

Article

Internationalization Strategies at a Crossroads: Family Business Market Diffusion in the Post-COVID Era

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Abstract: COVID-19 is the last nail in the coffin of globalization as we know it. This research aims to explore the influence of capital ownership in the (re)design of internationalization strategies among firms, considering the new macroeconomic challenges. It is commonly accepted that the extent to which family businesses approach internationalization differs from their counterparts; as such, the identification of levers or hinderers in this process and the potential singularities of these firms is urgent. Intermittences in global operation and discontinuous internationalization paths remain overlooked in the theory. Continuity or intermittence across the internationalization strategies, as well as their determinants, were tested using data from the triennia of 2018, 2019, and 2020; the data were gathered from the Iberian Balance Sheet Analysis System Database (SABI), through a balanced panel of 26,154 firms belonging to all sectors of the manufacturing industry. Empirical evidence supports the heterogeneity of strategies among family businesses, as well as dissimilarities from their non-family counterparts. The firm dimension, experience in global operation, and the regional ecosystem in which the firm is embedded are identified as being central in internationalization endeavors. Urgency and assertiveness of policy action addressing the new macroeconomic challenges are required to foster economic recovery, and exploring extant entrepreneurial fabric potential and the already-established networks will determine the pace and success of the measures. Moreover, empirical evidence reinforces region-specific actions to be implemented, proposing the re-location of economic activities while promoting the intensification of spatial clustering and international networking. Designing an accurate policy package places demands upon heterogeneous players and layers of action, overlapping clusters and networks, and the creation of a multilevel ecosystem in which the flow of economic, human, and knowledge aspects circulate, reinforcing community resilience.

Keywords: internationalization; re-globalization; deglobalization; reshoring; family business; public policy; post-COVID transition; ordered logit panel



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1. Introduction

Topmost globalization was brought about by the 21st century, as were de-internationalization and re-nationalization. Notwithstanding, international trade flows seem to have come to a crossroads. Recently, several prominent multilateral agreements have been replaced and new powerful international bodies are rising, leading to extremely diverse transnational conglomerates, while others are declining. The global COVID-19 crisis with its epicenter in 2019–2021 is a wild card (Czakov et al. 2022), with ambiguous effects over the re-globalization processes, as, on the one hand, this unpredictable event refined awareness about the dangers of the wide-ranging interrelatedness of the globe; on the other, it allowed the rebirth of local networks, along with a reduction in interdependencies and the rethinking of social welfare on a multi-level dimension (World Bank Group 2021; Morgan 2021). The emerging re-organization of the international commercial patterns forces a new economic

order which heavily impacts the global economy, which is downsizing its global dimension at the expense of the uprising of regional ties (Morgan 2021).

Family-owned businesses (hereafter FBs) are among the most established business entities around the world, and are consequently affected by these relocation movements (Giovannetti et al. 2013). These institutions are central pillars for regional, national, and international entrepreneurship and economic prosperity across societies. Due to their significance and singularity, in the early 80s, they emerged as an independent strand of literature, being recurrently revisited and their importance further highlighted (Astrachan 2003). Often portrayed as small-sized and non-professionally managed, they are not seldom among the large multinationals listed on top world stock exchanges.

These businesses have, in their core specific values and strategies, factors which make them behave in a distinct manner from their non-family counterparts (Abdellatif et al. 2010). Among the most important features, the literature highlights: family control, family values, family heritage, and family legacy (Gómez-Mejía et al. 2007; Le Breton-Miller et al. 2011; Kellermanns et al. 2012; Miller et al. 2015).

In Portugal, FBs embody 70 percent of all companies, generate 50 percent of the jobs, and are responsible for 65 percent of the Portuguese Gross Domestic Product (Associação Empresas Familiares 2021). The COVID-19 pandemic and its repercussions have become a significant challenge for business entities in general and FBs in particular, being a harder exogenous shock than the past 2008 financial crisis.

All over the world, FBs quickly re-organized their structures to fight the pandemic crisis, displaying unprecedented flexibility and creativity, innovativeness, and empathy towards their communities (Le Breton-Miller and Miller 2021). This unprecedented shock compelled firms towards a shift in their strategies to deal with the new market constraints, simultaneously affecting demand and supply.

As lockdowns across the globe have translated into generalized economic downturns, more than ever, there is a need to re-analyze the role of internationalization as a competitive engine in fostering economic growth. In the Portuguese case, and according to the latest report of the INE (Statistics Portugal), exports have decreased from EUR 59.902 million in 2019 to EUR 53.754 in 2020 (INE 2021). Notwithstanding, supply-side pressures have caused inflation, deepened by supply-chain deconstruction, persistent bottlenecks, rising transport costs, and imported inflation caused by energetic commodity constraints; together, these lead to pent-up demand and excess savings (Morgan 2021; World Bank Group 2021). Additionally, the recent events in Eastern Europe further reinforced inflation spirals, creating demand for new business models (Le Breton-Miller and Miller 2021).

The world we live in today is a very different one. The lives of many will irreversibly change, global supply and value chains will be disrupted, and economies will face severe stagflation. The effect of the crisis is still uncertain and asymmetric in unprecedented levels (Pieper 2020). Developing countries with geographic proximity to large consumer markets may benefit with this pendular movement, as production is shifting closer to consumers; additionally, those with advantages in services also stand to gain with this new global equilibrium (McKinsey and Company 2019). Firms are asked to be resilient, encircling a high ability to adapt the volatile environment, and recover from unexpected events that challenge their market presence (Czakov et al. 2022). However, after two years of uncertainty, market volatility and lockdowns that resulted in the largest drop in global GDP history, 2022 was to bring a new hope of recovery.

Still, despite these displays of flexibility, adaptability, rapid decision making, and community commitment FBs need to consistently adjust to the new macroeconomic scenario. Positive expectations that have emerged of FBs' qualities will provide clear advantages in coping with such crises (Le Breton-Miller and Miller 2021). Additionally, Economic Reports (e.g., McKinsey and Company 2019; Morgan 2021; World Bank Group 2021) continue pointing towards less globalized and regionalized value chains, and in particular, have declined since the pandemic crisis. From the micro perspective, global trade disruption has impelled companies to re-evaluate their operational strategies, such as where to place production

and locate operations (Morgan 2021). Operation in an era of deglobalization presents new challenges for all firms and for FBs in particular, as the impending battle confronts the forces of openness rooted in market principles against those of closure (Morgan 2021; World Bank Group 2021). Successful international expansion requires, by now, enlarged managerial capabilities, leveraging extant resources by also being aware of the changes and having the flexibility to promptly respond to them (World Bank Group 2021).

These challenges strained firms' managerial, financial, and physical resources, and FBs seem to have performed better than most of their non-family counterparts (Le Breton-Miller and Miller 2021). The new international equilibrium in both the economic and socio-political dimensions is likely to accelerate changes in supply chains that had already begun, including by further regionalizing production networks and increasing digitalization, this shift can be a unique opportunity for both family and non-family businesses in high-demand markets such as the European market. Policy actions to promote fast adjustments to these international movements will dictate the success of Portuguese recovery.

The present study seeks to examine whether and how FBs act in a different manner from non-FBs in their internationalization, the effect of the COVID-19 pandemic on internationalization, and the impact of industry characteristics on FB and non-FB internationalization. As such, we use data from 2018, 2019, and 2020, gathered from the Iberian Balance Sheet Analysis System Database (SABI). The article aims to provide a holistic view by studying internationalization at different stages of the COVID-19 pandemic; thus, we aim to deliver a valuable guideline for practitioners and policymakers in their policy-designs, to promote and sustain international endeavors among Portuguese firms, therefore accelerating economic recovery.

