TIES THAT BIND OR TIES THAT BLIND?

EMBEDDEDNESS OF SMALL- AND MEDIUM-SIZED FAMILY

ENTERPRISES IN INTERNATIONALIZATION

Tanja Leppäaho, University of Jyväskylä

Sarah Jack, University of Lancaster

Pia Arenius, RMIT University and

Eriikka Paavilainen-Mäntymäki, University of Turku

Abstract

We report the findings of a study on how small- and medium-sized family enterprises (SMFEs) from rural areas in Finland get embedded for internationalization. Our data consists of 36 interviews with entrepreneurs plus secondary data. The emergent model of international embeddedness revolved around the practices, phases, and outcomes of getting embedded for internationalization. To elucidate the process of getting internationally embedded, we refer to literature on networks, entrepreneurship, internationalization, and family business.

INTRODUCTION

Networks are essential for the internationalization of any kind of firm (Johanson & Matsson, 1988; Johanson & Vahlne, 2009). The network model of internationalization proposes that a firm can compensate for its limited resources, either by developing its position in an existing network, or by establishing new ties (Johanson & Mattsson, 1988). In networks, common interests motivate firms to develop and maintain network ties with each other, because such ties are of mutual benefit (Johanson & Mattsson, 1988; Johanson & Vahlne, 2003). There is limited evidence on how international networks evolve after the initial entry (Welch & Paavilainen-Mäntymäki, 2014) and how network ties *de facto* influence the shape and development of internationalization

over time (Bruton, Ahlstrom, & Obloj, 2008; Chetty & Agndal, 2007; Coviello, 2006; Gedajlovic et al, 2013; McMullen & Dimov, 2013). Coviello (2006) recognized that for international new ventures (INVs) network ties established much earlier in the life cycle were the essence of initial foreign market entry. However, no pattern explained the further development of INV networks, they being social and economic, strong and weak, but the network, however, was seen to expand and become more complex with time.

Previous studies have looked at the networking activities of multinationals, SMEs and small firms, sometimes referring also to the ownership characteristics of the firms in question. They have highlighted various factors that influence such activities (Coviello & McAuley, 1999), yet *have not specifically reflected on the family dimension, i.e. the aspect, which distinguishes family businesses (FBs) from other kinds of firms* (Swinth & Vinton, 1993). Non-family managers tend to be more rational decision-makers, in the sense that they are not burdened by emotional connections to the firm, family values, or altruistic behaviour (Gomez-Mejia *et al*., 2011; Banalieva & Eddleston, 2011), whereas these attributes could impose specific constraints on the ability of a SMFE to engage in certain strategic moves (Delgado-Garcia & de la Fuente-Sabate, 2010; Morgan & Gomez-Mejia, 2014), including their relationship-building activities (Hewapathirana, 2014).

The relationships between FBs and their network ties may well be more lasting and extend over a wider compass (Arregle *et al*., 2007), in so far as they are less motivated by purely economic motives (Miller *et al*., 2009). According to Child and Hsieh (2014), SMFEs might have a reactive decision mode in networking activities. The studies by Kontinen and Ojala (2011, 2012) suggest that intermediary network ties are a more important source of initial internationalization for SMFEs than they are in

other types of firms and that SMFEs invest time and spent a lot of resources on finding and maintaining relationships with suitable and trustworthy network ties, and on developing a high level of trust and commitment with the selected network ties. Altogether, network ties have proved be a specific and central element in the success of their internationalisation, but we know very little about them in the context of FB internationalisation (Arregle et al., 2016; Graves & Thomas, 2006; Kontinen & Ojala, 2010a; Pukall & Calabro, 2014), although long-lasting family enterprises indeed give a unique context to study networking over time.

We sought to provide insights into embeddedness and the process of international embedding through a qualitative study (see Corley & Gioia, 2004; Gioia, Corley & Hamilton, 2012; Maxwell & Miller, 2008), answering or our research questions: 1. *How do entrepreneurs in SMFEs describe and interpret the process of getting internationally embedded over time? 2. How might the international networking among SMFEs be related to their SEW endowments?*

We contribute to the network model of internationalization (Johanson & Matsson, 1988; Johanson & Vahlne, 2009) by showing how family ownership and socio-emotional wealth of family firms influences on networking activities. Secondly, we extend the lines of Coviello (2006), who concentrated on international networking process of INVs. We were able to discover two specific patterns of getting embedded internationally over time: Most SMFEs wanted to create an extended family with international partners, leading in turn to exhaustive embeddedness, since such a trust could not be achieved with the foreign parties and the entrepreneurs tolerated the relationships no matter what. Some SMFEs, on the contrary, were able to be satisfied with less close partners / take the cultural difference more clearly into consideration,

leading to the ability to have a wider range of international network ties and a beneficial state of embeddedness.

ENTREPRENEURIAL NETWORKS UNDER UNCERTAINTY, EMBEDDING, AND INTERNATIONALIZATION

According to the network model of internationalization (Johanson & Mattsson, 1988), internationalization is related to the development of network ties with other firms belonging to a network in a foreign market. These ties between firms in different markets act as *bridges* facilitating FME (Johanson & Vahlne, 1990). The model proposes that a firm can compensate for its limited resources, either by developing its position in an existing network, or by establishing new ties (Johanson & Mattsson, 1988). In networks, mutual benefits motivate firms to develop and maintain network ties with each other (Johanson & Mattsson, 1988; Johanson & Vahlne, 2003).

Described as "a set of actors and some set of relationships that link them" (Hoang & Antoncic, 2003, p. 167), a network develops when interaction takes place between the enterprise and others to whom the enterprise is connected. Studies on *entrepreneurial networks* emphasize the importance of social networks (Jack & Anderson, 2002; Keupp & Gassmann, 2009; Slotte-Kock, 2010; Ellis, 2011) in addition to business networks. Several studies have shown that both prior business networks (e.g. customers, suppliers, and supporting institutions) and social networks (e.g. friends, family, and former customers) influence the internationalization process in enterprises because they assist entrepreneurs to find foreign market opportunities (Evers & Gorman, 2011; Keupp & Gassmann, 2009; Ellis, 2011).

Entrepreneurship is situated within a social context (McKeever, Anderson, & Jack, 2014; Ozgen & Baron, 2007), and so does internationalization (Coviello, 2006,

Ellis, 2011), which makes the inclusion of social networks when investigating networks of enterprises important. Larson and Starr (1993) examined the evolution of network ties in emerging firms and suggested that even newly established, work-related ties may become evolve to become more relationally-embedded over time as social exchanges are layered over the business relationship. How embedded an entrepreneur is to its network ties is related to the nature, depth, and extent of his/her ties into the environment (Dacin et al., 1999; Jack & Anderson, 2002). *Embedding* is the process of networking over time: it can be defined as the process in which an entrepreneur becomes part of a local structure (Jack & Anderson, 2002). Hite (2005) highlights the additive nature of ties whereby social relationships can develop towards business ties over time. Also Jack et al. (2008) demonstrate that networks are subject to change, growth and development over time.

Arregle et al. (2016, p. 23) recently concluded that internationalization of family businesses (FBs) is "so diverse and context dependent that it is crucial to examine it in a much more fine-grained manner". The internationalization of family enterprises indeed has been shown to be different from that of firms with other ownership structures (Fernandez & Nieto, 2005; Graves & Thomas, 2006, 2008; Kontinen & Ojala, 2010; Pukall & Calabro, 2014; Sciascia et al., 2012). This has been thought to be due to their limited growth objectives (Donckels & Fröhlich, 1991), to avoidance of risk (Claver et al., 2008), and to restricted financial capital (Gallo & Pont, 1996). In addition, there could be a connection to limited managerial capabilities (Graves & Thomas, 2006). Family enterprises seem to be unable to build resources and capabilities that produce competitive advantages for internationalization (Fernandez & Nieto, 2005, 2006). Furthermore, family enterprises are less likely than non-family enterprises to form

networks with other enterprises (Graves & Thomas, 2004; Kontinen & Ojala, 2012b; Roessl, 2005).

Family enterprises have an unusual devotion to continuity, a tendency to nurture the community of employees very carefully and search for closer connections with customers and partners in order to sustain the business (Miller et al., 2008). They usually have an extremely high level of trust within the organization, also called strong internal social capital (Salvato & Melin, 2008), which can reduce transaction costs, facilitate information flows, knowledge creation and accumulation, and creativity (Arregle et al., 2007; Burt, 2000). However, internal social capital does not necessarily result in faster internationalization; in fact it may become a liability by hindering the flow of information and blocking links to new contacts (Musteen et al., 2010). Hence, the specific features of SMFEs can be assumed to have an effect on the manner in which family firms build and develop external social networks. Cesinger et al. (2016, p. 587) concluded that "the primacy of SEW disrupts the ability of current internationalization models to appropriately explain the behavior of family firms and may understate the difficulties relevant to family firms while internationalizing and the peculiarities of their solutions." Socio-emotional wealth (SEW) can be divided into five different aspects: (i) family control and influence: (ii) identification with the firm; (iii) bonding social ties; (iv) emotional attachment; and (v) renewal of family bonds via dynastic succession (Berrone at al., 2012).

