization of family firms.
H3: Binding social ties positively affect the internationalization of family firms.
H4: Emotional attachment negatively affects the internationalization of family firms.
H5: Renewal of family bonds to the firm through dynastic succession positively affects the internationalization of family firms.

3. METHODOLOGY

The objective of this chapter is to state the methodology used in this thesis. There are six sections in this chapter: In the first section research philosophy and approach is addressed, followed by research strategy and method in the second section. Later, the process of sample selection and data collection is outlined in the third section, followed by the variables and measures in the forth section, and control variables in the fifth section. The final section is to discuss reliability, validity, and common method bias.

3.1 Research Philosophy and Approach

Before arriving at a research approach, it is important to reflect on research philosophy "which we define as the basic belief system or world view that guides the investigation, not only in choices of method but in ontologically and epistemologically fundamental ways" (Guba and Lincoln, 1994). Ontology, epistemology and axiology are three major schools of research philosophies (Saunders, Lewis and Thornhill, 2009): ontology concerns the nature of reality, epistemology concerns the nature of knowledge and what constitutes acceptable knowledge in a specific field, and axiology concerns the judgments about the role of values in research. The research philosophy we adopt underpins our research paradigm and thus affects the way we design the research process.

In social science research, the term of paradigm is often used to define the way of "examining social phenomena from which particular understandings of these phenomena can be gained and explanations attempted" (Saunders et al., 2009). There are four main research paradigms: positivism, realism, interpretivism and pragmatism.

Both positivism and realism adopt a philosophic stance on natural science, essentially applying a natural science approach to social science. Ontologically, these two paradigms share the view that the reality is external, objective and independent; epistemologically, both paradigms rely on observable phenomena providing credible data; and axiologically, they advocate the separation of the researcher from what is being researched by taking an

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objective stance (Saunders et al., 2009; Wahyuni, 2012). The distinction between positivism and realism is that positivist researchers seek to obtain a law-like generalization by conducting value-free research and they believe in the existence of universal generalizability, which can be applied across contexts. Realist researchers on the other hand challenge the belief of universal truth, especially critical realist researchers who consider knowledge as a result of social conditioning and thus they focus on explaining phenomena within a context or contexts. In terms of methodological choice, it is common for both positivists and realists to adopt a quantitative approach in their research.

Interpretivism emphasizes the difference between humans in their roles as social actors. In social science research, interpretivists reject objectivism and understand the social world from the subjective meanings that people attach to it. Interpretivists favor qualitative data that provide the details of social constructs, and prefer a narrative form of analysis to describe a particular social reality studied. Axiologically, interpretivist researchers consider they are part of what is being researched, thus the experiences and values of both participants and researchers influence data collection and data analysis (Wahyuni, 2012; Saunders et al., 2009).

Pragmatism is one branch of research paradigm, which argues that the research question is the most important determinant of the research philosophy. Pragmatists believe that objectivism and subjectivism are not mutually exclusive, thus it is possible to work with both positivist and interpretivist positions. In terms of methodological choice, pragmatists favor mixed or multiple method design, which integrates both quantitative and qualitative research (Saunders et al., 2009).

In this study, the paradigm of pragmatism prevails, which advocates the importance of research objective rather than a specific research philosophy to be adopted. It is intended to examine the degree of SEW and the effect of SEW on the internationalization of family-owned MNCs. Moreover, it is expected to offer some generalizable research results, which could be applied to other family-owned MNCs. To achieve the objectives, a deductive

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approach is adopted in which theoretical hypotheses are developed from the theories of international business and family business, and a quantitative research method is designed to test the hypotheses. In this study, the research data are collected and analyzed quantitatively, which owes more to a positivist position; however, a critical realist position is taken into account because the theoretical hypotheses are developed and tested within the context of European family-owned Hidden Champions; moreover, an interpretivist position is also involved because some of data collected in this study are qualitative in nature and the experience of the author also influences data collection and analysis.

The deductive approach adopted in this study follows Robson (2002)'s five sequential steps as listed below:

(1) developing hypotheses (testable propositions about the relationship between SEW's five dimensions and internationalization performance) from the theories of SEW and internationalization;

(2) expressing the hypotheses in operational terms (that is, indicating exactly how the variables are to be measured), which propose the relationship between SEW, international strategies, and internationalization performance;

(3) testing the operational hypotheses;

(4) examining the specific outcome of the inquiry (it will either tend to confirm the new theory or indicate the need for its modification);

(5) if necessary, modifying the new theory in the light of the findings.

3.2 Research Strategy

The nature of research can be either exploratory, descriptive, explanatory, or a combination of all. Exploratory research is a means of finding out what is happening and further seeking new insights from the findings; descriptive research is a means of portraying an accurate profile of what is being studied; and explanatory research is a means of establishing causal relationships between variables, or explaining reasons (Saunders et al., 2009). In this study, a combination of descriptive and explanatory research is employed, which is also defined as a descripto-explanatory study. Descriptive research is undertaken firstly to have

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psychometric measurement on SEW as a distinction of family firms; and then explanatory research is undertaken to explain the effect of SEW on the internationalization of family firms.

There are five major research strategies in social science research: experiment, survey, case study, action research, grounded theory, ethnography, and archival research. Experiment and survey strategies are principally associated with quantitative study. Compared to experiment strategy, survey strategy is strong in realism, practical significance and normative quality (Slater and Atuahene-Gima, 2004). With the survey strategy, the primary data are collected specifically to address the research question; and when sampling is used, it is possible to generate findings that are representing the whole population (Saunders et al., 2009). In terms of data collection techniques, questionnaire, structured observation and structured interviews all fall into survey strategy. Questionnaires tend to be used for descriptive or explanatory research, and they enable researchers to "identify and describe the variability in different phenomena" and to "examine and explain relationships between variables, in particular cause-and-effect relationships" (Saunders et al., 2009). In this study, besides secondary data research, the online survey strategy is employed and an online questionnaire is used for primary data collection, and a statistical analysis is conducted to examine the construction, reliability and validity of the five-dimension scale of SEW, as well as the relationships of SEW and its five dimensions in the internationalization of family-owned MNCs.

Online surveys have the advantages of producing more accurate data, faster data collection, and at lower cost, thus there is an increasing trend to online surveys. There are three forms of online surveys: email surveys, HTML form surveys, and downloadable interactive surveys (Slater and Atuahene-Gima, 2004). Email surveys are conducted by sending respondents email questionnaires; in HTML form surveys, respondents are typically invited by emails to participate in the online survey and a web link is provided from which respondents can assess and complete the questionnaires. In terms of the invitation email, Slater and Atuahene-Gima (2004) list some effective components as shown below:

- Personalized email contact;

- A subject that indicates the topic;

- Where the email addresses were found;

- Who is conducting this survey;

- What the survey is used for;

- A brief introduction of the topic;

- The approximate time required to complete the questionnaire.

In this study, a mixed online survey is used to collect primary data. An email with the link to the online questionnaire is sent to intended respondents individually, and an attached copy of questionnaire is provided alongside. Therefore, respondents could choose to either fill out the online questionnaire or use the attached email questionnaire to participate in the survey. Out of the total returned questionnaires, 95% respondents have used the online questionnaire to participate in the survey. As for the invitation email, besides the items listed above, the intended respondents are also informed that the data collected would be handled strictly confidentially and anonymously, and that a summary report would be provided to those who participate in the survey upon completion of the study.