The article is structured as follows: After the introduction, Section 2 encompasses the theoretical framework and presents the hypotheses of the study; in Section 3 the materials and methods are covered; Section 4 presents the descriptive statistics as well as the econometric estimations, and discusses the empirical results; lastly, Section 5 provides a further conclusion, and presents the limitations and future research paths, finishing with contributions and policy recommendations.

2. Theoretical Framework and Hypotheses

2.1. Family Businesses

The extant literature portrays different perspectives on FBs, without consensus about what better describes these organizations. As such, the broad conceptual spectrum used in the literature (Cano-Rubio et al. 2017) has led to discrepant results among studies and, in some cases, discrepant findings (Debellis et al. 2021). Nevertheless, the mainstream definition relates the classification to capital ownership by the family, as well as the number of family members within management positions (Arrègle et al. 2012; Calabrò et al. 2016). Despite the use of different proxies, there is broad agreement that a business owned and managed by a nuclear family is an FB, and this structure makes them dissimilar from their counterparts (Chua et al. 1999). Present research considers a firm as an FB, if at least 51% of the capital belongs to the family, and one or more family members remain in administrative roles in the company.

These businesses tend to be classified as risk-adverse, family-oriented, and locally oriented despite being submerged in internationalization challenges (De Massis et al. 2018; Kano et al. 2020). The plethora of profiles among these companies makes them a complex research subject, and the academia tries to identify this source of heterogeneity and to address the ignitors of their dynamism (Czakov et al. 2022). Perhaps the difference arises from the combination of opposing forces, such as perseverance towards the maintenance of family values, control, tradition, or survival through innovation and internationalization; these efforts force these processes to be dissimilar from their counterparts (Arrègle et al. 2017).

Given that in FBs, a great share of the family wealth is invested in the business, the firms' strategic decisions are under family control, which can result in the pursuit of non-economic and family-centered goals, potentially hindering business performance

(Berrone et al. 2012). The level of family ownership within the company raises risk aversion and influences strategic decisions (Ray et al. 2018). Accordingly, some scholars (e.g., De Massis et al. 2018; Debellis et al. 2021) have portrayed the undiversified shareholding in FBs as a cause for their risk aversion and investment preferences. However, these organizations can range from micro-sized enterprises to the large multinational organizations present in stock markets.

2.2. Internationalization Strategies in FBs

Internationalization has been defined as the process by which firms gain awareness of international markets and their influence on its transactions, deciding where to place their interactions inside the enlarged value chain. There is a set of frameworks through which internationalization may happen (e.g., licensing, overseas sales offices, or a manufacturing plants); exporting is the most common foreign-market entry mode, due to its reduced capital involvement, as well as risk (Debellis et al. 2021). Gallo and Sveen wrote, in 1991, the first paper identifying the singularities of FBs in approaching foreign markets. For these firms, the challenge of operating in foreign markets is twofold: on the one hand, maintaining family control, and on the other hand, maintaining long-term orientation of the business (Pongelli et al. 2016).

Deglobalization promotes a less connected world, encompassing powerful nation states; providing local solutions; and tightening border controls, despite economic spaces relying upon global institutions, multilateral treaties, and free movement of the factors of production (Van Bergeijk 2019; Kornprobst and Paul 2021); the world has entered, once more, in such a state (Raza et al. 2021).

Despite the increasing trend in output and trade, in absolute terms, at the macroeconomic level, trade intensity is declining within almost every goods-producing value chain. Additionally, international businesses are becoming more knowledge-intensive, placing low-skill labor as a secondary factor of production (Morgan 2021). As a consequence, important efforts need to be developed to promote the adjustment of both firms and institutions to this shifting paradigm.

The upheaval on the world economic order, along with the macroeconomic constraints, forced firms to turn the game around and pursue alternative strategies, particularly in regard to their internationalization strategies. In this vein, addressing the 2018–2020 time frame will allow for monitoring if the conventional determinants of the process do hold, in addition to the expected differences between FBs and their counterparts.

Despite the proliferation in research, FBs' internationalization framework suffers from fragmentation, theoretical limitations, and empirical miscellany, leaving important facets overlooked. It is possible to identify multiple literature groups regarding FBs' internationalization strategies (Calabrò et al. 2013, 2021; De Massis et al. 2018; Arrègle et al. 2021).

Herein, two strands of literature will be used to frame the present research. The first focuses on addressing the main dissimilarities between FBs and non-FBs in their internationalization propensity and performance. Articles belonging to this group emphasize the lower internationalization propensity in FBs compared to their counterparts (Calabrò et al. 2013; D'Angelo et al. 2016; Fernández and Nieto 2005; Graves and Thomas 2004). This can be explained by the fact that, at their core, FBs have a unique capital, ownership, and management structure (Daspit et al. 2021), and the integration of a family within the decision-making process can aid strategic options, investments, and risk aversion (Arrègle et al. 2017; Berrone et al. 2012). In this vein, among most common findings in the literature concerning FBs is their cautious behavior, risk aversion, and long-term commitment; these, in turn, will dictate a slower and later internationalization process compared to non-FBs (Graves and Thomas 2004; Calabrò et al. 2013; Ray et al. 2018). These organizations operate based on a long-term orientation which has to be considered in their internationalization strategy (Segaro et al. 2014; Kano et al. 2020). Furthermore, they have, at their core, a lack of managerial capabilities and qualified personnel with international experience; this, in

turn, will lead to a lower degree of presence in foreign markets in comparison to non-FBs (Arrègle et al. 2012; D'Angelo et al. 2016; Eddleston and Kidwell 2012).

The second strand emphasizes the direct effects of the family within internationalization, evidencing that the level of family ownership within the firm plays a crucial role in approaching external markets. FBs have different entry modes, and different paces and permanence in international markets (Lin 2012; Avrichir et al. 2016; Boers 2016). Risk aversion is majorly influenced by ownership structure, meaning that higher levels of ownership concentration result in higher risk aversion (Camisón-Zornoza et al. 2020). Higher levels of ownership concentration in FBs are directly related to a lower level of export intensity, whereas more moderate levels are associated with better export intensity (Sciascia et al. 2012). Most of all, FBs have, at their core, a deep sense of belonging towards their heritage, legacy, and the perpetuation of the business values (Erdogan et al. 2020; Feranita et al. 2017). Thus, these institutions have an underlining need to preserve the business through multiple generations (Okoroafo 2010), leading them to have significant risk aversion towards more challenging strategies, such as internationalization (González et al. 2013). Nevertheless, while the literature has emphasized the negative effect of high levels of family ownership within internationalization (Fernández and Nieto 2005; Pukall and Calabrò 2014; Sciascia et al. 2012), several studies have highlighted their long-term commitment, altruism, stewardship orientation, trust, and alignment of interests among members, which are positive attributes when it comes to internationalizing (Claver et al. 2008; Okoroafo 2010).

In the last few decades, internationalization has become a prevailing strategy for FBs to promote competitive advantages and economic growth (Carney et al. 2017), considering their singularities in terms of ownership, capital, and managerial structure (Zahra 2003, 2022). However, the findings in the literature are not homogeneous when tying these organizations with operations abroad (Arrègle et al. 2021). Two opposite views are posited: facilitative and restrictive (De Massis et al. 2018). In the first view, evidence proves the positive effect of family ownership on internationalization, such as their stewardship orientation, long-term commitment, trust among members, organizational flexibility, and survivability instinct (Alessandri et al. 2018; Yang et al. 2020). Conversely, the restrictive view emphasizes risk aversion, conservatism, resource constraints, and lack of managerial capabilities as core elements; these hinder the presence in foreign markets among these institutions (Arrègle et al. 2012, 2017; Gómez-Mejía et al. 2014).