We offer new insights into our understanding on SMFE internationalization by introducing the concept of embedding derived from social network theory is suitable for these firms because of the distinct nature of these firms.

RESEARCH CONTEXT

The family is the original economic unit, and from it are derived all other economic organisations (Schulze & Gedajlovic, 2010). As recently as the start of the 20th century, all businesses were family-owned: the presence of the family in the business was taken for granted, and there was thus no need to label a business as a family business. The world has changed dramatically since those times, not least because of globalization, but family enterprises are still of great importance to any economy. They account for an important proportion (on average 40–50% of all jobs) in European private employment, and they reinvest profits responsibly, preferring equity as opposed to debt financing.

Although often neglected both in societal and academic discussions and in measures taken, family enterprises actually form the majority of all firms around the world: 60–85% of all the firms in the EU and the USA (EFB, 2012) and an even a greater proportion in the developing countries, are family-owned. Furthermore, they account for an enormous percentage of the employment, the revenues, and the GDP of most capitalist countries (EFB, 2012; Shepherd & Zacharacis, 2000). FBs tend to act as responsible owners because of their long-term strategy towards stakeholder interests, including employees, customers, shareholders, and local communities. Furthermore, family values are strongly passed on in FBs, exhibiting a high sense of social responsibility. It can also be claimed that FBs act as natural incubators of an entrepreneurial culture, fostering the next generation of European entrepreneurs.

Studies on *family enterprises* have highlighted the distinct features of family enterprises through findings on the intertwining of ownership, management, and the family. A recent theoretical notion has incorporated the notion of *socio-emotional*

wealth (SEW) endowment (Gomez-Mejia et al., 2011). SEW is related to the non-economic rewards that family owners may obtain from their businesses: it emphasises how a FB's actions may be affected by the socio-emotional concerns of each family member. Socio-emotional concerns are related to the affective value gained from a firm by family (Berrone et al., 200; Gomez-Mejia et al., 2010). It is composed of the effect of belonging, affect and intimacy (Kasper, 1983), i.e. emotional connections to the firm and identification with the firm and bonding social ties. Secondly, family values (Handler, 1990) are closely related to SEW as well as the fulfillment of family obligations and altruistic behaviour (Schulze et al., 2001). The renewal of family ties through dynastic succession (Gomez-Mejia et al., 2007, 2011) is certainly also related to SEW, but in addition, the satisfaction of external stakeholders, such as local society, suppliers and customer and employees makes part of SEW (Carney, 2000; Dyer & Whetten, 2000; Sharma & Sharma, 2011; Uhlaner et al., 2012). On the basis of this, also some features in the internationalization of family enterprises can be understood and explained through the SEW perspective, according to which the will to guarantee the SEW of the family enterprises always comes first in their strategic decision-making.

Finland is a small and open economy indicating that internationalization is an essential phase for enterprises to grow and even to survive. About 85% of Finnish enterprises are family-owned enterprises. Finland has a history with more than ten wars. The war debt put by the Soviet Union after the second world war had both positive and negative consequences: on one hand, the Finnish economy grew significantly, but, on the other hand, a big share of Finnish enterprises was able to export almost everything they produced to the Soviet Union, without considerable effort. This, on its turn, caused the fact that the collapse of Soviet Union and the deep recession in the beginning of 1990s had severe effects on the Finnish economy and enterprises. They needed to start

looking to a new geographical direction now at the latest. Joining the European Union in 1995 significantly facilitated internationalization for companies operating in Europe in special.

The 15 firms under investigation fulfilled the following criteria: (i) *Nationality/size/industry:* the firms were Finnish (Finland is a small and open economy in which internationalization is almost a necessity, and about 85% of Finnish firms are family-owned) with fewer than 250 employees at the time of the interviews (OECD, 2003), belonged to the manufacturing industry (typical for a family-owned industry, and minimizing the effect of industry in a cross-case comparison); (ii) *Ownership, management, and longevity as per the definition of a FB:* the firms were be family-owned, with the family controlling the largest block of shares or votes; also to have one or more of its members in key management positions, and to have members of more than one generation actively involved with the business (see Graves & Thomas, 2008; Zahra, 2003). All the case firms in this study were more than 90% family-owned, with at least two generations involved in running the enterprise (see Table 1); (iii) *Degree of internationalization*: the firm had at least 30% of its sales from abroad, either directly or indirectly, and to operate regularly in at least three foreign markets (FMs); (iv) *Intermediaries or subsidiaries as operation mode:* the firm had to have either its own foreign intermediaries and/or partners via whom products were delivered, or to own foreign subsidiaries, or to engage in a combination of these two (we excluded firms with only indirect exporting). The enterprises under study were operating in at least three foreign markets around the world (see Table 1), mainly in Europe and Asia.

Case Firm	% family ownership	Year of establishment	Generation(s)	Product	Start of internationalization	Three most important foreign markets (on the basis of sales %)	Operation modes abroad
A	90	1975	1st & 2nd	Linkage parts and rear hitches	1990s	China, India, Italy	Export via agents and subsidiary

B	100	1928	3rd & 4th	Profile structures and frames for windows	1920s	Norway, Sweden, Poland	Own exports and export via agents
C	100	1945	2nd & 3rd	Measuring equipment	1970s	North America (Canada & the USA), Sweden, Germany	Export via distributors and subsidiaries
D	100	1983	1st & 2nd	Sliding and folding door systems	1984	Sweden, Norway, UK	Export via agents
E	100	1995	1st & 2nd	Wooden design lamps	2000	Germany, UK, Sweden	Export via agents and distributors
F	100	1986	1st & 2nd	Hydraulic generators, power washers, and compressors	1989	Sweden, North America, UK	Export via distributors
G	100	1990	1st & 2nd	Machines and equipment for paper industry	2009	Sweden, Germany	Export via agents
H	100	1967	1st & 2nd	Machines for forestry and agriculture	1970s	Austria, Belgium, Norway	Export via agents
I	100	1952	3rd & 4th	Custom sawn timber products	1960s	Switzerland, Germany, France	Export via agents
J	100	1956	1st & 2nd	Protective gloves for firefighters	1994	Norway, Switzerland, Germany	Export via distributors
K	100	1976	2nd & 3rd	Clothing items	1993	China, South Korea	Export via subsidiaries
L	100	1965	2nd & 3rd	Electronic detection and control devices	1970s	Sweden, USA, UK	Export via agents
M	98	1953	2nd & 3rd	Boilers	1982	Sweden, Estonia, Norway	Export via agents
N	98	1966	2nd & 3rd	Filling stations, tanks and related systems	1980s	Norway, Poland, Sweden	Own exports or export via subsidiaries
O	100	1972	1st & 2nd	Transport packaging material	1980s	France, Germany, China	Production sites abroad and export via agents

RESEARCH APPROACH AND METHODS

We sought to provide insights into the process of international embedding through a qualitative, interpretive study (see Corley & Gioia, 2004; Gioia, Corley & Hamilton, 2012) and similarity-contiguity-analysis (Maxwell & Miller, 2008) on the international embedding of the experiences of 36 entrepreneurs in SMFEs.

Data Sources

Interviews. We conducted 36 in-depth-interviews in 15 small- and medium-sized family enterprises (SMFEs) with CEOs, international sales/marketing managers, ex-CEOs, owners, and other managers involved in international activities, most of them

entrepreneurs. These were the people who had the most in-depth knowledge on internationalization, such as current and previous CEOs, (international) sales managers, managers of governance, main owners, etc. The informants were asked to describe how the internationalization of the firm started and proceeded, especially from the perspective of networking. They were telling their stories freely, and we as interviewers mainly asked questions such as "Could you elaborate more on this/the importance/development of this network tie. How? Why? When?". To begin, neutral questions in relation to their personal background and history in the enterprise were asked. The case firms are from the manufacturing industry, have more than 90% of family-ownership and at least two generations involved in the management of the enterprise. Their products range from profiles structures for windows and measuring equipment to clothing items and design lamps. The companies mainly operate abroad via exports via agents or distributors and sometimes own sales subsidiaries and even production sites.

Archival sources. The open-ended interviews were the heart of this study, but we also used webpages, annual reports, brochures, email correspondence and magazine articles. The archival data was used to complement the interview data to have a good overview picture of the evolvement of internationalization and international networks of the firm.

Analytical Approach

We combined Gioa approach with the content analysis combining similarity and contiguity introduced by Maxwell and Miller (2008). The similarity / contiguity approach was originally initiated by Hume (1978) defining that ideas might be

associated in three ways: by *resemblance (similarity)*, *contiguity* in time and place, and *cause and effect*.