A cross-sectional study is a study that refers to a study which takes a "snapshot" of a particular phenomenon (or phenomena) at a particular time (Saunders et al., 2009). It is common for cross-sectional studies to employ a survey strategy (Robson, 2002), and the data collected can be used to explain how pre-defined factors are related to one another in different organizations. For this thesis, a cross-sectional study is conducted in order to examine the varying degrees of SEW in different family firms and investigate whether there is a common relationship between SEW and the internationalization of family firms.

3.3 Sample Selection and Data Collection

Sampling plays an important role in quantitative research. A well-designed sampling plan allows a generalization of relationships found in the samples to the entire population.

Sampling can be categorized into two types: probability and non-probability (Saunders et al., 2009). In probability sampling, the samples are selected from the population on statistical grounds; and with non-probability sampling, the probability of each sample being selected from the total population is not known. Saunders et al. (2009) discuss different probability sampling techniques and non-probability sampling techniques separately, and in the meantime they also point out that for some research projects it is necessary to use both probability and non-probability sampling techniques. In this study, both probability and non-probability sampling techniques are considered when the author develops the list of the companies to be surveyed.

The data presented by Simon (2013) show a total number of 1,977 Hidden Champions in Europe, approximately 70% of them being family-owned (Simon, 2009), thus the total number of European family-owned Hidden Champions is estimated at around 1,380 whereas the total number of European family-owned Hidden Champions which have foreign subsidiaries must be less than 1,380. Because there is no existing database of European family-owned Hidden Champions, in this study the sampling frame is generated mainly via secondary research on the company lists provided in *Hidden Champions of the 21st Century* (Simon, 2009 and 2013). In order to enhance the population, more European family-owned Hidden Champions with foreign subsidiaries are added after screening the data of Hidden Champions provided by Biesalski & Company (2013) and 21st-Austria (2013). Resources for secondary data research in this study include books, business journals, and Internet resources such as company websites, an online company database (Amadeus) and other relevant websites accessed via Google search. In the secondary research, the criteria of (1) Hidden Champion, (2) European firm, (3) family firm, and (4) MNC are used to develop the sampling frame for the survey. The final sampling frame includes a total of 317 European family-owned Hidden Champions, which have subsidiaries in foreign countries.

With the secondary research, a database of family-owned Hidden Champions for survey is built up, which includes information regarding company name, company website, country of origin, ownership, name and email address of CEO (the term CEO used in this study

refs to the head of top management, e.g. CEO, managing partner or chairman of management board). Other data are also collected if they were available, including the founding year of the firm, the number of family generation(s) involved, CEO duality or not, the number of foreign subsidiaries, industry engaged in, and revenue in 2012.

The online survey for data collection was conducted between April and middle of July, 2014, and emails were sent to the whole population of 317 companies. The CEO of each surveyed company was chosen as the intended respondent, because he or she has a good knowledge of the company's international activities and performance and of the involvement of the owning family in the business. Only the input from the CEOs of these companies could ensure the quality of data collection. In this study, four methods are administered to enhance the response rate: first, the number of questions for the survey is limited to 25; second, the questionnaire starts with a brief introduction of this study and the rules applied in this survey; third, it is promised to provide a summary report of the study to the respondents who participate in this survey; fourth, a personalized email is sent to the CEO of each targeted company for the survey invitation. Compared to using an email invitation system of survey softwares (e.g. Qualtrics, Google Form), it is a time-consuming approach to send emails to each intended respondent personally for a survey invitation and the later follow-up. However it is a good way to enhance the response rate (Saunders et al., 2009), particularly in studies whose population is relatively small and the response rate is usually low, according to the literature.

In this study, a three-wave email is carried out for primary data collection, including an initial survey email and two reminder emails sent to those who have not responded to earier inquiries. Among the total 317 firms surveyed, 34 intended respondents could not be reached due to wrong email addresses, and responses have been obtained from 103 firms. Of the total 103 responses, 8 firms are not in the scope of the study due to being non-family firms, not having international subsidiaries, or having revenue higher than 3 billion euros in 2012. 21 firms have declined to participate in the survey due to various reasons, for example firm rule for no participation in external surveys, confidentiality of

internal firm data, or lack of time. The final sample is consisted of 74 European family-owned Hidden Champions, which had invested in foreign countries, representing a response rate of 27%, as calculated according to the formula given below. This response rate is higher than the response rates of similar studies which are usually around 10-15% due to the collection of data that respondents may consider to be intrusive and highly confidential (Simon, 2009; Zellweger et al., 2012).

$$\text{active response rate} = \frac{\text{total number of responses}}{\text{total number in sample} - (\text{ineligible} + \text{unreachable})}$$

(Saunders et al., 2009)

Of the total 74 valid questionnaires, 64 respondents have filled out their email address information for requiring a copy of the summary report of this study, indicating that the research topic is relevant and interesting to the respondents. For the 64 responses which provided email information, further secondary research is conducted to collect firm data which includes country of origin, founding year of the firm, family generation(s) involved, CEO duality or not, the number of foreign subsidiaries, industry engaged in, and revenue in 2012.

As statistical data of European family-owned Hidden Champions with foreign subsidiaries is not available, the statistical data of Hidden Champions in the German language area (Simon, 2009) is used to analyze the representativeness of the survey respondents. A comparison of descriptive statistics between the family-owned Hidden Champions surveyed in this study and the Hidden Champions surveyed in Simon (2009) is provided in Table 3.1. The data show that there is a good match between the survey respondents in this study and the Hidden Champions surveyed in Simon (2009), in terms of the diversity of founding year, industry sector, and revenue. The data show that the average age of the family-owned Hidden Champions surveyed in this study is longer than that of the Hidden Champions surveyed in Simon (2009), which could be explained by the nature of family firms' endurance. In terms of the significant difference in average revenue, it might be caused by

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the growth of Hidden Champions over these years because Simon's survey data of Hidden Champion was published in 2009 (Simon, 2009). The comparison analysis, together with the high response rate in this study compared to other similar studies, supports that the findings generalized from the survey respondents in this study could represent all of the European family-owned Hidden Champions, which have made investments in foreign countries.

Table 3.1 Comparison of Statistic Data of Hidden Champions

		Hidden Champions (Simon, 2009)	Surveyed Companies
average revenue ($ million)		434	945
Revenue ($ million)	<70	25%	11%
	70 - 200	27%	20%
	200 - 700	30%	25%
	> 700	18%	44%
Sector	Industrial goods	69%	67%
	Consumer goods	20%	20%
	Service	11%	13%
Founding year	before 1870	17%	17%
	1871-1914	21%	16%
	1915-1945	16%	30%
	1946-1970	25%	27%
	1971-2002	22%	9%
	after 2002	0	1%

3.4 Variables and Measures

3.4.1 SEW

SEW is independent in this study. A 15-item measure constructed from five dimensions is used to test the degree of SEW. More detailed information about the 15 items is provided in the following parts on the five dimensions. This 15-item scale has Cronbach's Alpha at 0.84. Degree of SEW is the mean value of the 15 items.

3.4.2 Family Control and Influence (FCI)

FCI is independent in this study. A 5-item measure is used to test FCI. Four items are taken

from Berrone et al. (2012), and one new item is added which is "In my family business, family members have intensive interaction with managers in foreign subsidiaries, including constant international trips". The five-item scale demonstrates a strong degree of internal reliability (a = 0.83). FCI is the mean value of the five items.