Alternative evidence suggests that FBs face unique barriers to international expansion (Fernández and Nieto 2005; Graves and Thomas 2004). However, to date, a limited number of studies have examined what factors unique to FBs influence their ability to successfully compete in the international marketplace, and even fewer focus on what should be done to deal with deglobalization strategies. The evolution of internationalization activities is an essential factor for value creation and increased survivability for FBs (Arrègle et al. 2021), and since the first studies exploring FBs and their establishment in foreign markets, researchers have been trying to explain their inner dynamics and what makes them so different from non-FBs (Gallo and Sveen 1991; Fernández and Nieto 2006a; Zahra 2003). Considering the significance and prominence of these organizations in job creation, regional and national development, and sustainable economic growth (Alayo et al. 2019; Graves and Thomas 2004; Hennart et al. 2019), in the same vein as Graves and Thomas (2004, 2008) and Fernández and Nieto (2006b), we expect FBs to be less likely to internationalize than non-FBs.

Hypothesis 1 (H1): *FBs are less prone to internationalization than their non-family counterparts.*

International business theories, such as the resource-based theory, the eclectic paradigm, and the Uppsala stage model, have underlined the importance of organizational and managerial readiness when it comes to venturing into unknown foreign markets (Liu et al. 2011). This progressive model of internationalization argues that FBs tend to patiently wait for the right moment to move abroad, believing that maturity will bring them the required

readiness to embrace international endeavors; as a consequence, the more experienced or the bigger FBs tend to have more knowledge, which will enhance their propensity towards external operation (Fernández and Nieto 2006b). As such, larger firms might be readier, grasping the required resources and expertise for foreign expansion (Zaniewska 2013).

Hypothesis 2 (H2): *Larger dimension enhances internationalization endeavors among FBs.*

Internationalization can generate either gains or losses (Alessandri et al. 2018); therefore, it tends to be postponed by risk-adverse organizations. Besides being a heavy burden, the risk associated with internationalization is more prominent in FBs than non-FBs (Claver et al. 2008). Nevertheless, moving forwards in terms of geography demands an extraordinary market knowledge, human capital, finance, and specialized managerial abilities (Jorge et al. 2017). The industry settings in which the firm is embedded strongly affect the process (Arrègle et al. 2012; Solberg and Durrieu 2015).

Additionally, the degree of risk aversion among FBs is higher than in other firms, because of a higher share of the owner's wealth locked in the firm; they present a greater sensitivity to uncertainty and greater opacity towards risk aversion (Bianco et al. 2013). Notwithstanding, the business is rooted in an entrepreneur assuming a high degree of risk (Claver et al. 2008). Most FBs may lack international expertise to conduct a successful internationalization strategy, as they are not open to external control. This can also become a hindering factor in the process, leading to the postponement of internationalization (Gallo and Sveen 1991; Kontinen and Ojala 2010). All in all, only in a favorable financial environment will FBs accept this enlarged risk.

Hypothesis 3 (H3): *Positive financial performance will raise the probability of the internationalization of FBs.*

Industry competitiveness is a crucial component in shaping the strategic choices pursued by the firms that are rooted within its competition. As found in Solberg and Durrieu (2015), firms belonging in more concentrated industries are more effective in their international activities; moreover, technology implementation and adoption inside the industry has been shown to be an effective setting to promote internationalization among FBs (Hennart et al. 2019). The ability to adapt and to innovate is key to the recovery of these businesses and in making them outperform their counterparts (Czakov et al. 2022).

Hypothesis 4 (H4): *FBs engaging in innovation activities are more prone to moving forward in foreign markets.*

In a nutshell, FBs need to be considered by policy makers as a singular business entity, and special attention needs to be paid when selecting strategies for their internationalization. Additionally, the markets to which the firm is about to move forward also make the difference, as do other specific features in the context of internationalization (Kontinen and Ojala 2010).

The precedent arguments, as well as the vast literature in the field, confirm that it is complex to unambiguously state either the enhancing or hindering influence of FB characteristics on internationalization. On the one hand, their entrepreneurial culture supporting risk-taking ignites the internationalization strategy (Costa 2022a). On the other hand, lacking adequate resources within the company, as well as the poor involvement of family members combined with uncertainty and complexity in the process, may deter FBs from undertaking these endeavors. Additionally, the lack of information about foreign markets and the process itself may raise the risk to unacceptable levels (Kano et al. 2020). Policy makers together with FBs, need to carefully consider the entry mode, the timing, the scope, and the pace to deploy their international activities, and also consider the possibility of arranging their strategies in harmony with already-established networks.

3. Data and Methods

The data for the analysis were drawn from the Iberian Balance Sheet Analysis System Database (hereafter SABI); this database has been widely used to test FB performance in regard to multiple features (e.g., [Camisón et al. 2016](#); [Gallizo et al. 2014, 2017](#); [Ramalho et al. 2018](#)). The sub-sample collected for this purpose encompasses Portuguese family and non-family businesses belonging to the manufacturing industry (following Section C of the CAE Rev3, [INE 2007](#)). The focus on this sector relies on the fact that, due to the nature of their economic activities, it is the most prone to being dynamic in terms of internationalization ([INE 2021](#)). In what relates to the time span, the empirical analysis covers the years of 2018, 2019, and 2020 (the most recent available) to address the existing internationalization patterns before and during the pandemic crisis. Due to the fact that in 2020, countries were still facing the peak of the macroeconomic shock, a post-shock comparison was unfeasible. However, the immediate changes were identified in terms of internationalization fluctuations, as well as other operational and financial achievements, which is valuable information for policy recommendation.

This empirical analysis relies upon a balanced panel, implying that all firms not present in the three years of analysis were removed, as were those with incomplete information or inconsistent values. Then, 26,154 firms were grappled concerning all variables in use. The dependent variable, the independent variable, and the controls were extracted to reflect public accounting records of firm balance sheets and earning statements. Variable selection permits us to address organizational strategies and financial performance, while connecting these indicators with the internationalization strategies towards both the European markets and those of the Rest of the World.

3.1. Dependent Variable

Internationalization Strategy

Internationalization is a complex and multidimensional process, mostly in what concerns FBs ([Abdellatif et al. 2010](#); [Rienda et al. 2019](#)); extant literature does not provide a unique proxy to explore export performance ([D'Angelo et al. 2013](#); [Sullivan 1994](#)). Geographical pathways in internationalization are at the center of an important debate from which new meaningful insights regarding the distinctiveness of FBs in their international strategies are pinpointed ([D'Angelo et al. 2013](#); [Hennart et al. 2019](#); [Santangelo and Stucchi 2018](#)). [Zucchella et al. \(2007\)](#) measure export performance based on three variables: entry pathway into the foreign market, geographic scope, and export intensity. Instead, [Hennart et al. \(2019\)](#) use the value of goods and services sold in foreign markets.

In this vein, geographic choices will provide evidence regarding the preference to remain in operation within the domestic market to go global. As such, we combined the previous proposals closer to [Zucchella et al. \(2007\)](#) and [D'Angelo et al. \(2013\)](#), proxying internationalization as a multinomial variable that takes the value 0 if the firm decides to stay out of the foreign markets, refusing to internationalize; 1 if the farthest foreign market is located inside the European Union (local export covered with trade agreements and without trade barriers or tariffs); and 2 if the internationalization covers non-EU members (broader scale of internationalization with eventual geographical and economic barriers). Presence in these markets was validated through any positive record of sales or service provision in these markets on income statements each year.