Our analysis started with going very close to the interviews and strongly adopting the informants' views to create *first-order categories* (see Gioia, Corley & Hamilton, 2012; Langley, 1999; Lincoln & Guba, 1985; Locke & Golden-Biddle, 1997). In this stage, we faithfully adhered to informant terms and made little attempt to distill categories. The number of categories was 230, but according to Gioia (2004), it is important to get lost in this stage and have an overwhelming number of categories.

In the lines of Maxwell and Miller (2008), we then started looking for similarities and differences among the many categories, reduced their number to 22 and gave these categories labels or phrasal descriptors, becoming our 1st order concepts. This phase was related to similarity / difference approach by Maxwell and Miller (2008), but not on the basis of cases, but the over all experiences of the managers interviewed. Finally, we created altogether 6 *2nd order themes* but this was a process of altering in between similarity and contiguity analyses looking for actual connections between things, like suggested by Maxwell and Miller (2008). In this stage, where we as researchers thought at multiple levels simultaneously. Along the lines of Gioia et al. (2012), we then still further distilled the emergent 2nd-order themes into three *aggregate dimensions*, together forming our data structure presented in Figure 1. In the end, we formed a model for the process of embedding in an international context and noticed that also some cause and effect relationships emerged (see Hume, 1978) in relation to SMFEs continuing after the initiation and selection and adding social layers and trust development phases to two different directions, one leading to beneficial and the other one to harmful international embeddedness. Like recommended by Maxwell and Miller (2008) looking for similarities and differences, and contiguity analysis were indeed not

used sequentially, but we alternated in between them (Maxwell & Miller, 2008) and we unintentionally also ended up with some insights about potential cause-and effect relationships (see Hume, 1978), although we had not an intention to compare the 15 cases in between each other, but to concentrate on emerging findings in a holistic view.

Figure 1 below describes the findings emerging from the dataset, including the 2nd order themes and aggregate dimensions. In the following, we will go through the findings more in detail, following the order of Figure 1.

1st order concepts

- I met him by coincidence in an airplane
- The big customers in Finland have initiated our international ties
- My father goes regularly to trade fairs in Central Europe
- I packed the family into the car and drove to Germany
- We have created the network ties ourselves
- We prefer other family companies with similar values
- It is so important that you can trust the agent

2nd order themes

Initiation and selection

Aggregate Dimensions

Initial international embedding

- We went to Lapland for snow, reindeer, and Santa Claus
- The more you are in touch socially, the closer the relationship will be
- We attended the wedding of his daughter in China
- We bring the agents together
- They should not be left alone
- It's daily emails, phone calls, and web-meetings

Adding social layers and trust facilitation

Developing international embeddedness

- We have had serious fights because of their dishonesty
- Our Norwegian customer guaranteed a huge loan for us
- You feel like we're one family, a xx family

Emotional intensity

- We meet up with them every now and then, mainly in trade fairs
- We do not give a specific role to any of our agents

Network maintenance

- They ask us to come there often, they like it so much, socializing is so important for them
- We helped the Japanese agent over his divorce
- We have had the same agent for almost 100 years

Over-embeddedness

Exhausting or beneficial international embeddedness

- I added 15 markets within three years after taking this over - It's about having a suitable mix of networks and ending problematic ties
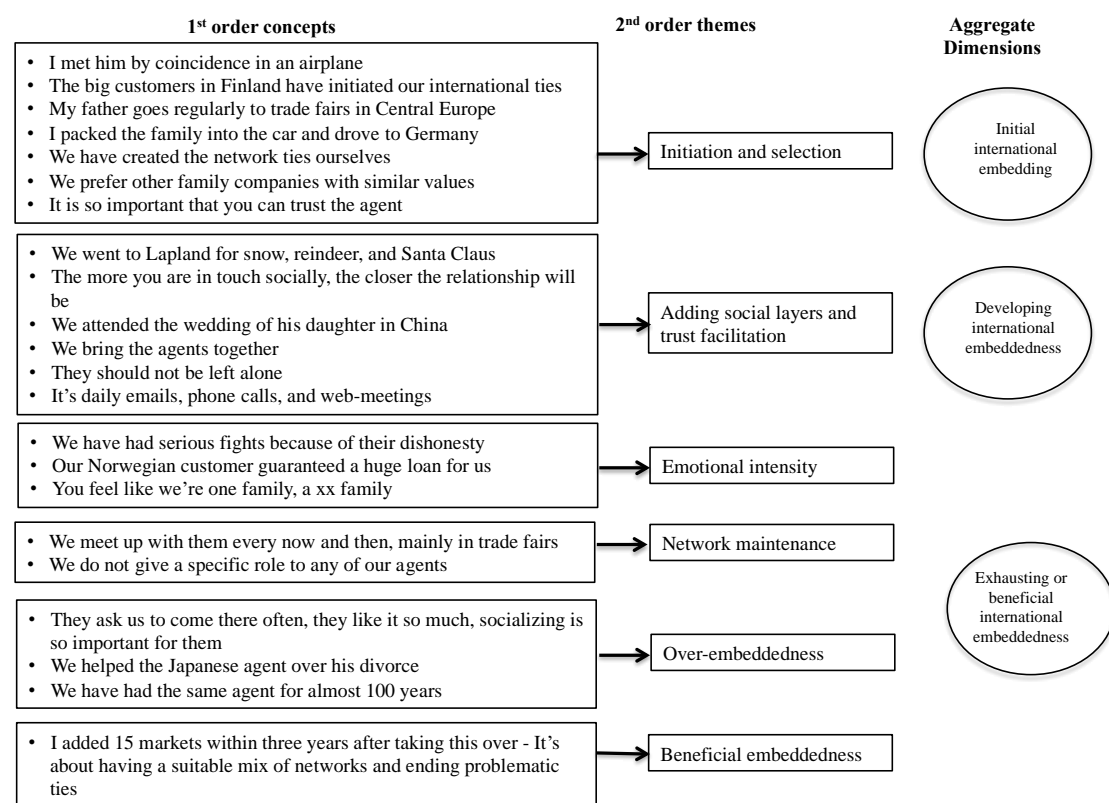
Beneficial embeddedness

Figure 1. Second order themes, first order concepts and aggregate dimensions.

EMERGING FINDINGS

Table 2 below illustrates the emerging empirical categories formed on the basis of the themes with illustrative quotes related emerging from the data, organized around concepts from the literature.

Initiation and selection	Adding social layers and trust facilitation
I met him by coincidence in an airplane (Unintentional initiation) "We have found the best agents so that **they have contacted us**. I believe that that's the way to get the most motivated people." "I must say that **the best international network ties we have contacted us**, the initiative has come from them." "The best **agents have approached us.** If they have a genuine interest in the product, then they really are stronger." "Our internationalization started when an Austrian entrepreneur who was visiting another company in Finland saw our logo and asked who we are and then **contacted us**. We then said that why not, you can start acting as our agent."	***We went to Lapland for snow, reindeer, and Santa Claus*** "**We take him to the archipelago**. We have summer villa there and a boat and such." "Last Winter we went **downhill skiing in Chamonix**. And we also had customers with us." "We go **hunting in the Austrian woods** each time I visit them." "We took a **helicopter flight and also drove their jet.** They want to offer special experiences while we visit them." "Practically **we drink wine around the clock.** That's how it is there (in Austria)."
The big customers in Finland have initiated our international ties (Unintentional initiation) "The **big customers in Finland have initiated our internationalization**. They were using our measuring equipment in their products and sold them extensively abroad. It had created us a good reputational base to start our own exports." "Our **big Finnish customers gave us really good references**. We were able to create the first direct international sales via them." "We had really **good references from our Finnish customer and they helped us in forming the network of agents**. It is very expensive to travel abroad and create network ties on your own and I see the building of a network of agents is the only possible way to act." "We ask our **existing agents whom they would recommend** in the new market areas. It usually works really well."	***The more you are in touch socially, the closer the relationship will be*** "**When we meet, it's social.** We actually take care of all the business negotiations on the phone and via email." "Social, personal relationships are so important. It influences hugely if you **know the person and are in contact with him/her also in relation to other than just business matters**. That's the way to get things going." "Although the agents are there to take care of networking, **they want to see the source too**. I believe it is important for them (foreign customers) to have the faces **and interact with us also in the free time**." "We discuss everything in relation to the enterprise, **family, interests and such.** Then it becomes a close relationship." "You really need to create the relationship on many levels. It is not only about sitting in the negotiation room and discussing business. It is **about learning to know all sides of that person and then it is easier to do business, too**." "They (in China) are so grateful for visits. **It is so important for their and our business to meet them in person**."
My father goes regularly to trade fairs in Central Europe (Semi-intentional initiation) "I had my **own tiny stand there** (in Stockholm) and got few small deals there and found this Swedish agent who then created sales for us there." "We attend the **agent days** in Finland. That's where we have found most of our agents. The last one we found for Saudi Arabia."	***We attended the wedding of his daughter in China*** "We attended the **wedding of the daughter of our agent**. For them it is very fancy to have foreigners in the wedding. It was a question of status for them." "We for example attended a 50-year **birthday party**." "In France it is important to have **long lunches** with wine. For them, a Finnish efficient engineer