3.4.3 Identification of Family Members with the Firm (IFMF)

IFMF is independent in this study. A four-item measure is used to test IFMF. Three items are taken from Berrone et al. (2012), and one new item is added as discussed above. Among the three items proposed by Berrone et al (2012), only one is proposed originally for IFMF. One item proposed for BST and one item proposed for EA are re-allocated to measure IFMF according to the results of an Explorative Factor Analysis. This four-item scale has Cronbach's Alpha at 0.72. IFMF is the mean value of the four items.

3.4.4 Binding Social Ties (BST)

BST is independent in this study. A two-item measure is used to test BST. Three items have been designed to test BST. After the Explorative Factor Analysis, two items are left to measure BST. The item of "In my family business, non-family employees are treated as part of the family" is allocated to measure IFMF. Indeed this re-allocation is consistent with the study of Naldi et al (2013), which considers the building of trust relationships with employees to be motivated by family identification. In addition, the revised two-item measure increases Cronbach's Alpha from 0.53 to 0.57. BST is mean value of the two items.

3.4.5 Emotional Attachment (EA)

EA is independent in this study. A two-item measure is used to test EA. Three items have been designed to test EA. After the Explorative Factor Analysis, only two items are left to measure EA. The item of "In my family business, strong emotional ties among family members help us maintain a positive self-concept" is allocated to measure IFMF. The revised two-item measure increases Cronbach's Alpha from 0.65 to 0.75. EA is mean value of the two items.

3.4.6 Renewal of Family Bonds to the Firm through Dynastic Succession (RFB)

RFB is independent in this study. A two-item measure is used to test EA. The item of "Family owners are less likely to evaluate their investment on a short-term basis" is dropped after the reliability test and the Explorative Factor Analysis. The revised two-item measure increases Cronbach's Alpha from 0.44 to 0.62. EA is mean value of the two items.

3.4.7 Degree of Internationalization

Degree of internationalization is a dependent variable in this study. Because the majority of the sample are private firms and there are no sufficient secondary data sources to gain objective measures of their degree of internationalization, the self-reported approach is used to measure the degree of internationalization. This study uses a three-item measure to access the degree of internationalization which is TASi. This three-item scale has Cronbach's Alpha at 0.67. As discussed above, TASi is the mean value of ASi and SSi which are calculated according to the formulas below.

   ASi = Assets Spread index = FATA x NFC

   SSi = Sales Spread index = FSTS x NFC

NFC ranged from: 1=0; 2=1-15; 3=16-30, 4=31-45; 5=45 above

FATA ranged from: 1=25% less; 2=25%-50%; 3= 51%-75%; 4=75%

FSTS ranged from: 1=25% less; 2=25%-50%; 3= 51%-75%; 4=75%.

3.5 Control Variables

Three variables are controlled in this study, which are country of origin, firm age, and industrial sector. In this study, 59% of surveyed companies are German companies, and the remainder are other European companies, thus Country of Origin is controlled as a dummy variable. Firm Age is chosen because older firms could have increased cumulative experience that could facilitate internationalization, and in this study it is assessed in terms of number of years from establishment to 2013. Because some industrial structures may encourage internationalization more than others, the industrial sector is chosen to be one

control variable. In this study, the three types of sectors are identified: industrial goods sector, consumer goods sector and services sector. They are dummy coded using the industrial goods sector as reference.

Firm size is not chosen to be a control variable in this study. In the relevant literature it is common to assess firm size on the basis of employment figures or assets. Because a cross-sectional method is used in this study and the benchmarks of employment or assets for firms are very different in different industries, it is not proper to choose employment or assets to measure firm size in this study. Revenue in 2012 was initially planned to serve as control variable on firm size, but was dropped during the analysis because this variable affects the presentation of SEW's five dimensions and their effects on the degree of internationalization. The relationship between firm revenue and degree of internationalization is complex. On the one hand, a firm with higher revenue can engage more in overseas markets, thus firm revenue positively influences a firm's degree of internationalization; on the other hand, a firm with higher degree of internationalization could have higher firm revenue, thus firm revenue is influenced by a firm's degree of internationalization.

Moreover, ownership has not been chosen to be a controlled variable in this study, because owning families are the sole shareholder or the largest shareholder in almost all surveyed companies. It has been reported that internationalization is encouraged by the second and subsequent generations in family firms (e.g., Fernandez and Nieto, 2005). As over 90% of surveyed companies in this study are run by the second or subsequent generation, the generation variable is not controlled in data analysis.

Of the total 74 companies that have participated in the survey, company demographic details are provided in Table 3.2.

Table 3.2 Demographic data of the survey companies

Item	Data
Ownership (1) 100%; (2) 51%-99%; (3) 1%-50%	 (1) 80%; (2) 15%; (3) 5%.
Number of generation* (1) 1st generation; (2) 2nd generation and above	 (1) 9%; (2) 91%.
Average firm age* (yrs) (1) Minimum; (2) Maximum	94 (1) 10; (2) 265.
Firm size* Average revenue in 2012 (million EUR) (1) Minimum; (2) Maximum	 707 (1) 8; (2) 3000.
CEO duality* (1) CEO is family member; (2) (2) CEO is not a family member	 (1) 59%; (2) 41%.
Type of industry* (1) Industrial goods; (2) Consumer goods; (3) Services.	 (1) 67%; (2) 20%; (3) 13%.
Country of Origin* (1) Germany; (2) Others (Austria; Switzerland; etc.)	 (1) 58%; (2) 42%**.

* Data from 64 surveyed firms of which respondents have provided their email addresses.

** Among the 42% of companies in other European countries, Austrian companies represent 25%, Swiss companies represent 10%, the remaining ones being other European companies in France, Italy, Luxembourg, and Sweden.

3.6 Reliability, Validity, and Common Method Bias

3.6.1 Reliability

Reliability refers to the extent to which the data collection techniques and analytic

procedure will generate consistent findings (Saunders et al., 2009). It represents the repeatability of the measurement. Internal consistency is commonly used to estimate the reliability of the measurement by running a correlation among indicators designed to measure a concept, and Cronbach's Alpha is the common correlation value used in computing to represent the estimate of reliability. A rule of thumb employed by many researchers is to accept Cronbach's Alpha at 0.7 or more (Salter and Atuahene-Gima, 2004). In strategy studies, many researchers use scales with a Cronbach's Alpha of less than 0.7 and sometimes even less than 0.6 in their estimated models (Fornell, Lorange and Rios, 1990; Birkingshaw, Morrison and Hulland, 1995; Hulland, 1999; Wijbenga et al., 2007). According to Carmines and Zeller (1979), reliability should be measured for any multi-item scale to assess the quality of the scale.

3.6.2 Validity

Validity refers to the extent to which the measurement measures what it is intended to measure, and the findings are really about what they appear to be about (Saunders et al., 2009). There are three most basic types of validity, which are content validity, criterion-related validity and construct validity (Carmines and Zeller, 1979). Construct validity focuses on the extent to which the performance of a particular measure is consistent with theoretical expectations. In contrast to content validity and criterion-related validity, construct validity can be assessed in social science research. If there is inconsistency between the theoretical prediction and the empirical findings, it is drawn that the measure lacks construct validity (Carmines and Zeller, 1979).

In addition, generalizability, sometimes referred to as external validity, is considered a major criterion for evaluating the quality of a study. Generalizability is concerned with the extent to which the research findings are generalizable and can be applied to other relevant contexts (Saunders et al., 2009). There are three types of generalizability: statistical generalization, analytic generalization and transferability (Polit and Beck, 2010). In this study, as discussed in the part of sample selection and data collection, the usually high response rate and the comparison analysis support the statistical generalization of the

survey in this study. Moreover, a detailed explanation of sample selection and data collection and the questionnaire in Appendix II are in place to enhance the transferability of the study.