3.2. Independent Variables

3.2.1. Capital Ownership

FBs are defined as firms that are controlled by a family. As previously debated, capital ownership plays a core role in internationalization endeavors (e.g., [Graves and Thomas 2004](#); [Graves and Shan 2014](#)). As a consequence, the key explanatory variable is capital ownership (being or not being an FB) to evidence the importance of the capital firm and social capital in the design of market operations ([Arrègle et al. 2017](#); [De Massis et al. 2018](#); [Herrero 2018](#)). Additionally, the involvement of the family members in leading positions will also

ignite relational capabilities, which may indirectly affect other important dimensions of performance such as cooperation and co-location in R&D activities (Amato et al. 2021).

Several definitions for FB can be found in the literature. Numerous studies rely on the management structure or family control to label the FB; herein, a broader concept is chosen in line with Ramalho et al. (2018). As a consequence, the following criteria were adopted to collect information from SABI: (a) firms that have one or more identified individuals or families, and (b) the named individuals or families own more than 50.1% of the total equity. The proxy for FB was a binary variable taking the value of 1 when the firm is controlled by the family, and 0 otherwise.

3.2.2. Firm Dimension

Mainstream classical theories related to international business (e.g., resource-based or Uppsala theory), claim that larger firms present an improved propensity to export, as they benefit from broader endowments of resources, market knowledge, and international expertise which serve as guidance towards the removal of internationalization barriers (Barney 1991; Ruzzier and Ruzzier 2014). As human capital represents the value of staff skills, formal knowledge, talent, values, creativity, leadership, learning abilities, flexibility, loyalty, proactivity, problem-solving, and pro-active attitudes, firms with higher levels of human resources—besides having increased opportunities in relation to their size and financial endowments—can further explore their international activities and engage in riskier endeavors (Costa 2022b; Martínez-Romero et al. 2020; Ruzzier and Ruzzier 2014). In the present article, two proxies for firm dimension were taken into consideration: the number of paid and non-paid employees (size) in the public reports, and the amount of wage expenditures (Personnel). The second is expected to better capture the human capital dimension, as the first may be tied to the nature of the firm activity.

3.2.3. Financial Performance

Firm performance is essential to guarantee firm success and survival (Dyer 2006; Gallucci et al. 2015). Extant literature has proved that family-managed firms do not seldom prioritize non-economic goals, postponing pure economic targets (Gómez-Mejía et al. 2007, 2010); these strategies create a particular decision-making context and dissimilar strategy implementation compared to their non-family counterparts, which, ultimately, may compromise performance in multiple dimensions (Gómez-Mejía et al. 2014; Martínez-Romero et al. 2020).

Internationalization strategies are risky options with uncertain outcomes (Alessandri et al. 2018), leading organizations to face either gains or losses; bearing the risks associated with these options, FBs may take different decisions and, due to conservativeness, may shelve these new projects. Among FBs, the emotional dimension plays an important role, and the appraisal of the investment accuracy, as well as the allocation of resources, will ensure the perpetuation of the business for subsequent generations. Their non-FB counterparts, conversely, have a more pragmatic allocation of resources, targeting immediate income generation and improving short-term financial performance (Berrone et al. 2012; Eddleston and Kidwell 2012).

As a result, to examine financial performance, two alternative measures were considered: return on assets (ROA) and total sales (total sales). Accordingly, FBs can achieve higher levels of ROA compared to non-FBs (Graves and Shan 2014), as they are a significant driver towards internationalization performance (Graves and Thomas 2004; Zahra 2003).

3.2.4. Innovation and Absorptive Capacity

Given the fast-changing markets subject to volatile consumer preferences and rapid technological obsolescence, innovation is crucial for the survival and expansion of organizations, regardless of their size or sector (Serrano-Bedia et al. 2016). Family SMEs have a higher propensity to invest in innovation (Kafouros et al. 2008), and yet, are conditional on performing that investment; the intensity is lower than their non-family counterparts

(Classen et al. 2014; Kellermanns et al. 2012). FBs are not hindered in innovation (Costa 2020a), as these organizations have specific characteristics which may enhance these processes, such as a singular identity (Leal-Rodríguez et al. 2017). Performing a dynamic innovative strategy will enhance internationalization propensity (Costa 2020b).

Additionally, the availability of the accurate absorptive capacity of family businesses positively influences the outcomes of innovation for internationalization (Hernández-Perlines and Xu 2018). Disregarding their capital structure, firms need to persist in investing in intellectual capital to feed their innovative capacity, feeding the virtuous cycles of innovation (Miller et al. 2015). Performing innovation will raise internationalization propensity, as well as FB resilience (König et al. 2013).

The propensity of FBs to innovate is related to their mission statements and is not a predefined feature. Thus, the dissemination of the internal interests of the family or the aspiration for business enlargement and robustness may start up the innovation processes, even among those who are risk adverse and fear new challenges. In turn, the growth aims will lead these organizations to invest in innovation, creating social and human capital. These processes will also allow innovation to generate value via the starting of prosperity cycles (Miller et al. 2015).

In line with the previous studies, the proxy for innovation strategies is the declared amount of the Intangible Assets in the balance sheet (Intangible_Assets). This variable will monitor the strategic option for buying, or develop investments in knowledge or research, which will feed the innovative processes.

3.3. Control Variables

Several control variables present across the FB internationalization research field were included in the different models, to capture the impacts on internationalization caused by other non-core aspects not present in the research question. Past research has shown that structural determinants such as resource availability and location determinants, years in operation, and knowledge intensity are crucial factors in firm internationalization (Chrisman and Patel 2012; Lee et al. 2012).

3.3.1. Age

Whereas the effect of larger endowments of resources enables firms to actively pursue operation in alternative markets, the literature underlines the expertise of the organization as having an important role in identifying and exploring international opportunities (Bloodgood et al. 1996; Westhead et al. 2002). Older firms, due to their market experience, tend to be more prone to internationalization (Casillas and Acedo 2005).

Embedded knowledge and experience is frequently proxied by the number of years in operation (Zahra 2003). Incumbent firms are more able to build the required networks and frameworks required for their internationalization endeavors. Nevertheless, new-comers are sometimes able to coin, since their market entry, international opportunities and growth occur at a faster pace than older firms, following the born-global pathway (Autio et al. 2000; Bell et al. 2003; Ruzzier and Ruzzier 2014).

Here, the option concerned the acceptance that firm capabilities are formed through experience acquired and consolidated through the years in the market (Cruz-Cázares et al. 2013). Firm age (age), measured as the number of years between the firm's foundation and the observation year, is the control for firm experience as a driver of an internationalized operation (D'Angelo et al. 2013; Hennart et al. 2019; Segaro 2012).

3.3.2. Location Advantages

Firms are unevenly distributed both within and across regions, and are also unevenly innovative or internationalized. Additionally, this phenomenon affects not only large companies, but also SMEs (Sammorra and Biggiero 2008). Regional ecosystems do matter, though their role is, in most cases, tacit. The milieu, rather than having a direct effect on firm performance in multiple dimensions, affects its other performance determinants,

particularly those of the firms' absorptive capacity and proximity to different networks; moreover, risky strategies such as innovation or internationalization are not linear, and are the cumulative result of multiple interactions with the different regional players, mostly inside the ecosystem (López-Bazo and Motellón 2018).

As a consequence, it seems natural to include a control proxying the geographical location of the firm. In this vein, and following the Eurostat NUT II classification, a vector of dummy variables (region) was built encompassing the five different regions that cover the mainland Portuguese territory: (1) North, (2) Center, (3) Lisbon area, (4) Alentejo, and (5) Algarve.

