

# INTERNATIONALIZATION OF FAMILY BUSINESSES IN THE ACHTERHOEK: THE ROLES OF THE FAMILY AND HR

ANONYMIZED VERSION

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## Summary

This is a multiple case study into the internationalization process of family businesses in the Achterhoek. It focuses specifically on how being a family business influences internationalization and how internationalization influences HR and vice versa. Semi-structured interviews are used as the method for collecting data. 13 interviews in 4 organizations were carried out. The interviews were analyzed by employing template analysis. This method is used because it allows for some themes to be defined deductively based on theory, but it also is very flexible and leaves room for themes to inductively emerge from the data. In the results section the initial template, based on the first half of the interviews, and the final template, based on all interviews, are presented. After that the four cases are described and differences and similarities are discussed. In the conclusion, the research questions are answered and the results are compared to the results predicted by theory. The broad nature of this study hinders in depth exploration of all aspects (internationalization process, family, HR, Achterhoek). However, by including all these aspects, a complete picture of the process is painted.

## Chapter 1: Introduction

The topic of this thesis is internationalization of family businesses (FBs) in the Achterhoek. In 2016, there were 276900 family businesses in the Netherlands, making up for 71% of all businesses in the Netherlands (Custers, Van Elswijk & Vrolijk, 2017). These are mostly smaller companies with less than 50 employees (Custers et al., 2017). Family businesses provided 29% of all jobs for employees (Custers et al., 2017). The Achterhoek in particular, might be a region suited to family businesses. As a family member working in a family business in the Achterhoek says: *“De Achterhoek past bij het familiebedrijf. Woord is woord, het is ons onderscheidende element.”* Meaning: *“The Achterhoek fits the family business. Word means word, it’s our distinguishing factor.”* (Tax, 2011). Worldwide, family businesses account for the majority of businesses and employment (Hoon, Hack & Kellermanns, 2017). Internationalization provides family businesses with fruitful growth opportunities and gives succeeding generations employment opportunities. Therefore, there is a need to understand the process of internationalization of FBs (Scholes, Mustafa & Chen, 2016).

Family businesses have generated and attracted a great deal of research interest during the past few decades (Xi, Kraus, Filser & Kellermanns, 2015), but the number of studies into the internationalization of FBs is limited (Graves & Thomas, 2006). Existing research into the internationalization of family businesses has provided mixed and ambiguous outcomes (Arregle, Duran, Hitt, & Van Essen, 2017; Calabrò, Torchia, Pukall & Mussolino, 2013). In general, existing studies highlight two perspectives. One emphasizes constraints inherent in family involvement, while the other underlines the positive attributes of family businesses (Arregle et al., 2017). This can partially be explained by the adolescence of the research topic (Calabrò et al., 2013). Another possible explanation for the ambiguous results is that most studies on the internationalization of family businesses only distinguish between FBs and non-FBs, even though there is heterogeneity amongst FBs (Mitter, Duller, Feldhauser-Durstmüller & Kraus, 2014). In addition, this thesis pays specific attention to the role HR plays in the internationalization process. HR practices have been labelled a neglected factor in family business research (Hoon et al., 2017; Astrachan & Kolenko, 2016). In a recent call for papers, the German Journal of Human Resource Management (formerly Zeitschrift für Personalforschung) asked for more research into HR in family businesses (Hoon et al., 2017).

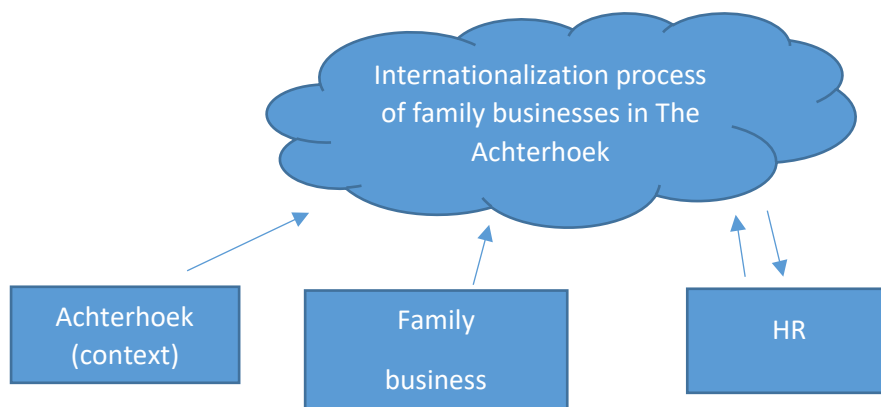
This study thus contributes to research by investigating the internationalization of several family businesses in a specific context, thereby possibly finding explanations for the ambiguous results, some results emphasizing constraints and the other results underlying positive attributes, in previous research. To my knowledge, there has been no research into the internationalization of family businesses in the Achterhoek. Additionally, this thesis answers to the German Journal of Human

Resource Management's call by looking into the ways in which HR in family businesses influences internationalization and vice versa. HR in family businesses needs special attention because family businesses are complex in character, which also fits with contemporary HR research that increasingly explores paradoxes evolving from competing strategic demands (Hoon et al., 2017).