"The international sales started only in the 1990s after **I found good people in European seminars of the industry** to start sales subsidiaries in Sweden and Denmark for us." "Sometimes we start by putting an **announcement in the newspaper**."	working from eight o'clock in the morning until six o'clock in the evening is not the thing. **They want to see you sober, drunk, tired, in the morning, in the evening and only after that they could start discussing business**." "We have **evening celebrations** with the whole staff about twice a year."
<u>**I packed the family into the car and drove to Germany (Intentional initiation)**</u> "I went and **lived two years** in Central Europe to develop new and old network ties." "**I take my mum with me** since she is good at speaking English and Swedish. Well, mum was then there in the meetings and sometimes if she did not make it, we hired an interpreter."	<u>**We bring the agents together**</u> "We bring the agents together. The agent days, they were not based on bribing or anything like that, but on **having fun together and trusting each other. Seven days and eight saunas**. But now these guys do not have time to come to Finland anymore and it has been reasonable to start organizing the agent days in warmer environment closer by. Last time we were in Madrid."
<u>**We have created the network ties ourselves (Intentional initiation)**</u> "We just collect addresses, insert them to the navigator **and just drive into their front yards**, go and demonstrate our products and leave samples out there." "We bough an **old library car** and **drove around Europe and USA** in it. We drove directly to factories where we were able to show our equipment directly to end-users. They were quite surprised seeing a car with Finnish register plates. It was cheap and we were able to drive it. Oh, we could write a book about the experiences during those two years in the USA."	**They should not be left alone** "We call each other almost every day." "We try to anticipate on the basis of the past what can be annoying to them so that we can totally avoid those mistakes." "You need to treat them quite differently. For example **you cannot be working efficiently** from 8 o'clock in the morning until 6 o'clock in the evening. You need to have **long lunches** with them. You need to understand their **different thoughts about schedules**. An that they for example shout on the phone is not so dangerous, they just have such a **different temperament**."
<u>**We prefer other family companies with similar values (Selection)**</u> "**I do not see I could negotiate with any other businesses than family businesses**. Listed companies, we do not want to have anything to do with them, since they do not serve the thing why companies exist in the first place." "When looking for an agent, we do not look for a big company, because we cannot be significant for a big company and that means they will not out emphasis on marketing us. The company needs to be of a **pretty similar size and type**." "At the best, you can choose from a couple of alternatives. We always select the one who has **values** similar to us."	<u>**It's daily emails, phone calls, and web-meetings**</u> "It's **constant emailing**." "It needs to be nice and funny, each time when we change emails. **A similar type sense of humor even in daily communication**." "For **price and quality negotiations one might use Skype, Lynx and such**." "We direct all the requests to them, they can **trust** we do so and do not pass behind their back." "I **go through their quality documents** whenever I visit them." "We try to **avoid problems**. We aim to have an appropriate level of quality. Too high quality causes too many costs and makes us loose competitiveness, it needs to be just above what they want."
<u>**It is so important that you can trust the agent (Selection)**</u> "It is about chemistries in between people. My stepmother and the British agent, they just thought so similarly about things. Although my stepmother has passed away and the	"It is very important to invite them over to Finland to tell about our operations to avoid misunderstanding. **We tell what we have done and why we have certain prices, when you can get it cheaper from elsewhere.** If you do not explain these to the new persons, they might

*British agent is retired since many years, the strength of their relationship has been shifted to the following generation, us. The personal relationship with them, well I have known them for more than 20 years, too, is based on **very good personal chemistry** and we are both family enterprises and have **similar values and a high level of trust**. Trust has been deep and it still is and you know they think in the same way."*

*"**We trust the gut feeling**. We had three alternatives: one who presented almost all Scandinavian trademarks and who was funny and praised a lot by other people, but we thought he had already too much to do. The second one with a decent background, **but we just did not find any connection to him**. Then there was a Finnish woman with no experience from the industry or acting as an agent, but **we just had a gut feeling she was right kind of person for us and we selected her**."*

"We have a similar sense of humor."

*"The best relationships are best of **friendship and warmth** and they also observe **our rights** in the market by reporting to us if they recognize any copies of our products and **they do for us as much as they ever can**."*

*"The best agents **have good network ties**. Our best agent has got us inside a big operator in Germany and via that link we have been able to sell components to other market of that company, too."*

*easily misinterpret when looking at the figures in a wrong way. You need to be really active for a while in **sharing the silent knowledge** to the new customer."*

*"**I ask them what they want and change the product accordingly**. I always go to the production site and ask, observe and discuss how many mistakes they have and look at the statistics, too."*

"We conduct the regular work with them."

*"We are **flexible with price negotiations**."*

*"We are ready **to discuss** any offers with them (agents) **whenever they need help and support**."*

*"**It does not take time from us to do the changes. They just need to call us and we change it**. That's an important strategy we have been able to keep important customers."*

*"We helped the new agent by **giving full support** for let's say 1,5 years. We transported them the **equipment free of charge** once a week. If the agent did not do well after it, the contract was ended."*

Emotional intensity	Network maintenance	Over-embeddedness	Beneficial embeddedness
We have had serious fights because of their dishonesty *"We have had serious fights because of their dishonesty. **They said they had paid, but there had not been even an intention to pay**. He is an alcoholic and his father has not even given the permission to use the bank accounts, although the succession took place for many years ago.*	***We meet up with them every now and then, mainly in trade fairs*** *"We meet up with them every now and then, mainly in trade fairs. They are doing their share and know what to do. They get decent profits and do not need so much motivation from us and we would not have time for it, either."*	***They ask us to come there often, they like it so much, socializing is so important for them*** *"Yes, we go there often. They ask us to come often, they like it so much, socializing is so important for them. They want us to see their grandmother and attend the birthday parties and be part of their family."*	***I added 15 markets within three years after taking this over - It's about having a suitable mix of networks and ending problematic ties*** *"I added 15 markets within three years after taking this over from my father. Since I took over, **we have had a very strategic approach in relation to networking, considering where we have sales***

			subsidiaries, agents, production, etc. and we also attend trade fairs apart from our own search for partners. When my father was the CEO, I went and lived in Central Europe for a couple of years to strengthen the network ties. **And to end the ones which were not beneficial for us**."
*The previous generation was much better but **now this is quite awkward**."*			
<u>*Our Norwegian customer guaranteed a huge loan for us*</u> *"Our Norwegian customer guaranteed our loan when the Finnish banks would not do it. It was quite unique. Otherwise, we would not have been able to invest. This is the best customer we have. And they also agreed to buy from us for four years minimum when signing the loan guarantee. My father created this customer already in the 1920s."*	<u>*We do not give a specific role to any of our agents*</u> *"We do not give a specific role to any of our agents. We have selected the opposite export strategy than recommended by the consultant and practiced by other companies. It is based on a **multi-channel approach**."*	<u>*We helped the Japanese agent over his divorce*</u> *"We **helped him a lot during his divorce**, both mentally and financially. And can day he would never even consider working for some one else than us."* *"You need to serve them (Chinese cooperators) in any need. He might call that he needs a **container of French wine** from this and this year."*	
<u>*You feel like we're one family*</u> *"You feel like we are one family. We have fun together, we share both personal and business matter, we have a strong feeling of belonging together, just like in a big family. This has required time and we have needed to be trustworthy and fair and find trustworthy partners with similar kinds of values."* *"You feel **like we are one family**. **We share everything and it's very open in all the ways**."* *"We have had really difficult times. Both with **our foreign partners** and the market. But we **just try to cope with it**."*		<u>*We have had the same agent for almost 100 years*</u> *"We have had the same agent for almost hundred years. **My grandfather initiated it and my father continued with them**. Although our product changed when I came, we still continued cooperation."* *"**Most relationships are very longitudinal**. We have had the same customers from the beginning, for more than twenty years. Some of them might leave us for a while, but then they actually come back.."*	

Table 2. Emerging findings and themes with quotes.