3.3.3. Technological Regime

Additionally, the technological regime in which the firm develops its activity will affect its international strategy (Swoboda and Olejnik 2013). Considering industry classification, the revised Pavitt taxonomy proposed by Bogliacino and Pianta (2016) was used to split the firms in the sample according to their main SIC codes. Often, empirical studies within the topic employ the original Pavitt taxonomy (e.g., Cerrato and Piva 2012; D'Angelo et al. 2013, 2016). However, the revised version provides an updated overview regarding the current industry settings. As such, the model will control for sector-specific technological regimes through a set of dummy variables following the taxonomy which breaks down their attributes in: (a) science-based, (b) specialized-supplier, (c) scale-intensive and (d) supplier-dominated industries.

4. Empirical Results

4.1. Descriptive Statistics

Table 1 reports the descriptive statistics and the pairwise correlations among all variables in use in the analysis relating to the year of 2020. Most of the coefficients in the correlation matrix suggest the inexistence of multicollinearity problems (further confirmed by the Variance Inflation Factor test, below the acceptable threshold (Belsley et al. 1980); the exception is the high, but expected, correlation between expenditures in the Personnel and firm dimensions, measured by the number of workers. Descriptive results evidence the balance between family and non-family business in the respondent sample; on average, firms in the sample have been in operation for 21 years. There is a predominance of firms operating in the Northern region (54%), followed by Lisbon. Two thirds of the firms belong to supplier-dominated sectors, and only 3% are science-based activities. On average, these firms have 23 workers, and their expenditure in innovation-led activities is nearly EUR 63,000.

Table 1. Descriptive statistics and correlations.

VARIABLES	Min	Max	Mean	S.D.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
(1) Int_Strat	0	2	0.67	0.812	1														
(2) FB	0	1	0.49	0.500	−0.100 **	1													
(3) Age	3	121	21.03	15.254	0.188 **	−0.220 **	1												
(4) North	0	1	0.54	0.498	0.055 **	0.066 **	−0.087 **	1											
(5) Centre	0	1	0.20	0.397	0.048 **	−0.051 **	0.051 **	−0.539 **	1										
(6) Lisbon	0	1	0.21	0.408	−0.077 **	−0.026 **	0.066 **	−0.564 **	−0.256 **	1									
(7) Alentejo	0	1	0.03	0.174	−0.030 **	−0.020 **	−0.019 **	−0.196 **	−0.089 **	−0.093 **	1								
(8) Algarve	0	1	0.02	0.133	−0.073 **	0.012 *	−0.004	−0.148 **	−0.067 **	−0.070 **	−0.024 **	1							
(9) Sci_bas	0	1	0.03	0.158	0.066 **	−0.028 **	0.040 **	−0.043 **	0.004	0.050 **	0.006	−0.009	1						
(10) Su_spe	0	1	0.11	0.316	0.018 **	0.020 **	−0.045 **	−0.110 **	0.022 **	0.108 **	−0.004	0.018 **	−0.058 **	1					
(11) Sca_int	0	1	0.16	0.368	0.096 **	−0.033 **	0.106 **	−0.099 **	0.044 **	0.081 **	−0.013 *	0.008	−0.071 **	−0.157 **	1				
(12) Sup_do	0	1	0.66	0.473	−0.094 **	0.020 **	−0.059 **	0.167 **	−0.040 **	−0.167 **	0.017 **	−0.018 **	−0.227 **	−0.500 **	−0.617 **	1			
(13) ROA	−2137.461	378,248.750	18.633	2352.175	−0.006	−0.007	−0.004	−0.007	−0.003	0.013 *	−0.001	−0.001	−0.001	0.017 **	−0.003	−0.007	1		
(14) Person	0.00	174,719.72	454.379	2429.399	0.192 **	−0.074 **	0.161 **	−0.021 **	0.007	0.027 **	−0.004	−0.019 **	0.064 **	0.007	0.052 **	−0.059 **	−0.001	1	
(15) Size	1	5417	22.65	80.761	0.250 **	−0.091 **	0.187 **	0.001	0.009	0.002	−0.010	−0.025 **	0.049 **	−0.006	0.050 **	−0.041 **	−0.002	0.885 **	1
(16) Intang	−1778.732	286,183.520	63.125	2878.252	0.032 **	−0.011	0.032 **	−0.012 *	−0.004	0.020 **	−0.001	−0.002	0.029 **	−0.004	0.012 *	−0.015 *	0.000	0.393 **	0.185 **

Significance levels: ** $p < 0.05$, * $p < 0.1$.

4.2. Internationalization Strategies from a Diachronic Perspective

The database collected information concerning the relevant variables for the same firms over three years. As a consequence, the internationalization strategy was monitored during three time frames. Table 2 presents the internationalization paths over time of both family and non-family businesses. Nearly a half of the family businesses persisted in operating only in the domestic markets, which may evidence some external opportunities being missed by these organizations, their non-family counterparts performed similar behavior in 41% of the cases. Conversely, nearly one third of the non-family firms persisted in external markets, as well as one fifth of the FBs. During the period, nearly 7% of the firms started their international endeavors, which is much like the proportion of those who stopped operating abroad. Internationalization intensity did remain almost unchanged during the period, given the de-globalization (decreased commitment to the foreign market strategies) of these firms, as well as the intermittence of nearly 5% of both family and non-family businesses.

Table 2. Internationalization strategies over time.

INT_STRATEGY *		NON_FAMILY			FAMILY		
		N	%	GROUP %	N	%	GROUP %
closed	000	5492	41.51	41.51	6275	48.55	48.55
	001	326	2.46		362	2.80	
starters	002	121	0.91		122	0.94	
	011	276	2.09	7.02	320	2.48	7.85
	012	40	0.30		47	0.36	
	021	36	0.27		43	0.33	
	022	130	0.98		121	0.94	
	010	237	1.79		305	2.36	
stop and go	020	81	0.61		93	0.72	
	101	132	1.00	4.29	169	1.31	5.25
	102	24	0.18		27	0.21	
	201	33	0.25		30	0.23	
	202	60	0.45		55	0.43	
	100	315	2.38		366	2.83	
stoppers	110	278	2.10		314	2.43	
	120	33	0.25	7.06	49	0.38	7.90
	200	135	1.02		137	1.06	
	210	38	0.29		41	0.32	
	220	135	1.02		114	0.88	
	persistent	111	1657	12.53	31.41	1413	10.93
222		2498	18.88	1469		11.37	
expansionists	112	190	1.44		186	1.44	
	122	203	1.53		177	1.37	
	121	171	1.29	8.71	154	1.19	8.15
	211	218	1.65		209	1.62	
	212	130	0.98		116	0.90	
	221	240	1.81		211	1.63	
TOTAL		13,229			12,925		

Note: * 0—domestic activity only; 1—operation in the EU; 2—operation in the Rest of the World (three years of analysis).

4.3. Econometric Estimations

Table 3 provides the results of the ordered logit panel estimation. As a consequence, the probability of enrolling in the alternative internationalization strategies is given by:

$$Int_{i,t} = \beta_1 + \beta_2 FB_{i,t} + \beta_3 Age_{i,t} + \beta_4 North_{i,t} + \beta_5 Centre_{i,t} + \dots + \varepsilon_{i,t} \quad (1)$$

Table 3. Determinants of the internationalization strategy.