3.6.3 Common Method Bias

Common method bias has the potential to generate spurious results. Salter and Atuahene-Gima (2004) summarize the following steps, which may help to reduce common method bias:

> *"- avoid any implication that there is preferred response;*
>
> *- make responses to all items of equal effort;*
>
> *- pay close attention to details of item wording;*
>
> *- use items that are less subject to bias;*
>
> *- keep the questionnaire as short as possible, without impacting research objectives, to minimize respondent fatigue;*
>
> *- provide clear instructions;*
>
> *- randomize the ordering of scale items; and*
>
> *- reverse code some items so that the same end of a Likert-type response format is not always the positive end."*

(Salter and Atuahene-Gima, 2004)

Among various common method biases, non-response bias is a concern in many studies. To evaluate the non-response bias in this study, following Chrisman, Chua, Pearson and Barnett (2012), a comparative analysis is conducted between the respondents to the first round of emails and the respondents to the third round of emails. The respondents to the third round of emails are non-respondents compared to respondents to the first round of emails, and are considered to be similar to those who have no response in the survey (e.g., Chrisman et al.,2012; Schilke and Goerzen, 2010; Kellermanns and Eddleston, 2007). ANAVO test is conducted to test Country of Origin, Firm Age, Industrial Sector, SEW and TASi, and the results have shown that there is no significant difference between data from the first round respondents and the third round respondents.

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Missing data bias is a concern in empirical studies, especially the studies of family firms that rely on the collection of primary data that respondents would consider to be highly confidential (Zellweger et al, 2012). In this study, Little's MCAR test under SPSS is conducted to examine whether the missing data are randomly distributed, and the results show the missing data are distributed at completely random way (Chi-Square = 207.512, DF = 246, Sig. = 0.964). In the data analysis of this study, missing values are replaced by the mean of the item. A summary report of the missing data is provided in Table 3.3.

In this study, 10 respondents filled out the questionnaire anonymously, indicating these respondents considered some information provided confidential and would therefore like to provide the information anonymously. This concern about confidentiality is also confirmed by another phenomenon that some respondents did not answer the question on percentage of foreign assets to total assets, and told the author that it was confidential when they were further contacted about the information.

Table 3.3 Information of Missing Data

Item	Missing	
	Count	Percent
Control variables (include country of origin, firm age, industrial sector).	10	13.5
Percentage of the assets in foreign countries to total assets.	7	9.5
Very active in promoting social activities at the community level.	2	2.7
Affective considerations are often as important as economic considerations.	2	2.7
Emotional ties among family members help us maintain a positive self-concept.	2	2.7
Family legacy and tradition is an important goal for my family business.	2	2.7
Percentage of the sales in foreign countries to total sales.	1	1.4
When we make a strategic decision, we favor a business first philosophy and focus on what the business needs in order to compete successfully in the marketplace.	1	1.4
Family members exert control over the company's strategic decisions.	1	1.4
Non-family managers and directors are named by family members.	1	1.4
Building strong relationships with other institutions (i.e., other companies, professional associations, government agents, etc.) is important for my family business.	1	1.4

4.   ANALYSIS AND RESULTS

The objective of this chapter is to discuss the data analysis and present the results. There are two sections in this chapter: In the first section, the relevant data of SEW is analyzed to assess the construction, reliability and validity of the five-dimension scale of SEW. In the second section, the relevant data of SEW and Internationalization are analyzed to test the five hypotheses.

In this study, IPSS Statistics 20 and STATA12 are used for data analysis. Confirmatory Factor Analysis (CFA) is carried out with STATA12. Exploratory Factor Analysis (EFA) and all other analyses are conducted with SPSS.

4.1 Operationalization of the Five-dimension Scale of SEW

In this part, EFA and CFA were planned to test the construction, reliability and validity of the five-dimension scale of SEW.

The first step is to operationalize EFA to find out whether item clusters are formed as proposed. EFA involves 18 proposed items to determine the number of factors. The results are shown in Table 4.1 and the items of which factor loading is higher than 0.40 are maintained.

Six factors emerge after EFA, explaining 71% of the total variance. The first factor is Family Control and Influence (FCI) and the second one is Identification of Family Members with the Firm (IFMF). The first two factors account for 36% of the total variance. The other four factors include two two-item factors and two single-item factors. The two single-item factors are dropped after EFA, and the variance of the retained four factors accounts for 56% of the total variance. In addition, it is noted that the dimension of Renewal of Family Bonds (RFB) disappears after EFA, two of the three items proposed for RFB are involved in the item cluster of IFMF, and the remaining one becomes a single-item factor.

Table 4.1 Results of EFA test on SEW's 18 items

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6
FCI1 In my family business, the board of directors is mainly composed of family members.	.804					
FCI2 In my family business, most executive positions are occupied by family members.	.686					
FCI3 In my family business, family members exert control over the company's strategic decisions.	.836					
FCI4 In my family business, non-family managers and directors are named by family members.	.732					
FCI5 In my family business, family members have intensive interaction with managers in foreign subsidiaries, including constant international trips.	.752					
IOFF1 In my family business, family members feel that the family business' success is their own success.	.546	.435				
IOFF2 Our customers often associate the family name with the family business' products and services.		.689				
IOFF3 Family members are motivated to pursue a favourable corporate reputation.		.771				
BST1 In my family business, non-family employees are treated as part of the family.		.613				
BST2 Building strong relationships with other institutions is important for my family business.				.819		
BST3 My family business is very active in promoting social activities at the community level.				.795		
EA1 Emotions and sentiments often affect decision-making processes in my family business.			.830			
EA2 In my family business, affective considerations are often as important as economic considerations.			.840			
EA3 Strong emotional ties among family members help us maintain a positive self-concept.		.429				
RFBF1 Continuing the family legacy and tradition is an important goal for my family business.		.757				
RFBF2 Family owners are less likely to evaluate their investment on a short-term basis.						.912
RFBF3 Successful business transfer to the next generation is an important goal for family members.		.426				
Ownership					.905	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 7 iterations.

The second step is to involve CFA to test the theoretically developed structure. Following Astrachan and Smyrnois (2005), multiple criteria are used to assess the goodness of fit for the models, including "*the ratio of X^2 to its degree of freedom (df), root mean square error of approximation (RMSEA), Tucker Lewis Index (TLI), and the comparative fit index (CFI). Adequate fit of the model to data: $x^2/df < 2$, RMSEA < .05, and AGFI, TLI, and CFI values exceed .95.*"

The CFA is operationalized using the only two multi-item factors of FCI and IFMF. The evaluation of IFMF shows that the item cluster has better Good Fit results after removing the two items proposed for RFB. Therefore, the factor of RFB is maintained as a two-item subscale. In addition, the item of "In my family business, family members feel that the family business's success is their own success" is involved in both factors of FCI and IFMF in the EFA test. Three two-factor measurement models are evaluated with CFA to analyze how to allocate this item. As shown the Table 4.2, the best Good Fit appears when this item is dropped from both item clusters of FCI and IFMF.