Initiation and Selection

Our findings indicate that the process of international embedding among SMFES started in the form of initiating and selecting suitable partners to start it with. This was due to the fact that none of the entrepreneurs among 15 SMFEs had ready-made *very own* international network ties applicable for the execution of foreign sales. The data showed the managers had *different levels of intention into international networking* and it seemed to be meaningful. Accordingly, we formed three different groups in relation to initiation of the foreign network ties. If the entrepreneurs merely reacted to an initiative from outside, the activity was regarded as *unintentional* if (s)he did something in order to internationalize (for instance attended international trade exhibitions or used the network ties of their existing customers, but rather as ready-made contacts with a neutral than proactive approach), the activity was regarded as *semi-intentional*; if the SMFE proactively looked for networks in order to internationalize, with plenty of own activeness, the activity is regarded as *intentional*.

Unintentional initiation: I met him by coincidence in an airplane - The big customers in Finland have initiated our international ties. 4 out of 15 SMFEs were unintentional in their approach to networking. The entrepreneurs regarded to be unintentional in their approach to international networking either reacted to unsolicited requests and then moved on to irregularly attending trade fairs, piggybacked on bigger domestic *companies* or were drawn to international markets via a development project in their neighboring country, e.g. Sweden. The entrepreneurs mainly reacted when they were contacted instead of they contacting potential partners themselves. Sometimes a true coincidence launched the embedding process and proved to be of extreme importance also in future international networking elsewhere, through his networks. Some entrepreneurs were able to gain their first international network ties by

piggybacking their big domestic, globally operating customers.

*"**The big customers in Finland have initiated our internationalization**. They were using our measuring equipment in their products and sold them extensively abroad. It had created us a good reputational base to start our own exports."*

Alternatively, and when entering new foreign markets, they have asked from their exiting agents and customers whom they would recommended as agents and / or customers in new foreign markets.

"Our reputation with some key customers has created new customers. They have spread the word of our quality and way of working."

Semi-intentional initiation: My father goes regularly to trade fairs in Central Europe.

The cohort we classified as semi-intentional was the largest in size (seven SMFEs), being that the main focus to international networking among these entrepreneurs has been in attending trade fairs or taking advantage of the indirect networks offered by their domestic customers. Several entrepreneurs among SMFEs mentioned the trade fairs as a very important context to find international network ties.

"My father goes regularly to trade fair in Central Europe. He did not have a department of his own, but was there together with an agent."

Also seminars, newspaper announcements or the usage of recruitment companies were used as an approach to find suitable network ties abroad, although they were not always regarded as very useful:

"We have used the help of some recruitment companies abroad, but it did not prove out to be very useful. You need different types of profiles abroad from what you need in Finland."

Intentional initiation: I packed the family into the car and drove to Germany - We have created network ties ourselves. The four SMFEs with an intentional networking approach built international networks themselves by contacting suitable customers and agents abroad from their domestic headquarters after carrying out searches via Google

and various registers; attending the international seminars of the industry; strengthening the network ties gained at international trade fairs by living in the area and regularly meeting cooperators and customers. In the case of some companies, network selection was not the matter of a entrepreneur but of the whole family or of a longer intentional stay abroad. One entrepreneur travelled to Central Europe with the whole family to develop new international network ties during the collapse of their whole international demand during the recession in the 1990s, whereas another compamy used the logic of sending the representative of the next generation to live abroad.

"I packed my family in the car and we drove to Germany to establish new agents, since we had lost the whole market due to recession."

The most active entrepreneurs indeed did not only network by coincidence or events and contexts organized by outsiders, but actually went physically to desired foreign markets and visited potential customers and agents via their own car or they even bought a library car for that reason:

*"We have created network ties ourselves. **We hire a car and drive around, meeting people** and showing our products and raising their awareness. When we have done 15 customers a day, then I think it's been a good day."*

Selection: We prefer other family companies with similar values - It is so important that you can trust the agent. It was emphasized by several entrepreneurs among the SMFEs that cooperation with other family-owned firms was most convenient for them and that is why they looked for other family companies with similar values for their new agents, too:

*"We prefer other family companies with similar values. **I could actually not imagine cooperating with other than family-owned companies**. Other companies just exist for totally different reasons. Family firms have very different values. **Owner values**. They have their **own money invested** and do not just play with some one else's money, loosing totally the innovativeness at the same time."*

When selecting the network ties, the ability trust and an instinct or a "gut feeling" was important for the entrepreneurs interviewed. Also the networks of the network ties sometimes mattered:

*"It is so important you can trust the agent. You can trust what this other person is doing and that they support our view and have the same motive. **Even though some one looks good on a paper, if it does not feel good then just do not start anything, because that choice will have bad consequences in the long run**."*

Adding social layers and Trust facilitation

After initiating the business network ties, the entrepreneurs among SMFEs seemed to intensely develop them into social network ties. We named this as a phase of adding social layers and trust facilitation (see also Hite, 2005) and this was common for all the SMFEs.

*****We went to Lapland for snow, reindeer, and Santa Claus.***** The entrepreneurs emphasized that they went on to doing many interesting, culture-specific things both in Finland and their target markets to develop the social side of the relationship, by e.g. visiting Lapland or the archipelago, downhill skiing in the Alps or hunting in Austrian woods:

"We went to Lapland for snow, reindeer and Santa Claus. And then in the summer we show our night less nights, lakes and summer villas."

The more you are in touch socially, the closer the relationship will be. The entrepreneurs among SMFEs strongly emphasized the meaning of the social side of the network ties, stating that face-to-face meetings were mainly for the social side of the business:

"The more you are in touch socially, the closer the relationships will be. We actually do not go abroad for business, but to learn to know these people."

The entrepreneurs explained that the social side indicated they wanted to learn about all the sides of the persons and that the social side was especially important in Asia:

"In Asia, the importance of social side of relationships is still higher. In Europe it is a bit more related to showing of the product."

We attended the wedding of his daughter in China. In addition to spending free time in a rather neutral environment, the entrepreneurs in the SMFEs also attended family events abroad, such as a Chinese wedding of the daughter of their agent or birthday parties.

"We attended the wedding of the daughter of our agent. For them it is very fancy to have foreigners in the wedding. It was a question of status for them."

In addition to entrepreneurs and their families, sometimes the whole staff was included in the social leverage, such as dinners and long lunches.

We bring the agents together. A further approach to adding social layers was bringing the agents from different markets together to make them interact in between themselves in addition to the entrepreneurs of the SMFEs.

"We bring the agents together. The agent days, they were not based on bribing or anything like that, but on having fun together and trusting each other."

They should not be left alone. Some entrepreneurs brought up that the Finnish way of speaking only when there are facts to be spoken about was not suitable and they emphasized the need to be in contact every day to ask how they (the agents) were doing:

"They should not be left alone or they feel we do not care. They need to be contacted every day."

Although most entrepreneurs felt that there is just one culture, especially in Europe, they still think thought they need to be treated differently and they also consider whom in the company would be the most suitable person to be in contact. One way of building trust was helping with the quality control also on the side of the customers, that way

also learning to avoid problems they might have with them and which could decrease trust in between them.

It's daily emails, phone calls, and web-meetings. In addition to addition to face-to-face meetings, most entrepreneurs emphasized the importance of regular phone calls, emails, and web-meetings in between, but admitted that personal meetings still played the major role in their network maintenance.

"It's daily emails, phones calls, and web meetings. If you discuss technical details, it is okay to have a web-meeting, but if you discuss the deal, then you need to be sitting face-to-face."

Some of the entrepreneurs among SMFEs mentioned that they wanted to work together with the customers and agents in addition to being very open about all the processes in the company. We regard this as an important aspect in trust building:

*"The best situation is when **the customer asks us** about some opportunity and **we then see together how to implement their idea**. We then have a premium position. We take their hopes into consideration but can plan the product so that it is suitable for our production. It is an ideal situation."*

The entrepreneurs among the SMFEs indicated that they were ready to support their international cooperators whenever help was needed and to have good relationships, they were ready to be flexible with the price negotiations, product finalization and development and they wanted to support the agents for a significant amount of time:

"We are ready to discuss their questions whenever they need help. We are there to support their sales."

Emotional intensity

The data showed that most entrepreneurs among SMFEs showed features of emotional intensity, most probably related to their emotionally strong culture mixing family,

ownership and business inside their own company. It showed both highly positive and somewhat negative features.

We have had serious fights because of their dishonesty. Based on a very long-term relationship, the case firm continued to cooperate with this agency despite all the untrustworthiness.

"We have had serious fights because of their dishonesty. They said they had paid, but there had not been even an intention to pay."

The emotional intensity emerged via feeling like one family with their network of distributors, great help from customers, fights with cooperators, which did not lead to ending the relationship and visiting the cooperators often since they liked it so much.

Our Norwegian customer guaranteed a huge loan for us. The emotional intensity was also emerging due to a great helping hand from a foreign customer, which enabled one of the SMFEs to exist and grow. This seems to be a very unique feature among SMFEs with long-enduring relationships:

"Our Norwegian customer guaranteed our loan when the Finnish banks would not do it. It was quite unique. Otherwise, we would not have been able to invest. This is the best customer we have. And they also agreed to buy from us for four years minimum when signing the loan guarantee. My father created this customer already in the 1920s."