	Model 1	Model 2	Model 3
	Entire Sample	Family Business	Non-Fam Business
FB	−0.576 *** (0.135)		
Age	0.052 *** (0.010)	0.054 *** (0.004)	0.039 *** (0.005)
North	4.090 *** (0.340)	3.466 *** (0.269)	4.569 *** (0.307)
Centre	3.880 *** (0.342)	3.469 *** (0.280)	4.134 *** (0.313)
Lisbon	2.305 *** (0.281)	1.938 *** (0.274)	2.508 *** (0.302)
Alentejo	2.596 *** (0.325)	2.049 *** (0.354)	3.023 *** (0.380)
Sci_based	2.227 *** (0.325)	1.680 *** (0.326)	2.569 *** (0.384)
Sup_specialized	1.106 *** (0.141)	0.748 *** (0.127)	1.429 *** (0.167)
Scale_int	1.643 *** (0.149)	1.482 *** (0.116)	1.743 *** (0.145)
Total sales	−0.000 * (0.000)	−0.000 *** (0.000)	−0.000 (0.000)
Personnel	0.001 ** (0.001)	0.002 *** (0.000)	0.002 *** (0.000)
Intangible Assets	0.001 (0.002)	0.001 (0.002)	0.000 (0.000)
cut 1	5.966 *** (0.365)	5.979 *** (0.281)	6.395 *** (0.323)
cut 2	9.201 *** (0.380)	9.144 *** (0.294)	9.739 *** (0.336)
sigma u	20.313 *** (1.744)	17.425 *** (0.679)	22.856 *** (1.020)
Observations	78,424	38,775	39,687
Number of firms	26,154	12,925	13,229

Heteroskedasticity robust standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Model 1 in Table 3, below, encompasses the entire sample, aiming to address the determinants of internationalization propensity in both its geographies (the European Union being the first cut, and the Rest of the World being the second), particularly the impact of capital ownership in this endeavor.

Then, the entire sample was divided into FBs and non-FBs, with the purpose of understanding if the determinants of the internationalization strategies do hold between the two different types of firms or if, instead, they vary, reinforcing the differences among them.

$$Int_FBs_{i,t} = \beta_1 + \beta_2 Age_{i,t} + \beta_3 North_{i,t} + \beta_4 Centre_{i,t} + \dots + \varepsilon_{i,t} \quad (2)$$

$$Int_non_FBs_{i,t} = \beta_1 + \beta_2 Age_{i,t} + \beta_3 North_{i,t} + \beta_4 Centre_{i,t} + \dots + \varepsilon_{i,t} \quad (3)$$

Model 2 provides the same estimation for the FB sub-sample to verify if there are any changing drivers, and Model 3 presents the results for the non-family sub-sample. The purpose of this procedure was, at first, to quantify the impact of being an FB on the propensity to internalize the business, and secondly to evidence if the determinants of the internationalization propensity do hold between family and non-family business; the purpose of this was to grasp quantitative evidence to support the design of specific policy actions, to reinforce the transition towards globalized operation.

The results in Model 1 evidence that the coefficient for FB is negative and significantly different from zero. This result supports H1, which argues that being an FB reduces the

propensity to opt for a globalized operation strategy. Moreover, firm dimension, herein proxied by expenditures with Personnel, positively influence the odds of operating abroad, corroborating H2. In regard to financial performance, listed in H3, the total sales coefficient is statistically significant; however, the estimated signal is negative, opposing previous expectations, which leads to partial support of the hypothesis in question. Likewise, the coefficient of Intangible Assets is insignificant, which suggests that innovative strategies do not influence internationalization approaches; so, H4 fails to be supported in the sample. Cut points indicate where the latent variable (internationalization strategy) is cut to observe the three groups we observe in the dependent variable.

The empirical evidence for Models 2 and 3 proves the dissimilarities between family and non-family businesses in terms of the drivers of internationalization propensity. Firm dimension is an enhancer of internationalization propensity in both cases, also validating H2. Hence, dissimilar results are found in regard to financial performance, as in the case of FB, Model 2, it works as a deterring factor to internationalization (partially supporting H3); however, for the non-FB cohort, this coefficient is not significant, denoting the independence between financial achievements and markets of operation. Additionally, innovation fails to be a driver of internationalization in both sub-samples, not supporting H4.

The control variables behave alike in the three models, and it is worth mentioning that the location advantages are proven to enhance internationalization propensity. This is supported by the positive coefficient of the regions included in the sample, compared to the benchmark category of Algarve. All in all, operating in these location raises the odds of internationalizing compared to being located in Algarve, the default place base. Moreover, the technological regime also has a positive influence on the internationalization approach. Compared to the default category (supplier dominated), other subsectors have increased odds to operate outside the domestic market. Lastly, in regard to firm maturity (age), it is proven to enhance internationalization, disregarding the type of firm in the analysis.

4.4. Robustness Check

To strengthen the obtained findings, an additional robustness control was developed. The results are reported in Table 4. First, we explored whether the former results are sensitive to the choice of the proxy of financial performance and size. In particular, we re-estimated the ordered logit panel using the ROA instead of the total sales, and the number of employees (Size) rather than the wage expenditure. The results (in Models 4 and 5) suggest that the Total Sales better captures the performance path, as one of the biggest issues with ROA is that it should not be used across sectors, given that companies in one industry have different asset bases than those in another. Similar reasoning can be applied to the number of employees, which strongly depends on labor intensity. Human capital is better approached by wage expenditure. The statistical insignificance of the ROA coefficient is interpreted accordingly.

Second, we checked the robustness of our results to the removal of explanatory variables. In particular, in Model 6, we removed Intangible Assets to address the eventual inclusion of irrelevant explanatory variables. Intangible assets are the balance sheet item that proxies the investments in research and development reported by the firm, which are the main inputs to innovation. The results of this restricted estimation mirror the findings reported in Table 2, as the remaining coefficients do not significantly change their magnitude, meaning that its inclusion does not cause important biasedness due to the inclusion of irrelevant variables. Additionally, the Intangible Assets are not collinear to the other explanatory variables, not jeopardizing the reliability of the estimation of the unrestricted model.

Table 4. Robustness Check.

	Model 4	Model 5	Model 6	Model 7 Int_EU
FB	−0.510 *** (0.098)	−0.570 *** (0.134)	−0.567 *** (0.120)	−0.133 *** (0.051)
Age	0.048 *** (0.007)	0.053 *** (0.010)	0.052 *** (0.009)	−0.007 *** (0.002)
North	3.909 *** (0.246)	4.072 *** (0.304)	4.052 *** (0.281)	1.981 *** (0.209)
Centre	3.755 *** (0.241)	3.853 *** (0.305)	3.842 *** (0.281)	1.711 *** (0.213)
Lisbon	2.245 *** (0.215)	2.278 *** (0.263)	2.274 *** (0.248)	0.645 *** (0.213)
Alentejo	2.541 *** (0.274)	2.597 *** (0.329)	2.591 *** (0.308)	0.996 *** (0.249)
Sci_based	2.406 *** (0.258)	2.250 *** (0.399)	2.263 *** (0.348)	−0.221 (0.162)
Sup_specialized	1.229 *** (0.104)	1.141 *** (0.152)	1.114 *** (0.144)	0.258 *** (0.078)
Scale_int	1.650 *** (0.090)	1.608 *** (0.123)	1.623 *** (0.112)	0.791 *** (0.068)
ROA	−0.001 (0.001)	−0.001 (0.001)		
Size	0.031 *** (0.011)			
Total sales			−0.000 ** (0.000)	0.000 ** (0.000)
Personnel		0.001 (0.001)	0.001 * (0.001)	−0.000 *** (0.000)
Intangible Assets constant				−0.000 * (0.000) −4.481 *** (0.215)
cut 1	5.949 *** (0.222)	5.916 *** (0.294)	5.913 *** (0.273)	
cut 2	9.183 *** (0.231)	9.139 *** (0.293)	9.140 *** (0.274)	
sigma u	19.591 *** (0.722)	20.031 *** (1.149)	20.039 *** (1.022)	
Observations	78,424	78,424	78,424	78,462
Number of firms	26,154	26,154	26,154	26,154

Heteroskedasticity robust standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Lastly, we checked the robustness of the previous results to the choice of the estimation technique, using an alternative method: the panel logit (encompassing only the binary choice of whether or not internationalizing to the European Union occurred), seen in Model 7. In particular, a re-estimation was performed to address the determinants of moving towards the EU by the entire sample. The two main differences from Model 1 deserving further attention are: the decay of FB impact, as well as the significance of the Innovative strategy. This result may evidence that the previous expectation about the importance of innovativeness to internationalization does affect the ability to sell in the very competitive European markets, not being so critical in other geographies.