Table 4.2 Results of CPA

Item	Model 1 (FCI-6 items) (IFMF-4 items)	Model 2 (FCI-5 items) (IFMF-5 items)	Model 3 (FCI-5 items) (IFMF-4 items)
X^2/df	0.71	0.77	0.82
P	0.000	0.000	0.000
RMSEA	0.077	0.066	0.056
TLI	0.94	0.96	0.97
CFI	0.92	0.94	0.96

In conclusion, SEW could be constructed by the five dimensions of SEW. Both FCI and IFMF have passed EFA and CFA, and have a Cronbach's Alpha of over 0.70. After EFA and CAF, 15 items constructed from the five dimensions are maintained for the measurement on SEW,

as shown in Table 4.3.

Table 4.3 Description of five dimensions of SEW and their relevant items

Dimension	Item for Measurement	Cronbach's Alpha
Family Control and Influence (FCI)	1. In my family business, the board of directors is mainly composed of family members. 2. In my family business, most executive positions are occupied by family members. 3. In my family business, family members exert control over the company's strategic decisions. 4. In my family business, non-family managers and directors are named by family members. 5. In my family business, family members have intensive interaction with managers in foreign subsidiaries, including constant international trips.	0.83
Identification of Family Members with Firm (IFMF)	1. Our customers often associate the family name with the family business' products and services. 2. Family members are motivated to pursue a favourable corporate reputation. 3. In my family business, non-family employees are treated as part of the family. 4. Strong emotional ties among family members help us maintain a positive self-concept.	0.72
Binding Social Ties (BST)	1. Building strong relationships with other institutions (i.e. other companies, professional associations, government agents, etc.) is important for my family business. 2. My family business is very active in promoting social activities at the community level.	0.57
Emotional Attachment (EA)	1. Emotions and sentiments often affect decision-making processes in my family business. 2. In my family business, affective considerations are often as important as economic considerations.	0.75
Renewal of Family Bonds with Dynastic Succession (RFB)	1. RFBF1-Continuing the family legacy and tradition is an important goal for my family business. 2. Successful business transfer to the next generation is an important goal for family members.	0.62

4.2 SEW and Internationalization

A Bivariate Correlations test is run with all the variables, which are used in the regression analysis, and the descriptive statistics are provided in Table 4.4. The results show the Degree of Internationalization has a negative, significant correlation with SEW ($p<0.05$). In terms of SEW's five dimensions, Degree of Internationalization has a negative correlation with Family Control and Influence at the significant level of $p<0.01$, and has a negative correlation with Emotional Attachment at the significant level of $p<0.10$. However, it has a positive correlation with Binding Social Ties at the significant level of $p<0.10$.

A hierarchical regression analysis is used to test the proposed hypotheses in this study, and the results of the regression analysis are presented in Table 4.5.

Model 1 is to test the influence of control variables. Together the control variables contribute to an adjusted R^2 of 0.072 and the F-statistic is not significant ($p > 0.1$). The results reveal that there is no accumulative influence of the selected control variables on the internationalization of family-owned hidden champions.

Model 2 is to test the overall effect of SEW on internationalization. After adding SEW to Model 1, SEW contributes to an adjusted R^2 of 0.060 and the F-statistic is significant ($p<0.05$). The results reveal that SEW has a negative, significant effect on internationalization ($P<0.05$).

Model 3 is to test the main effects of the five dimensions of SEW, which is to test the five hypotheses. The results show the accumulative influence of the five dimensions is significant ($R^2 = 0.168$, $p<0.05$). Among the five dimensions, Family Control and Influence has a negative, significant effect on internationalization ($p<0.05$), supporting Hypothesis 1; Identification of Family Members with the Firm has a positive effect on internationalization, but the effect is not significant, Hypothesis 2 is rejected; Binding Social Ties has a positive, marginally significant effect on internationalization ($p<0.10$), supporting Hypothesis 3;

Table 4.4 Correlation matrix, means, and standard deviations

	Mean	SD	1	2	3	4	5	6	7	8	9	10
1. TASi	8.28	4.05										
2. SEW	3.32	0.64	-0.231*									
3. Family Control and Influence	2.87	0.99	-0.272**	0.831***								
4. Identification of Family members with the Firm	3.53	0.90	-0.126	0.800***	0.491***							
5. Binding Social Ties	3.74	0.84	0.153†	0.328**	0.060	0.229*						
6. Emotional Attachment	2.80	0.94	-0.151†	0.423***	0.195*	0.342**	0.131					
7. Renewal of Family Bonds	4.14	0.83	-0.139	0.620***	0.496***	0.508***	0.121	-0.035				
8. Country of Origin	0.42	0.50	0.236*	0.070	0.051	0.076	0.002	0.074	0.141			
9. Firm Age	93	56	0.019	0.095	-0.068	0.123	0.022	0.123	0.145	-0.003		
Industrial Sector												
10. Consumer goods	0.80	0.40	0.061	0.076	0.145	0.012	0.052	0.000	0.060	0.101	-0.052	
11. Services	0.88	0.33	-0.082	-0.044	-0.099	-0.019	-0.027	-0.095	0.168	-0.168†	0.074	-0.191†

(1) N=74; † p<0.10; * p<0.05; ** p<0.01; *** p<0.001.

Emotional Attachment has a negative effect on internationalization, but to a less extent, thus Hypothesis 4 is rejected; Renewal of Family Bonds has a negative effect, but also to a less extent, thus Hypothesis 5 is rejected.

Table 4.5 Results of regression analysis

	Degree of Internationalization (TASi), sqrt		
	Model 1	Model 2	Model 3
Country of Origin	0.225†	0.239*	0.224*
Firm Age	0.139	0.172	0.131
Industrial Goods (Dummy)			
Consumer Goods	0.049	0.071	0.076
Services	-0.032	-0.041	-0.065
Degree of SEW, sqrt		-0.235*	
Family Control and Influence (FCI), sqrt			-0.293*
Identification of Family Members with the Firm (IFMF), sqrt			0.96
Binding Social Ties (BST), sqrt			0.315†
Emotional Attachment (EA), sqrt			-0.156
Renewal of Family Bonds with Successful Dynastic Succession (RFB), sqrt			-0.146
△R2	0.076	0.053*	0.157*
R2	0.076	0.129	0.232
Adjusted R2	0.022	0.065	0.124
F	1.410	2.009†	2.150*

(1) N=74; †, p<0.10; *, p<0.05; **, p<0.01; ***, p<0.001.   (2) Standardized Coefficients

5. DISCUSSION

The objective of this chapter is to discuss the study findings, contribution, limitation and indication for further research. There are four sections in this chapter: In the first section the main study findings are discussed, focusing on the research purposes defined at the beginning of this study. The following three sections will discuss contribution, limitation and indication for further research, respectively.

5.1 Study Findings

5.1.1 SEW and Its Five Main Dimensions

SEW is a promising theoretical concept which has been popularly used to explain the influence of family involvement on strategic choices in family firms. The main purpose of this study is to provide empirical support for the measurement on degree of SEW. With an empirical study of family-owned Hidden Champions, one main research finding is that a 15-item measure can be used to examine various degrees of SEW in different family firms, and the 15 items could be constructed into five subscales which present the five dimensions of SEW proposed by Berrone et al. (2012). The results of EFA and CFA and Cronbach's Alpha support the finding that there is internal consistency and reliability for the construction of the two subscales of Family Control and Influence and of Identification of Family Members with the Firm. The other three subscales are Binding Social Ties, Emotional Attachment, and Renewal of Family Bonds to the Firm with Successful Dynastic Succession. These three subscales become two-item scales after EFA in this study. There is a need to explore more reliable items for these three two-item scales to enhance their reliability of these factors.