You feel like we are one family. In some of the case companies with good agent ties, the entrepreneurs said they felt so close to their agents that they felt they are a big family, who has a very good time when spending time together.

"You feel like we are one family. We have fun together, we share both personal and business matter, we have a strong feeling of belonging together, just like in a big family."

The emotional intensity was perceivable also on the intense feelings of an entrepreneur who was afraid their company might end in a bankruptcy and felt that he would need

to move to a totally new country because he would then betray not only the Finnish but also their foreign cooperators.

"We have had really difficult times with the agents and the market overall. I would need to move abroad if this went bankrupt and we betrayed them. Everybody in Finland but also abroad."

Network maintenance

Among four informants (from two firms), emotional intensity in relation to collaboration with the foreign network ties was not perceivable, but they rather concentrated on maintaining the network ties and being equal to each of them.

We meet up with them every now and then, mainly in trade fairs. In these two SMFEs, the network ties were not so intense and emotional, but the entrepreneurs rather met with the agents and customers mainly in the context of other events or via visiting them sometimes, but on a more neutral level.

"We meet up with them every now and then, mainly in trade fairs. They are doing their share and know what to do. They get decent profits and do not need so much motivation from us and we would not have time for it, either."

We do not give a specific role to any of our agents. One SMFEs had a quite different strategy from all the other SMFEs, executing a strategy they called a multi-channel approach, in which no agent is given a special role, new ones are constantly given a chance, and the network ties remain on a rather neutral level without a clear social element.

"We do not give a specific role to any of our agents. We have selected the opposite export strategy than recommended by the consultant and practiced by other companies. It is based on a multi-channel approach. We never think that if there is a good agent in some area that we would not recruit another one there. We constantly create new agents and customers. We have done it by travelling abroad, from door to door and by attending many other networking events and also by reacting to requests from interested agents and customers."

Over-embeddedness

Our emerging findings demonstrate that most SMFEs might have become too embedded into their international network ties. The entrepreneurs told how they have helped their agent over divorce, shipped European wine to China and carried on with cooperation in spite of huge difficulties.

They ask us to come there often, they like it so much, socializing is so important for them. The entrepreneurs have given a lot of effort to the social side of their international network ties, devoting much more time for visiting their Chinese cooperators than they would like to, since it seemed to be so important for their cooperators and they wanted to please them.

"Yes, we go there often. They ask us to come often, they like it so much, socializing is so important for them. They want us to see their grandmother and attend the birthday parties and be part of their family."

We helped the Japanese agent over his divorce. The over-embeddedness was manifested in feeling such a big commitment and care for their Japanese cooperator they intensely helped them in his divorce, devoting a lot og physical and emotional energy to it, but on the other hand, it increased his commitment to the SMFE. Over-emdeddedness to certain agents and customers was visible also for instance by servicing their agents in totally other needs than business issues, such as providing them with high-quality European wine. One of the entrepreneurs described that they just could not end cooperation with their Austrian agency, although everything was upside down there.

"It has been really demanding. Our previously excellent agency had turned into chaos. But what can you do, they have been our partners for such a long time and we do not have anyone else there. And what would the father say if we just ended the cooperation."

We have had the same agent for almost 100 years. The over-embeddedness showed also in the form of keeping the same international collaborators year after year and generation after generation, although there were disagreements and decreasing or non-growing sales levels on the background. Most entrepreneurs had changed their agents if a successor was not found and there was nobody to cooperate with anymore. The entrepreneurs among SMFEs revealed that it was very rare that their customers or agents would leave them or if they did, they would come back. The SMFEs tended to change agent only if the agency stopped to exist, i.e. when the initiative came from outside.

*"**We only change agent if the agent does not find a successor**. A couple of times there have not been a successor and we have needed to find a new one. And then a couple of times the agent left us in a very early phase already when the product was not suitable for their product range."*

Beneficial embeddedness

I added 15 markets within three years after taking this over - It's about having a suitable mix of networks and ending problematic ties. The two SMFEs which had not experienced any bigger emotional intensity, but had concentrated on a rather neutral network maintenance ended up in a situation where their network was constantly growing, with new subsidiaries or agent relationships being formed, and all of them remaining on an appropriate level, but not aiming at a maximum trust and commitment. Hence, they were also ending some not so fruitful relationships. This enabled an intense formation of new network partners, like expressed below:

*"I added 15 markets within three years after taking this over from my father. Since I took over, **we have had a very strategic approach in relation to networking, considering where we have sales subsidiaries, agents, production, etc. and we also attend trade fairs apart from our own search for partners**. When my father was the CEO, I went and lived in Central Europe for a couple of years to strengthen the network ties. **And to end the ones which were not beneficial for us**."*

A GROUNDED MODEL OF INTERNATIONAL

NETWORK TIES GETTING EMBEDDED TO THE FAMILY STRUCTURE

The emergent model of international embedding (see Figure 2) revolves around the practices, phases, and outcomes of getting embedded for internationalization.
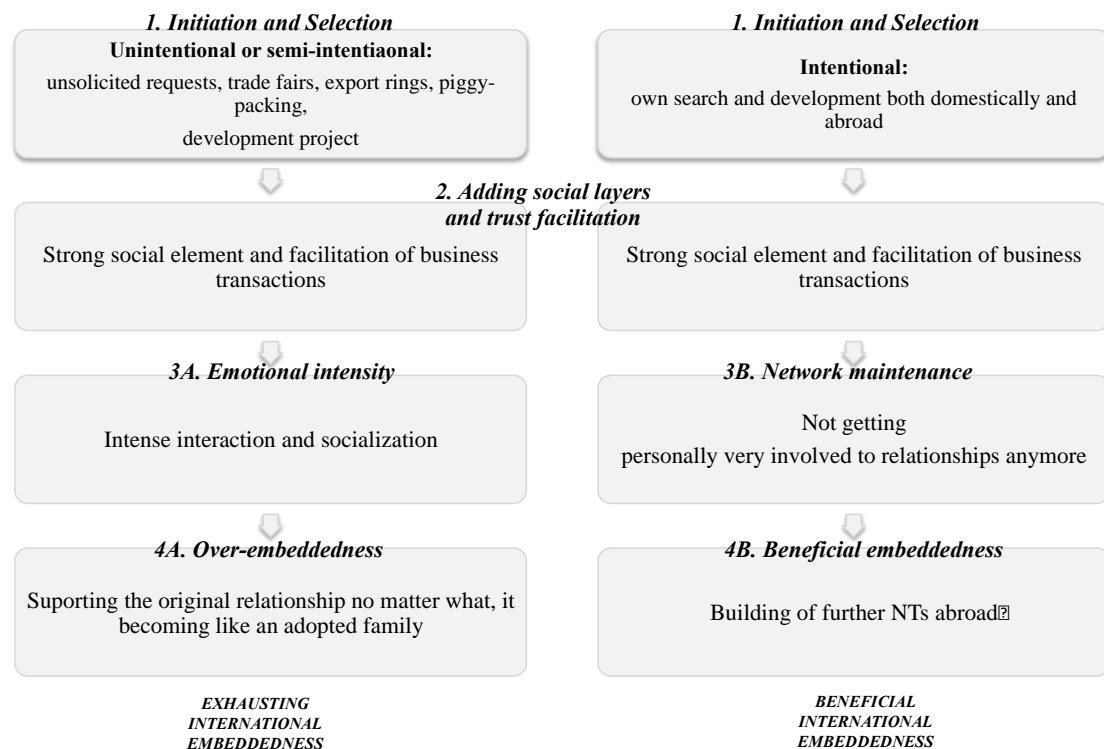
1. Initiation and Selection	*1. Initiation and Selection*
Unintentional or semi-intentiaonal: unsolicited requests, trade fairs, export rings, piggy-packing, development project	**Intentional:** own search and development both domestically and abroad
⬇	⬇
2. Adding social layers and trust facilitation	
Strong social element and facilitation of business transactions	Strong social element and facilitation of business transactions
⬇	⬇
3A. Emotional intensity	*3B. Network maintenance*
Intense interaction and socialization	Not getting personally very involved to relationships anymore
⬇	⬇
4A. Over-embeddedness	*4B. Beneficial embeddedness*
Suporting the original relationship no matter what, it becoming like an adopted family	Building of further NTs abroad
EXHAUSTING INTERNATIONAL EMBEDDEDNESS	***BENEFICIAL INTERNATIONAL EMBEDDEDNESS***

Figure 2. Model for embedding process among internationalizing SMFEs the vertical line referring to strength of ties and the horizontal on time.