4.5. Conclusions

The present research aims to address the relationship between capital ownership and internationalization strategies on different geographies, as well as its continuity over time, along with the identification of other structural characteristics which can ignite this process. First, our findings indicate that the fact of being an FB does hinder international

endeavors, notwithstanding the handicap being smaller if the foreign markets belong to the European Union. Second, the results evidence that firm dimension can leverage the process, as well as the number of years in operation. The classical path of market enlargement after the consolidation of domestic presence seems to be supported. Third, our findings suggest that financial performance will deter the desire for internationalization in FBs, which is irrelevant for their non-family counterparts. Finally, while innovation seems to be irrelevant for both family and non-family firms when appraising multiple geographies, in what concerns the shift towards European markets, it works as an enhancer. This proves that firms using a combined innovation/internationalization strategy will leverage their opportunities abroad, eventually outperforming those organizations that consider foreign orientation alone.

There is a strand of studies strongly tied internationalization strategies with expertise (e.g., [Ruzzier and Ruzzier 2014](#)); these are further reinforced by the present results. The positive effect of age distances the born-global hypothesis present in several works ([Autio et al. 2000](#); [Bell et al. 2003](#)), the single exception being the case of internationalization towards the EU by FBs, presented in model 7. Additionally, it seems that generalizations need to be avoided and policy actions need fine-tuning adjustments. Notwithstanding, there seems to be a missing link connecting operation in external markets to the development of innovative strategies. There is plenty of literature presenting these strategies as being complementary ([Kafourous et al. 2008](#)). Our findings evidence the importance of being innovative for FBs internationalizing their activities to the European markets, proving firm awareness about consumer preferences and market competitiveness.

Another important finding supported by the empirical evidence is the variable role of financial performance in leveraging operation abroad. When considering the case of non-family businesses, internationalization seems to be independent from financial stability, reinforcing the lower risk aversion of these organizations. Still, FBs seem to exhibit “old shoe syndrome”, in line with previous literature ([Calabrò et al. 2013](#); [Graves and Thomas 2004](#)), as positive performance deters them from beginning international endeavors. It seems that these organizations will move abroad only when needed to grant firm survivability, and are not interested in adding risk to their operation voluntarily.

Another important outcome of the present research is the importance of regional ecosystems. Location is proven to be a determinant when deciding on innovation and internationalization strategies, which is in line with extant [Giovannetti et al. \(2013\)](#). In the present case, being placed in the Northern and the Centre regions enhances internationalization propensity compared to the baseline region of Algarve. Additionally, observing that the increased marginal propensity is not higher in Lisbon reinforces some regionalization possibilities, proving the industrial dynamism in the North. These results can be further connected to the innovative dynamism of the region, which is in line with the results presented by [Santangelo and Stucchi \(2018\)](#).

Another important insight coming from the empirical evidence is the role of technological regimes in the promotion of internationalization. In the same vein as the extant theory, increasing technological intensity raises the odds of internationalizing compared to the benchmark sectors placed in supplier-dominated sectors ([De Massis et al. 2018](#)). This result sheds light on the construction of sustainable comparative advantages, as low-tech sectors competing in low-wage false advantages are no longer the solution to scale up the industrial sectors. Moreover, this result must be connected to the availability of human capital and the educational policies that provide the job market with qualified technicians, which will align these firms. Perhaps this is the key to the much-desired productivity improvement that will finally, endogenously, raise the wage levels.

Finally, but not of least importance, is the analysis of the diachronic internationalization strategy. The results do suggest that FBs tend to be less open to external markets compared to their non-FBs counterparts. In line with the findings of [Gallo and Sveen \(1991\)](#), there are discontinuities in more than 10% of cases, perhaps caused by hindering factors. The literature does not clarify the underlying reason for these intermittences; however, most

of the policy actions are one-shot programs which tend to consider that once the firm is internationalized there is no way back. Evidence proves them wrong, which deserves further analysis. Additionally, there is an emerging strand of the literature pointing towards deglobalization which cannot be neglected, as it may anticipate the re-organization of regional ecosystems vis à vis the default of the global value chains. Additionally, it is worth understanding the dominance of FBs which decided to remain in operation in the domestic market during the period of analysis.

The COVID-19 pandemic outbreak brought unprecedented scenarios to the international markets, and firms were forced to adapt to new constraints. Novel market arrangements and the particular nature of the current crisis conveyed an entire directory of adjustments for all business entities (Saurav et al. 2020). These swings brought a series of consequences that none of the firms operating in the globalized world have witnessed before.

FBs have increased expertise in crisis management, and a resource-based view suggests that they are more able to withstand periods of crises due to their superior mix of resources (De Ciantis and Lansberg 2020). They possess survivability capital (personal resources grasped among family members which contribute to the firm), providing a safety net in adverse environments (Calabrò et al. 2021). Because of their unique social capital and embeddedness in their regional ecosystems, FBs promote innovation among co-located firms. As such, their response to the pandemic outbreak may consist of turning challenges into opportunities and managing to re-emerge from the crisis even stronger than before.

Additionally, when the administration encompasses family members, financial performance improves. This can be explained by additional resilience by leveraging the family's social capital and patiently waiting (Amore et al. 2020). These behaviors will make a difference in the promotion of recovery post-crisis and, consequently, it seems important to address the singularities of these organizations in the construction of recovery plans. FBs may become the turnkey for fast and sustained recovery. Digital technologies are driving new regionalization waves, given the change in global consumption patterns and the cost-push inflation. The change in market conditions has transversally affected firms. Dynamic cost structures demand fast movements and the ability to adapt to multiple business environments. Additionally, open innovation ecosystems may represent an effective breakout for overcoming innovation barriers for these firms (Feranita et al. 2017).

As proven by the empirical evidence, fast reactivity of FBs has successfully been put to the test, the internalization paths presented in the matrix evidence the ability to adjust, and changes in culture have occurred. Due to their stronger cohesion and solidarity, FBs are promoting digital transformation and innovation as a way of survival (Kraus et al. 2020). Additionally, policy makers must not neglect the potential of this entrepreneurial fabric to reinforce the transition, supporting extant organizations rather than new businesses.

The economic environment has, indeed, irreversibly changed. Policy actions are favoring national interests and fragmentation (Wang and Sun 2021). However, this is a dangerous movement, as innovation is fueled by disruptive and cross-border collaborations. However, technological decoupling is favoring de-globalized networks. Hence, the emergence of techno-nationalists is an offspring of extant technologies, including digital transformation, artificial intelligence, or even e-government (Casson 2021). These innovations will be catalysts of the much-needed economic recovery; therefore, governments should direct their investments and provide incentives or grants to all those entrepreneurs involved in the development of standards that protect domestic security while promoting prosperity.

This research contributes to the debate about internationalization and its drivers among family and non-family businesses, juxtaposing their (dis)similarities. Two major perspectives arise: on the one hand, the mainstream theories, supporting the global value chains and evidencing operation in multiple markets as an unprecedented opportunity to scale up the business, enlarge market share, smooth business cycle volatility and consolidate leading positions; on the other hand, and with increasing popularity, the deglobalization theories, which argue in favor of de-centralized production to reduce energy and trans-

port costs, promoting responsible and sustainable local value chains as pillars of vibrant regional ecosystems which promote inclusive growth and reduce regional asymmetries. The findings place us in the middle of this chessboard, as the promotion of local value chains will give family and non-family business the opportunity to conquer market share, generating job opportunities, fostering economic recovery, and promoting sustainable industrial practices in each region. However, the past has taught us that reduced competition may lead to inefficient practices, jeopardizing consumer sovereignty and demanding additional government intervention in the markets. Policy orientations must consider both perspectives, as no closed solutions may be formulated.