The results of EFA reveal that the two dimensions of Family Control and Influence and of Identification of Family Members with the Firm are the most dominant dimensions of SEW. Family Control and Influence is measured from the aspects of board composition, executive team composition, control over strategic decision-making, nominating executives, and interacting with non-family managers. With this measurement, the heterogeneity of family firms could be exhibited through their different ways of family control and influence. Taking

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family-owned Hidden Champion as an example, there is no big difference in ownership because owning families hold the majority of firm shares in almost all of these firms. However, the degrees of Family Control and Influence do vary in these different family firms. The biggest difference is the intensity of interaction between family members and non-family managers, followed by the board composition. The item of the composition of executive team has the lowest deviation in these firms. In addition, among the five patterns of Family Control and Influence, control over strategies gains the highest score, followed by naming non-family managers and directors, and then by the interaction between family members and non-family managers. This indicates that it is not necessary for these family-owned Hidden Champions to have most executive positions occupied by family members, nor to have most board positions occupied by family members; instead the priority of owning families is to exert control over strategic decision-making, and owning families use both ownership control (Zellweger et al., 2011) and cultural control to execute their power on strategic decision-making.

Identification of Family Members with the Firm is measured from the aspects of family brand identity, family motivation for corporate reputation, family integration of non-family employees, and positive self-concept of family members. With the new measuring aspects added after EFA, it is proper to term this dimension as Identity of Family with the Firm, because the new measuring scope targets the family as a whole system rather than the individual family member. As one of the two dominant dimensions of SEW, besides the preservation of power to control, the process of SEW preservation could also be a process of the preservation of family identity. It is why family firms are more active than non-family firms in environmental protection (Berrone et al., 2010) and in proactive stakeholder engagement (Cennamo et al., 2012), and are more generous to non-family employees (Naldi et al., 2013). In addition, among the four measures on family identification, the biggest difference among the surveyed Hidden Champions can be observed in family brand identity, and the item of motivation to pursue a favorable corporate reputation (Deephouse and Jakiewicz, 2013) has the lowest deviation in these firms.

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In addition, EFA results also show inter-correlations among these five dimensions. As reported in the data analysis part, the items for the dimension of Family Dynasty are merged into the item cluster of Family Identity during the EFA process, and the same goes for the two items that are proposed for Binding Social Ties and Emotional Attachment, respectively. The inter-correlations between the five dimensions could be explained by Hegel's *Recognition*. As discussed in the theoretical framework chapter, the SEW preservation logic is supported by Hegel's theory about passion for recognition, and passion for family recognition is at the core of SEW. SEW preservation is associated with family owners' behaviors to pursue the recognition of the owning family within and outside of the firm, mainly in terms of Family Control and Family Identity. There is indeed a certain connection between the five dimensions of SEW and *Love, Rights and Solidarity* which are three patterns of recognition in Hegel's *Philosophy of Right* (Honneth, 1992; cited by Lawrenz, 2007). *Rights is related to Family Control and Influence; Solidarity* is related to Binding Social Ties, which builds a collective identity; and *Love* is strongly related to Family Identity, Family Dynasty, and Emotional Attachment. Under the paradigm of family recognition, there is inter-correlation among the five dimensions.

5.1.2 SEW and Internationalization

Another purpose of this study is to test the effect of SEW on the internationalization of family-owned Hidden Champions. It is found after regression analysis that family firms with a higher degree of SEW tend to have a lower internationalization performance. This finding is consistent with the findings of Gomez-Mejia et al (2010), i.e. that family firms are less likely to be internationalized than non-family firms. The same findings have also been provided by other studies targeting the different degrees of internationalization between family firms and non-family firms (e.g. Graves and Thomas, 2006; Fernandez and Nieto, 2006).

Besides the overall effect of SEW on the internationalization of family firms, the item clusters for the five dimensions support testing the effects of the five dimensions of SEW on the internationalization of family firms. The results of the regression analysis reveal that different

dimensions of SEW have different effects on internationalization, which is in line with the research findings of previous studies of family business.

Firstly, Family Control and Influence has a significant, negative effect on internationalization of family firms. This result is consistent with the results of those studies, which have used ownership as a proxy to investigate the relationship between family control and internationalization (e.g. Sanchez-Bueno and Usero, 2013; Majocchi and Strange, 2013). In addition, previous studies have reported that the involvement of non-family members in board and in executive team is positively associated with internationalization, which is consistent with the finding of this study, i.e. that Hidden Champions do not favor the board and/or executive teams to be mainly composed of family members, especially the executive teams.

Secondly, Binding Social Ties has a marginally significant, positive effect on internationalization. This finding is consistent with the network approach of internationalization (Johanson and Mattsson, 1988) that stresses the important role of social network for the development of expertise during internationalization. In addition, it has been reported that family firms are privileged in establishing social networks, which are crucial for the development and acquisition of expertise required during internationalization (Basly, 2007). And family firms' social networks bridge family firms to foreign markets via their market entry and post-entry operations (Kontinen and Ojala, 2011).

Thirdly, Emotional Attachment has a negative effect on internationalization, but this effect is not significant. The negative effect could be explained by the mismatch between family control and internationalization, which results in negative emotional attachment during strategic decision-making for internationalization and ultimately a negative effect on internationalization. Indeed, some scholars have argued that family firms should professionalize (Stewart and Hitt, 2011). With a professional approach, the strategic decision-making for internationalization can be rationalized. Among Hidden Champions, the

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average level of emotional attachment is lower than the average levels of other dimensions of SEW, which may be one of the reasons for their successful internationalization.

Fourthly, there is a positive effect of family identity on internationalization, but the effect is not significant. This finding is consistent with the research results of Craig et al. (2008), that family-based brand identity only influences firm performance via other strategies. It is noted that Family Dynasty does not have a positive effect on internationalization, and it is because the item that is used to measure long-term orientation has been excluded from Family Dynasty due to the problem of internal consistency in EFA. Therefore, the effect of Family Dynasty in this case is not driven by the feature of long-term orientation that often leads to positive outcomes; instead they might be driven by the conservative and myopic attitudes to the preservation of Family Dynasty (Zahra, 2005), resulting in a negative effect on internationalization.

5.2 Contribution

This study makes several important contributions to theory, methodology, and business practice. First of all, this study responds to the numerous calls for the study of heterogeneity in family firms (e.g. Melin and Nordqvist, 2007; Chua et al., 2012). The empirical findings in this study demonstrate directly various degrees of SEW in different family firms, and various degrees of SEW are results of various degrees of the different dimensions of SEW in different family firms. Secondly, this study provides more nuanced views of SEW and its effects on strategic choices in family firms. For example, different studies have shown that an increased concentration of ownership in owning families reinforces the control dimension of SEW, leading to greater influence over firms' strategic decisions (Berreno et al., 2012). However, the findings in this study show that the degrees of control dimension of SEW vary in family firms with the same level of ownership, and different degrees of control are results of different board composition, different TMT composition, different levels of control on strategic decision-making, nomination of non-family executives, etc. Another example is related to the question whether "familiness" has more positive or negative effect on firm

performance (Berreno et al., 2012). This study takes the internationalization of family firms as an example to study the effects of SEW, the findings demonstrate directly that SEW, as the most important representative of "familiness", has multiple dimensions weighed differently by different owning families, and these different dimensions have different effects on specific strategic choices and their outcomes.