Viewed over time, the networking among SMFEs seemed to have the following characteristics, with certain phases tending follow each other:

(i)   We were able to depict unintentional (unsolicited requests, irregularly attending trade fairs, piggy-packing, development project), semi-intentional (trade fairs, piggy-packing, export ring, own search) and intentional

approaches (own search and development both domestically and abroad) to international networking among SMFEs. The various ways of initiating and selecting network ties can be called the phase of *1. Initiation and Selection.*

(ii)   The SMFE network rapidly became more strongly embedded, also in relation to newly established network ties, with efforts to develop trust with the foreign network ties as quickly as possible and strong social interaction; this can be called the phase of *2. Adding social layers and trust facilitation.*

(iii)   We discovered that 13 of the 15 SMFEs continued social interaction with the network ties, with the aim of making them feel like extended family, this often leading to frustration when trustworthiness or sales were not on a desired level. This could be called the phase of *3A. Emotional Intensity*. However, two out of the 15 SMFEs did not get personally more deeply involved, but took care of their network ties when needed, called as an alternative phase to 3a, namely the phase of *3B. Network maintenance.*

(iv)   In 13 out of 15 SMFEs the support and loyalty to original collaborators, further continued, indicating personal involvement in the personal lives, such as divorces or desires of their international collaborators, with the habit of having all the collaborators as a extended family, exhausting the SMFEs in their embeddedness and willingness/desire to add any new network ties or markets, called the phase of *4A. Over-embeddedness*. In 2 of the 15 case firms, the relationship with the international collaborators remained on a more distant level and the range of network ties was expanded to bring new agents into both existing and new foreign markets. Also, problematic ties were terminated. This could be called the phase of *4B. Beneficial Embeddedness.*

In this study, we extend the model by Coviello (2006) by investigating the international networking of SMFEs over time. The SMFEs using big domestic customers to initiate internationalization had a somewhat similar starting point as the INVs studied by Coviello (2006). However, the INV network is typically highly international, and the SMFEs had only some indirect ties abroad. Most SMFEs had no existing network ties at all to rely on to internationalize but needed to trust intermediary organizations (see Kontinen & Ojala, 2011), export rings, unsolicited orders. Our findings are in line with Child and Hsieh (2014) about SMFEs having a reactive decision mode in networking activities, although we had two counter-examples. Hence, SMFEs overall had a rather different pattern from INVs in launching internationalization.

The further development of international relationships differed even more from the INVs studied by Coviello (2006), since in all the SMFEs, network ties became social ties right after they were initiated and the strong social aspect remained there in the case of the majority of the SMFEs. The desire to have strong ties prevailed in the international networking behavior of most SMFEs – only two SMFEs were not trying to push their medium ties into strong ties. In contract to INVs studied by Coviello (2006), among SMFEs the network rarely expanded or became much more complex with time, but the SMFEs relied on the same relationships throughout the years and only looked for new partners when the previous one died or when they needed to enter a new foreign market to increase sales.

In relation to our contribution to family networking literature, we depicted that family managers were not very rational decision-makers, in the sense that they were burdened by emotional connections to the firm, and family values (Banalieva & Eddleston, 2011; Hewapathirana, 2014). The study is in line with Arregle et al. (2007)

on that the relationships between SMFEs and their network ties were more lasting and were less motivated by purely economic motives (Arregle *et al.*, 2007; Miller *et al.*, 2009). However, we were able to see two counter-examples who were able to keep emotional connections to the firm away from their networking outside of the firm.

The willingness of SMFEs to possess (solely) strong foreign network ties and tolerate the relationships no matter what seemed to lead to exhausting embeddedness, where the SMFEs had no ability to strengthen the existing ties further, end them or build new ties in the foreign markets. Most SMFEs treated their collaborators as family members, the international relationships becoming their adopted, extended family. Trust was an essential lubricant here. This might be related to the strength of SEW inside the SMFEs: the more the entrepreneurs identified themselves with the firm and wanted it to proceed to the future generations, the stronger international network ties were desired. The SMFEs with less intention to keep the firm within the family were able to keep weaker ties. SEW, hence, became a mechanism explaining the essence of networking among SMFEs. This adds to the findings by Salvato and Melin (2008) and Jack (2005) referring to strong internal social ties among SMFEs, and Musteen et al. (2010) pointing out how strong internal social capital could block links to new contacts, by demonstrating that the willingness of SMFEs to have strong ties resembling their family ties becomes a push factors in relation to foreign markets over time: it actually exhausts the ability of FB entrepreneurs to do any further networking, being that the situation where the network ties are not quite on a desired level, kind of paralyses the SMFEs. A more beneficial level of embeddedness was related to not too intense personal interaction with the international network ties after the initial stages, enabling the SMFEs also to build new network ties in the existing and new markets and end problematic ones.

Altogether, we claim that the willingness to be deeply embedded abroad was harmful for SMFEs, leading them to become exhausted and stuck to the same networks and foreign markets without any development, whereas a medium level of embeddedness created in the initial phases of the process of embedding and just maintained was related to beneficial embeddedness, enabling changes (development, ending, forming of new network ties) in the SMFE network. Our data demonstrates that the SEW considerations expand to the international network ties they have, their international networks becoming their extended family. FB's actions may be affected by the family members' socio-emotional concerns, significantly influencing their internationalization and networking activities. The family entrepreneurs feel the international network ties belong to their family and they are affected to them and have very intimate, actually too close and over-embedded, relationships with them. They even practice altruistic behavior towards their international network ties, supporting them in many personal and business matters and continuing their cooperation with them despite not so successful business. Also the renewal of family ties through dynastic succession reflects in their international embeddedness, being that they have continued cooperating with their original network ties over successions, although they were not always so successful. Furthermore, the satisfaction of end customers (Carney, 2000) and employees as well as the family members in their agency firms were important for the 13 SMFEs. The unusual devotion to continuity, tendency to nurture the community of employees very carefully and search for closer connections with customers and partners in order to sustain the business, and the extremely high level of trust within the organization (Miller et al., 2008; Salvato & Melin, 2008) were related to specifically deep embedding, leading to emotional intensity, over-embeddedness and

imprinting, which also have some negative influences on the management and maintenance of networks in SMFEs.

Our data demonstrates that the starting point of intentional internationalization with own search for networks was related to more beneficial embeddedness in later stages of internationalization, whereas an un/semi-intentional approach to networking seemed to lead to exhausting embeddedness in the later stages of internationalization. Altogether, the embedding actions were related to the SEW of the companies, indicating their will to have long-term, personal close, trustworthy, informal relationships with a strong human approach with other family firms and with as little risk as possible. This led to a exhausting embeddedness, i.e. the willingness to have high-level trust and commitment from both sides seemed to e.g. prevent the entrepreneurs from creating new ties and ending problematic ties, since they were solely able to concentrate on building trust and commitment without getting it. A more neutral and widespread networking approach (suitable levels of bridging of structural holes and building network closure) seemed to lead to more beneficial embeddedness, enabling ending and creation of network ties, new operation modes and increasing foreign presence.

REFERENCES

Bruton, G. D., Ahlstrom, D., & Obloj, K. (2008). Entrepreneurship in emerging economies: Where are we today and where should the research go in the future. *Entrepreneurship theory and practice*, *32*(1), 1-14.

Burt, R.S. (2000). *The network structure of social capital*. in Sutton, R. and Staw, B. (Eds), Research in Organizational Behaviour, Vol. 22, JAI Press, Greenwich, CT, pp. 345-432.

Chetty, S., & Agndal, H. (2007). Social capital and its influence on changes in internationalization mode among small and medium-sized enterprises. *Journal of International Marketing*, *15*(1), 1-29.

Claver, E., Rienda, L., & Quer, D. (2008). Family firms' risk perception: Empirical evidence on the internationalization process. *Journal of Small Business and Enterprise Development*, 15(3), 457–471.

Coleman, J.S. (1988). Social capital in the creation of human capital, *American Journal of Sociology*, 94, 95-S120.

Corley, K. G., & Gioia, D. A. (2004). Identity ambiguity and change in the wake of a corporate spin-off. *Administrative Science Quarterly*, *49*(2), 173-208.

Coviello, N. (2006). The network dynamics of international new venture. Journal of International Business Studies, 37(5), 713–731.

Dacin, M. T., Ventresca, M. J., & Beal, B. D. (1999). The embeddedness of organizations: Dialogue & directions. *Journal of management*, *25*(3), 317-356.

Donckels, R., & Fröhlich, E. (1991). Are family businesses really different? European experiences from STRATOS. *Family Business Review*, 4, 149-160.

Downing, S. (2005). The social construction of entrepreneurship: Narrative and dramatic processes in the coproduction of organizations and identities. *Entrepreneurship theory and Practice*, *29*(2), 185-204.

EFB, European Family Businesses (2012). Family Business Statistics. [online document]. Available at: http://www.europeanfamilybusinesses.eu/uploads/Modules/Publications/fa   mily-business-statistics.pdf

Elfring, T., & Hulsink, W. (2007). Networking by entrepreneurs: Patterns of tie—formation in emerging organizations. *Organization Studies*, *28*(12), 1849-1872.