5. Limitations, Future Research and Policy Recommendations

5.1. Limitations and Future Avenues of Research

The article definitely invites some more future research. Its limitations may indicate important directions for future research. At first, a firm's internationalization strategy is proxied solely by a multinomial variable, not capturing the importance of external markets in overall firm turnover. Hence, future studies should adopt a multi-dimensional perspective of internationalization by considering the export intensity as well as the possibility of multimarket operation with different weights. Second, the study focuses on a three-year period, which may be insufficient to address the effects of each strategical change. As such, dynamic responses may be considered through estimation adjustments to cover causality. Additionally, future studies should explore the underlying reasons for each internalization strategy, with special emphasis on the stoppers, identifying policy actions to implement.

All in all, it is worth noting that the pandemic crisis does not constitute the sole cause of the global transformations along the value chains looming ahead. Worldwide, statistics evidence that globalization is slowing down, and regionalization is filling the blanks. The understanding of this complex dynamic and its underlying mechanisms, as well as its consequences, is still missing.

5.2. Contributions and Policy Recommendations

Since the 2008 global financial crisis, emerging political forces have challenged the globalization *mindset* (Van Bergeijk 2019). The economic order of the post-pandemic world may reinforce and implement parts of the deglobalization policies that leading states have adopted during the crisis (Brawley 2021). Globalization needs to be addressed while considering the two sides of the coin (Kornprobst and Paul 2021). It ultimately raises overall productivity and living standards, due to the scaling of production; however, the process encompasses winners, losers, and pain along the way. Maintaining globalization despite all its positive effects brings heavy costs to some individuals and communities (Behera 2021). In the last decade, the relative importance of domestic and regional production has been on the rise, while economic globalization continues to slow down (Wang and Sun 2021). This trend illustrates the changes in the cycle of globalization and deglobalization.

Deglobalizing forces are hardly assumed as purely negative, as internal problems concerning issues such as economic recovery may be best handled domestically. Additionally, this new frame allows for the re-emergence of forgotten sectors, leading to re-nationalization trends. The pandemic events, along with other exogenous events such as war, are overwhelming evidence of the danger of relying on global supply chains (Behera 2021). Additionally, climate emergency demands abrupt reductions in energy consumption, which challenges the international movements of assets (Kornprobst and Paul 2021). Moreover, the globalized world contains inherent disadvantages, favoring liberal monetary orders, leading to the emergence of transnational monopolies; however, the deglobalizing approach does not offer clear solutions for dealing with these issues (Brawley 2021).

The pandemic has accelerated the collapse of global value chains due to their vulnerability to critical conditions, evidencing malfunctioning and volatility. As a consequence, authorities are performing political "re-shoring" and re-nationalization, returning production and manufacturing back to firms' original countries (Raza et al. 2021). The recent

economic crises in health, energy, and even in the political order are fueled by skepticism about free markets, international cooperation, and open borders (Van Bergeijk 2019).

All the emerging dynamics have multilateral implications for the international system of production and trade. Therefore, the battle among globalization, deglobalization and re-globalization is not likely to be solved soon, and will change the course of international affairs in the 21st century (Raza et al. 2021; Kornprobst and Paul 2021).

These adjustments target increasing the reliability of supplies, controlling price changes and improving resilience to face future economic crises, and environmental sustainability (Espitia Rueda et al. 2021). FBs seem to have what is needed to navigate and survive crises (Calabrò et al. 2021; Czakon et al. 2022), minimizing their effects and transforming the difficulties into entrepreneurial opportunities (Campopiano et al. 2019). Leveraging resilience, agility, and flexibility to react to adverse contexts maximizes their survival chances (Le Breton-Miller and Miller 2021). Given that their managers are committed to nurturing the business to be passed to the future generations reinforces the survival instinct, enhancing the family social capital, long-term capital, solidarity and, resilience of family governance (Metsola et al. 2020). As a consequence, policy actions must capture these characteristics to better allocate the resources which will promote recovery.

Following the research stream that links FBs' internationalization and regional ecosystems, this study makes several theoretical and practical contributions. Contrarily to previous research that considers FBs as secondary characters, we put them at the forefront of knowledge creation and diffusion, based on their social capital and embeddedness; the new strategies have to be designed in line with FBs' advantages (Eddleston and Kidwell 2012; Lahiri et al. 2020;). The evidence reinforces previous research (Avrichir et al. 2016), reinforcing the positive dynamics created by the shared values; in addition, family status will enhance open innovation networks. These are different from non-family endeavors. From the policy perspective, regional governments should encourage the establishment of solid collaborative networks to foster knowledge exchange. Policy makers should promote the collaboration between heterogeneous organizations to maximize learning opportunities, and develop policy action to open the network to other players in the Regional Helix, such as Academia. When needed, additional measures should be promoted, as FBs are distinctive regional actors, consolidating the vibrancy of the ecosystem and the inclusive dimension of the collaborative network.

In parallel, the development of globalized endeavors cannot be forgotten. In this vein, at the macro level, and in line with the proposals of Zahra (2021, 2022), policy makers should develop measures to lower trade costs, such as the simplification of border procedures; improve transport infrastructure; promote greater competition in shipping and logistics; lower trade barriers; and ensure greater transparency and predictability of trade policy. These actions could promote "re-globalized" value chains.

Extreme volatility, unpredictability, and change in the macroeconomic scenario made policy design harder (Le Breton-Miller and Miller 2021) given the need to face these disruptive, unpredictable and unprecedented events (Czakon et al. 2022). However, policy making involves a feedback loop, in which policies not only address anticipated problems and adjust to imprecise past actions. Establishing new international policy packages, at present, is an extremely perilous folder, as the debate about globalized or regional value chains may be ridden by populist policy makers with devastating consequences and civilizational throwbacks (Casson 2021).

The deglobalization arguments may become unpopular soon due to the challenges regarding the daily habits of the developed world, whereas deglobalization could remain useful until policymakers are able to redesign international institutions, to grasp sufficient power to consolidate their international positions (Van Bergeijk 2019; Behera 2021). The future of globalization is at a crossroads; it is intrinsically institutional and political rather than technological, although technology might be endorsing inequality, feeding the political backlash on globalization (Antràs 2021). Regional ecosystems play a major role in the

promotion of internationalization strategies; the mechanisms that govern them and their inherent heterogeneity deserve exploration, theorization, and systematization.

At the macroeconomic level, new policies need to provide factual proactive intervention. Monetary injections from central banks will provide entrepreneurs with the liquidity to reinforce their endeavors, as well as an expansionary industrial policy promoting sectoral-structural framing, guidance and support, which are required to grant FBs the relevant information to pursue these endeavors. In addition, more intergovernmental agreements on international sourcing are required, and this seems to be the window of opportunity for several entrepreneurial initiatives. These actions need, at first, assertive clarification of the structural, technological, and ecological paradigm to create the foundations of future socio-economic structures. The combination of the micro- and macroeconomic levels of policy actions, involving firms, institutions and decision-makers, may point towards some regionalization and (re)localization of economic activities; this may promote the intensification of spatial clustering and international networking to address the new dimensions of the socio-economic ecosystem, relying upon more resilient frameworks of overlapping clusters and networks; in turn, this might create a multilevel ecosystem in which the different flows co-exist, and in which FBs will naturally play a central role.

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