From the perspective of methodology, firstly this study responds to the calls for conducting empirical studies to measure SEW in psychometric procedures (Berrone et al., 2012). A survey instrument is used to verify the content structure of SEW, and Exploratory Factory Analysis, Confirmatory Factor Analysis, and Reliability Analysis are used to construct the subscales of SEW and test the consistence and reliability of the items for the subscales of SEW. When conducting the survey, instead of using a convenient sample, this study targets the sample group of family-owned Hidden Champions, a group of successful family-owned multinational companies. Secondly, this study also makes a contribution to the measurement of the degree of internationalization in family firms. Unlike most current studies which extensively focus on SME family firms and use export figures to capture internationalization (Pukall and Calabro, 2013), this study extended the internationalization scope of family firms to family-owned multinational companies and used a multiple scale of TASi to capture the degree of internationalization. TASi is composed by percentage of foreign assets to total assets, percentage of foreign sales to total sales, and the number of foreign countries in which the company has made investment. TASi used in this study not only measures the overall spread of activities among host countries, but also measures the economic value created due to international activities.

From the perspective of business practice, the measurement on SEW in this study enables executives in family firms to examine the degrees of SEW in their firms, together with the degrees of each dimension of SEW of their firms. With the knowledge of the degrees of their SEW, especially the degrees of the five dimensions of their SEW, executives in family firms can determine when they need to strengthen SEW or SEW's particular dimension(s) to achieve better firm performance, and when they need to soften the effect of SEW or SEW's

certain dimension(s) to achieve better firm performance. For example, the findings of this study show the effect of SEW is negatively associated with internationalization, mainly due to the effect of dimension of Family Control and Influence as well as the dimension of Emotional Attachment. Therefore family firms could emphasize the aspect of decentralization and local responsiveness in their international business, as compared to the aspect of centralization and global integration in which they already do well due to their family features; and the firms could consider whether adjustment of the degree of Emotional Attachment could enhance their internationalization performance. Secondly, this study comprises a measurement of SEW and SEW's five dimensions of family-owned Hidden Champions. As for family firms with excellent and sustainable performance, the average degrees of SEW and SEW's five dimensions of these firms could be regarded as the benchmark for executives of other family firms to enhance their own firm performance. And as for executives of family-owned Hidden Champions, they can take this benchmark as a confirmation of their existing practices.

5.3 Limitations

The contribution of this study should be viewed in the light of some limitations. Firstly, it is recommended to treat this study as a pilot study for the measurement on SEW and for the investigation into the effects of SEW on strategic choices of family firms. In this study, only 74 observations are used in data analysis. To demonstrate generalizability, a large sample group is needed to verify the measurement on SEW and examine the effect of SEW on strategic decision-making of family firms. In addition, since all observations used in this study are European family-owned Hidden Champions, which are successful family-owned multinational firms in Europe, the findings of this study may not automatically be generalized to all other family firms due to considerable differences in performance, ownership structure, geographic location, etc. For example, according to the Exploratory Factor Analysis, the two items of ownership and long-term orientation were excluded from the set of items to measure various degrees of SEW in this study. However, the results of the Exploratory Factor Analysis may ultimately reflect the common characteristics of family-owned Hidden

Champions. For 74 Hidden Champions in this study, 59 firms are fully owned by their owning families, 14 firms have their owning families as the largest shareholders, and one firm has an unclear shareholder structure. In addition, 89% of the survey respondents agree or strongly agree their firms are less likely to evaluate their investment on a short-term base.

Secondly, there are limitations concerning the consistence and reliability of the three subscales of Binding Social Ties, Emotional Attachments, and Family Dynasty. To achieve a higher response rate, only three items were designed to measure the dimensions of Identity of Family with the Firm, Binding Social Ties, Emotional Attachment, and Family Dynasty respectively. However, after the Exploratory Factor Analysis, some of the items proposed for the last three dimensions have either been re-allocated to the dimension of Identity of Family with the Firm or they have been dropped. As a result, the last three dimensions of Binding Social Ties, Emotional Attachment and Family Dynasty became two-item scales, and this posed some difficulty to verify their internal reliability by mean of Confirmatory Factor Analysis. There is a need to explore more reliable items for these three two-item scales so that a Confirmatory Factor Analysis can be carried out smoothly and higher Cronbach's Alpha values can be achieved.

Last but not least, the study uses self-reported questionnaires answered by a single respondent, which may lead to the problem of overestimated international performance or moderated degree of SEW and its dimensions. To reduce this type of common method bias, the respondents have been informed that they could fill out the questionnaire anonymously and could skip the questions they do not like to answer. Eventually, among the 74 observations 14% of respondents have chosen to participate in this survey anonymously, and some respondents did not fill out the questionnaire completely. To evaluate the effect of the missing data, Little's MCAR test is conducted, and the results show the data are missing at completely random and thus do not affect the analysis results significantly. In addition, secondary research has also been used to verify some data provided by respondents in the surveyed firms, for example, the number of foreign countries the firm has invested in, as well as the percentage of foreign sales to total sales, and the results have shown that there is no

significant difference.

5.4 Further Research

The findings of this study have indicated some directions for further research. First of all, there is a need in future research to enhance the reliability and validity of the psychometric instrument used to measure the degrees of SEW and its five dimensions in this study. Future studies could mainly consider two areas for the improvement of the measurement on SEW. One area is to apply the five subscales of SEW and the related item parcels to large groups of observations in order to enhance the level of generalizability of this psychometric instrument. The other area is to explore more reliable items to expand the item parcels of the three subscales: Binding Social Ties, Emotional Attachment, and Family Dynasty, to improve the level of internal reliability of this psychometric instrument. Moreover, future research should also consider whether the items of ownership concentration and long-term orientation in SEW are necessary items for the measurement of SEW.

Secondly, future research could investigate how family firms execute a transnational strategy to reduce the negative effect of SEW on their internationalization. In this study, a negative effect of SEW on degree of internationalization in family-owned Hidden Champions has been revealed. However, it has not been discussed so far how these family-owned Hidden Champions deal with the negative effect to achieve an improved performance in their internationalization. Indeed, some relevant investigation has been done through the survey in this study, and the results show that 66% of surveyed firms have adopted the Transnational Strategy which is a type of international strategy emphasizing the balance between high local responsiveness and high global integration, and 12% of surveyed firms have adopted the Multinational Strategy which a type of international strategy emphasizing high local responsiveness and low global integration. This research finding may help to explain how some family-owned Hidden Champions may outperform their counterparts in terms of internationalization. To reduce the negative effect of family control and influence, owning families of these Hidden Champions have chosen to decentralize and transferred

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some decision-making power to local management teams; in the meantime, the family features enable them to deal with the centralization effectively. Therefore, these Hidden Champions can execute the Transnational Strategy, an ideal type of international strategy, for MNCs to achieve competitive advantages in the global market (Bartlett, Ghoshal and Beamish, 2008). More studies could be conducted to explore what managerial approaches these family firms have been using to strike a balance between decentralization for local responsiveness and centralization for global integration.

Finally, there is a call for more studies of the effects of SEW on various strategic choices of family firms. It has been discussed in this study that SEW has multiple dimensions weighed differently by different owning families and the effects of these different dimensions accumulate to different effects on specific strategic choices and their outcomes. This study has demonstrated the effects of SEW and its five dimensions on the internationalization of family firms. There is a need for future research to examine the effects of SEW and its five dimensions on other strategic choices of family firms, for example innovation, knowledge management, human resource management, and firm acquisition and expansion. With more studies at hand, executives of family firms could get a better understanding of how their SEW might affect their strategic choices and outcomes, and could make more favourable strategic decisions for better firm performance. Indeed, some scholars have theoretically proposed that the effects of SEW on different exit strategies be adopted by different family firms (DeTienne and Chirico, 2013). Further empirical studies could be applied to demonstrate directly the effects of SEW and its five dimensions on these different exit strategies. Moreover, the studies of Hidden Champions have indicated that innovation and internationalization are the two engines for the sustainable growth of Hidden Champions. Future studies could examine how SEW of family-owned Hidden Champions impacts the strategic choices concerning innovation in these firms.