Ellis, P. D. (2011). Social ties and international entrepreneurship: Opportunities and constraints affecting firm internationalization. *Journal of International business studies*, *42*(1), 99-127.

Engel, Y., Kaandorp, M., & Elfring, T. (2017). Toward a dynamic process model of entrepreneurial networking under uncertainty. *Journal of Business Venturing*, *32*(1), 35-51.

Fernandez, Z., & Nieto, M. J. (2006). Impact of ownership on the international involvement of SMEs. *Journal of International Business Studies*, 37(3), 340–351.

Fernandez, Z., & Nieto, M. J. (2005). Internationalization strategy of small and medium-sized family businesses: Some influential factors. *Family Business Review*, 18(1), 77–89.

Gallo, M. A., & Pont, C. G. (1996). Important factors in family business internationalization. *Family Business Review*, 9(1), 45–59.

Gedajlovic, E., Honig, B., Moore, C. B., Payne, G. T., & Wright, M. (2013). Social capital and entrepreneurship: A schema and research agenda.*Entrepreneurship Theory and Practice*, *37*(3), 455-478.

Gioia, D. A., Corley, K. G., & Hamilton, A. L. (2013). Seeking qualitative rigor in inductive research notes on the Gioia methodology. *Organizational Research Methods*, *16*(1), 15-31.

Gomez-Mejia, L. R., Cruz, C., Berrone, P., & De Castro, J. (2011). The bind that ties: Socioemotional wealth preservation in family firms. *The academy of management annals*, *5*(1), 653-707.

Gómez-Mejía, L. R., Haynes, K. T., Núñez-Nickel, M., Jacobson, K. J., & Moyano-Fuentes, J. (2007). Socioemotional wealth and business risks in family-controlled firms: Evidence from Spanish olive oil mills. *Administrative science quarterly*, *52*(1), 106-137.

Granovetter, M. S. (1973). The strength of weak ties. *American journal of sociology*, 1360-1380.

Graves, C., & Thomas, J. (2008). Determinants of the internationalization pathways of family firms: An examination of family influence. *Family Business Review*, 21(2), 151–167.

Graves, C., & Thomas, J. (2006). Internationalization of Australian family businesses: A managerial capabilities perspective. *Family Business Review*, 19(3), 207–224.

Graves, C., & Thomas, J. (2004). Internationalisation of the family business: A longitudinal perspective. *International Journal of Globalisation and Small Business*, 1(1), 7–27.

Habbershon, T. G. & Williams, M. L. (1999). A Resource-Based Framework for Assessing the Strategic Advantages of Family Firms. *Family Business Review*, 12(1), 1-26.

Hite, J. M. (2005). Evolutionary processes and paths of relationally embedded network ties in emerging entrepreneurial firms. *Entrepreneurship theory and practice*, *29*(1), 113-144.

Hoang, H., & Antoncic, B. (2003). Network-based research in entrepreneurship: A critical review. *Journal of business venturing*, *18*(2), 165-187.

Hume, D. (1978). 1739. A treatise of human nature. *London: John Noon.*

Jack, S.L. (2010). Approaches to studying networks: implications and outcomes. *Journal of Business Venturing*, 25(1), 120-37.

Jack, S. L. (2005). The role, use and activation of strong and weak network ties: A qualitative analysis. Journal of Management Studies, 26(6), 1234–1259.

Jack, S. L., & Anderson, A. R. (2002). The effects of embeddedness on the entrepreneurial process. *Journal of business Venturing*, *17*(5), 467-487.

Jack, S., Dodd, S. D., & Anderson, A. R. (2008). Change and the development of entrepreneurial networks over time: a processual perspective. *Entrepreneurship and Regional Development*, *20*(2), 125-159.

Johanson, J., & Mattsson, L.-G. (1988). Internationalisation in industrial systems—A network approach. In N. Hood J.-E. Vahlne (Eds.), Strategies in global competition (pp. 287–314). London: Croom Helm.

Kontinen, T., & Ojala, A. (2012b). Social capital in the international operations of family SMEs. *Journal of Small Business and Enterprise Development*, 19(1), 39-55.

Kontinen, T., & Ojala, A. (2010). The internationalization of family businesses: A review of extant research. *Journal of Family Business Strategy*, 1, 97-107.

Kwon, S. W., & Arenius, P. (2010). Nations of entrepreneurs: A social capital perspective. *Journal of Business Venturing*, *25*(3), 315-330.

Langley, A. (1999). Strategies for theorizing from process data. *Academy of Management review*, *24*(4), 691-710.

Larson, A., & Starr, J. A. (1993). A network model of organization formation. Entrepreneurship Theory and Practice, 17(2), 5–15.

Lincoln, Y. S., & Guba, E. G. (1985). *Naturalistic inquiry* (Vol. 75). Sage.

Locke, K., & Golden-Biddle, K. (1997). Constructing opportunities for contribution: Structuring intertextual coherence and "problematizing" in organizational studies. *Academy of Management journal*, *40*(5), 1023-1062.

Maxwell, J.A. & Miller, B.A. (2008). Categorizing and Connecting Strategies in Qualitative Data Analysis. In Hesse-Biber, S.N. & Leavy, P. (eds.). *Handbook of Emergent Methods.* New York: Guilford Press.

McMullen, J. S., & Dimov, D. (2013). Time and the entrepreneurial journey: the problems and promise of studying entrepreneurship as a process. *Journal of Management Studies*, *50*(8), 1481-1512.

Miller, D., Le Breton-Miller, I. & Scholnick, B. (2008). Stewardship vs. Stagnation: An Empirical Comparison of Small Family and Non-Family Businesses. *Journal of Management Studies,* 45(1), 51-78.

Musteen, M., Francis, J., & Datta, D. K. (2010). The influence of international networks on internationalization speed and performance: A study of Czech SMEs. *Journal of World Business*, *45*(3), 197-205.

Newbert, S. L., Tornikoski, E. T., & Quigley, N. R. (2013). Exploring the evolution of supporter networks in the creation of new organizations. *Journal of Business Venturing*, *28*(2), 281-298.

Owen-Smith, J., Riccaboni, M., Pammolli, F., & Powell, W. W. (2002). A comparison of US and European university-industry relations in the life sciences. *Management science*, *48*(1), 24-43.

Podolny, J. M. (2001). Networks as the Pipes and Prisms of the Market1.*American journal of sociology*, *107*(1), 33-60.

Pukall, T. J., & Calabrò, A. (2014). The internationalization of family firms: A critical review and integrative model. *Family Business Review*, *27*(2), 103-125.

Rauch, J. E. (2001). Business and social networks in international trade. *Journal of economic literature*, 1177-1203.

Roessl, D. (2005). Family businesses and interfirm cooperation. *Family Business Review*, *18*(3), 203-214.

Salvato, C., & Melin, L. (2008). Creating value across generations in Family‐Controlled businesses: The role of family social capital. *Family Business Review*, *21*(3), 259-276.

Sciascia, S., Mazzola, P., Astrachan, J. H., & Pieper, T. M. (2012). The role of family ownership in international entrepreneurship: Exploring nonlinear effects. *Small Business Economics*, 38(1), 15-31.

Schulze, W. S., & Gedajlovic, E. R. (2010). Whither family business? *Journal of Management Studies*, 47(2), 191-204.

Sharma, P., & Sharma, S. (2011). Drivers of proactive environmental strategy in family firms. *Business Ethics Quarterly*, *21*(02), 309-334.

2011, 21, 309–334. Shepherd, D. A., & Zacharakis, A. (2000). Structuring family business succession: An analysis of the future leader's decision making.*Entrepreneurship: Theory and Practice*, *24*(4), 25-25.

Simsek, Z., Lubatkin, M. H., & Floyd, S. W. (2003). Inter-firm networks and entrepreneurial behavior: A structural embeddedness perspective. *Journal of Management*, *29*(3), 427-442.

Slotte-Kock, S. (2009). Multiple Perspectives on Networks: Conceptual Development, Application and Integration in an Entrepreneurial Context.

Slotte‐Kock, S., & Coviello, N. (2010). Entrepreneurship research on network processes: a review and ways forward. *Entrepreneurship Theory and Practice*, *34*(1), 31-57.

Uhlaner, L. M., Berent-Braun, M. M., Jeurissen, R. J., & de Wit, G. (2012). Beyond size: Predicting engagement in environmental management practices of Dutch SMEs. *Journal of Business Ethics*, *109*(4), 411-429.

Zahra, S. A. (2007). Contextualizing theory building in entrepreneurship research. *Journal of Business venturing*, *22*(3), 443-452.

Zahra, S. A. (2007). Contextualizing theory building in entrepreneurship research. *Journal of Business venturing*, *22*(3), 443-452.