6. CONCLUSION

Family firms clearly have their distinctive characteristics due to the involvement of owning families in business. Unlike non-family firms, family firms are motivated not only by their financial goals but also by the goals of preserving the "affective endowments" of owning families, i.e. the preservation of SEW (Gomez-Mejia et al., 2007). As a theoretical paradigm developed from previous family business research, SEW has been widely used to explain the diverse strategic choices of family firms compared to those of their counterparts. However, to date, no attempt has been made to use psychometric instruments to measure degrees of SEW and its major dimensions (Berrone et al., 2012). To support the development of the measurement on SEW and its major dimensions, an empirical study is conducted to examine the five-dimension model and the relevant items proposed by Berrone et al. (2012). The study has verified the reliability and validity of the SEW scale and SEW's five subscales constructed in this study. Furthermore, the measurement on SEW and its five dimensions has been applied to examine the effects of SEW and its five dimensions on the internationalization of family firms, and the findings reveal that SEW has a negative effect on the internationalization of family firms, which is mainly due to the negative effect of Family Control and Influence.

This study adds to the existing literature by measuring various degrees of SEW and its major dimensions in different family firms, and by providing an approach to examine directly the effects of SEW on strategic choices of family firms, more closely the effects of SEW and its five dimensions on the internationalization of family firms. In addition, while examining the effects of SEW on strategic choices, this study extends and supports the research scope of the internationalization of family firms to family-owned MNCs. Furthermore, this study sheds light on SEW and the internationalization of family-owned Hidden Champions, a group of family firms which are well-known due to their excellence in performance, sustainability, and their capability of internationalization in a global market. It is hoped that the research findings of this study encourage more research on the development of the measurement on SEW and its five dimensions, and on the effects of SEW and its five dimensions on various

strategic choices of family firms, and on the approaches family firms could adopt to emphasize or reduce the effects of SEW on specific strategic choices for the achievement of better outcomes.

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APPENDIX

Questionnaire

1. The international strategy which my company has adopted to achieve competitive advantage in global market is

(1) building flexibility to respond to national differences through strong, resourceful, and entrepreneurial national operations.

(2) building cost advantages through centralized, global-scale operations.

(3) developing global efficiency, flexibility, and worldwide learning capability simultaneously.

(4) Other _____

2. In my company, each foreign subsidiary has its own planning activities in order to meet the needs of local market, planning activities covering purchasing, production, logistics, marketing and sales, etc.

(1) Strongly disagree; (2) Disagree; (3) Nor agree or disagree; (4) Agree; (5) Strongly agree

3. In my company, we have global planning activities at the corporate level in order to achieve economies of scale, planning activities covering purchasing, production, logistics, marketing and sales, etc.

(1) Strongly disagree; (2) Disagree; (3) Nor agree or disagree; (4) Agree; (5) Strongly agree

4. The number of foreign countries where my company has invested operations so far is

(1) 0; (2) 1 - 15; (3) 16-30; (4) 31-45; (4) 45 above

(Remark: if your business has not invested any operation in foreign country, please continue to no. 8 upon completion of this question.)

5. In my company, the percentage of the assets in foreign countries to total assets is

(1) 25% less; (2) 25-50%; (3) 51%-75%; (4) 75% above

6. In my company, the percentage of the sales in foreign countries to total sales is

(1) 25% less; (2) 25-50%; (3) 51%-75%; (4) 75% above

7. The share of owning family in my company is

(1) 0%; (2) 1-50%; (3) 51%-99%; (4) 100%

(Remark: if your business is not family business, please continue to no. 26 upon completion of

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this question.)

8. In my family business, when we make a strategic decision, we favor a business first philosophy and focus on what the business needs in order to compete successfully in the marketplace.

(1) Strongly disagree; (2) Disagree; (3) Nor agree or disagree; (4) Agree; (5) Strongly agree

9. In my family business, the board of directors is mainly composed of family members.

(1) Strongly disagree; (2) Disagree; (3) Nor agree or disagree; (4) Agree; (5) Strongly agree

10. In my family business, most executive positions are occupied by family members.

(1).Strongly disagree; (2) Disagree; (3) Nor agree or disagree; (4) Agree; (5) Strongly agree

11. In my family business, family members exert control over the company's strategic decisions.

(1).Strongly disagree; (2) Disagree; (3) Nor agree or disagree; (4) Agree; (5) Strongly agree

12. In my family business, non-family managers and directors are named by family members.

(1) Strongly disagree; (2) Disagree; (3) Nor agree or disagree; (4) Agree; (5) Strongly agree

13. In my family business, family members have intensive interaction with managers in foreign subsidiaries, including constant international trips.

(1).Strongly disagree; (2) Disagree; (3) Nor agree or disagree; (4) Agree; (5) Strongly agree

14. In my family business, family members feel that the family business's success is their own success.

(1).Strongly disagree; (2) Disagree; (3) Nor agree or disagree; (4) Agree; (5) Strongly agree

*15. Our c*ustomers often associate the family name with the family business' products and services.

(1) Strongly disagree; (2) Disagree; (3) Nor agree or disagree; (4) Agree; (5) Strongly agree

16. Family members are motivated to pursue a favorable corporate reputation.

(1) Strongly disagree; (2) Disagree; (3) Nor agree or disagree; (4) Agree; (5) Strongly agree

17. In my family business, non-family employees are treated as part of the family.

(1) Strongly disagree; (2) Disagree; (3) Nor agree or disagree; (4) Agree; (5) Strongly agree

18. Building strong relationships with other institutions (i.e., other companies, professional associations, government agents, etc.) is important for my family business.

(1) Strongly disagree; (2) Disagree; (3) Nor agree or disagree; (4) Agree; (5) Strongly agree

19. My family business is very active in promoting social activities at the community level.

(1) Strongly disagree; (2) Disagree; (3) Nor agree or disagree; (4) Agree; (5) Strongly agree

20. Emotions and sentiments often affect decision-making processes in my family business.

(1) Strongly disagree; (2) Disagree; (3) Nor agree or disagree; (4) Agree; (5) Strongly agree

21. In my family business, affective considerations are often as important as economic considerations.

(1) Strongly disagree; (2) Disagree; (3) Nor agree or disagree; (4) Agree; (5) Strongly agree

22. Strong emotional ties among family members help us maintain a positive self-concept.

(1) Strongly disagree; (2) Disagree; (3) Nor agree or disagree; (4) Agree; (5) Strongly agree

23. Continuing the family legacy and tradition is an important goal for my family business.

(1) Strongly disagree; (2) Disagree; (3) Nor agree or disagree; (4) Agree; (5) Strongly agree

24. Family owners are less likely to evaluate their investment on a short-term basis.

(1) Strongly disagree; (2) Disagree; (3) Nor agree or disagree; (4) Agree; (5) Strongly agree

25. Successful business transfer to the next generation is an important goal for family members.

(1) Strongly disagree; (2) Disagree; (3) Nor agree or disagree; (4) Agree; (5) Strongly agree

26. My email address is:_____

27. Other comments: _____