The above leads to three interrelated research questions. Regarding the family aspect and the HR aspect, explorative "how" questions are used. For the family aspect this is done to remain open by not specifically looking for constraints or positive influences. For the HR aspect this has been done because there is so little research on HR in family businesses in relation to internationalization.

1. What does the internationalization process of family businesses in the Achterhoek look like?
2. Specifically, how does the family aspect influence the internationalization process of family businesses in the Achterhoek?
3. Specifically, how is HR influenced by and how does HR influence the internationalization process of family businesses in the Achterhoek?

Visually this can be represented in this way:



This thesis proceeds as follows. In Chapter 2 the relevant theories regarding family business internationalization, particularly the role of the family and HR, will be explained. Theoretical angles used include the resource based view, internationalization pathways, socio-emotional wealth, the competing pressures for global integration and local responsiveness, agency theory, stewardship theory, strategic arenas, resource exploration vs. resource exploitation as approaches to HR management (HRM) abroad and finally, the convergence vs. divergence and related globalization vs. localization debate. Chapter 3 outlines the methodology used in this research. In Chapter 4 the results are presented. Finally, Chapter 5 will include a conclusion, followed by a discussion of the limitations of the research, as well as implications for practice, theoretical implications and suggestions for future research.

## Chapter 2: Theoretical background

This chapter provides an outline of the theories and concepts relating to the research questions. Paragraph 2.1 addresses the definitions of family business. Paragraph 2.2 summarizes current research on the internationalization of family businesses. Following, paragraph 2.3 addresses HR in family businesses. Finally, in paragraph 2.4 the link between HR and internationalization will be investigated.

### 2.1 Definitions of family business

There are different definitions of what makes a family business. For example, a family business can be defined by its family ownership, management, or both (Arregle et al., 2017). An important study about the definition of family business is from Chua, Chrisman & Sharma (1999). They point out that, while it is clear that a company that is family owned and family managed is a family business, it is less clear if a company that is family owned but not family managed or vice versa, is a family business. Companies with the same level of family involvement in ownership and management may or may not consider themselves family businesses. They propose that a company is a family business because it behaves as one (Chua et al., 1999). However, this approach is tautological when the distinct behavior that makes a business a family business, is not defined. The behavior that distinguishes family businesses, according to the authors, consists of *“a vision developed by a dominant coalition controlled by one or a few families and the intention of that dominant coalition to continue shaping and pursuing the vision in such a way that it is potentially sustainable across generations of the family”* (Chua et al., 1999, p. 25). This definition fits into the category of definitions that Chrisman, Chua and Sharma (2005) label the essence approach to defining family business. This approach is based on the belief that family involvement is only a necessary, but not sufficient, condition for being labeled a family business. It must be a family business in its essence. This essence consists of four elements: 1) a family's influence over the strategic direction of a firm; 2) the intention of the family to keep control 3) family business behavior, as defined by Chua et al., (1999); and 4) unique resources and capabilities arising from family involvement and interactions. The other category of definitions that Chrisman et al. (2005) distinguish is the components-of-involvement approach. Definitions that fall into this category are based on the belief that family involvement, through ownership or management, is sufficient to make a firm a family business, there are no other requirements. Consequently, a firm that is a family business according to the components-of-involvement approach, may not be one according to the essence approach.

The definition of family businesses used by the CBS, the provider of information on family businesses in the Netherlands used in the introduction of this thesis, is that of the European Commission. This definition is that one family directly or indirectly has a majority of control (for stock market listed

companies 25%). The family must be formally involved in the management of the company and the company must be legally transferable (Custers et al., 2017; European Commission, 2017). The European Commission recognizes the significant role family businesses play in the EU economy and promotes the creation of a favorable environment where family businesses can grow and develop (European Commission, 2017).

### **Institutional context**

Carney (2005) points out that it may be a mistake to assume that a generic definition of family business will translate across societies. In other words, the context matters. Family businesses may display different forms and tendencies in different institutional environments. For instance, factors such as inheritance laws and property rights as they apply to the status of women will stimulate different succession patterns. In the Netherlands, an owner can transfer his or her (share of a) business to whoever he or she wants. There are for example no norms of primogeniture. When a family owner dies, the will determines who inherits what (see articles 4:42, 4:115 of the Dutch *Burgerlijk Wetboek (BW)*). When there is no will, the inheritance will be distributed in conformity with articles 4:9 BW to 4:12 BW. Simply put this means the spouse and children of the deceased will inherit equal parts.

It seems likely that institutional context will have a considerable influence on the kind of competitive advantage that a family business is likely to gain. There is theory suggesting that family-owned business groups succeed in emerging markets by filling institutional voids (Khanna & Palepu, cited in Carney, 2005). In contrast, others (Anderson & Reeb, cited in Carney, 2005) contend that family businesses require well-developed institutional environments to unleash their potential. For example, minority shareholders in publicly traded family businesses might monitor and mitigate potential agency problems. Therefore, at this exploratory stage of theorizing the competitive advantage of family businesses, it is important to avoid too rigid a definition that may obscure the origins and processes behind value creation (Carney, 2005). Thus, in this thesis the institutional context of the participating organizations is considered and no rigid definition of family businesses is used.

## **2.2 Internationalization of family businesses**

### **Resources**

Using resource based view, Graves & Thomas (2006) compared the managerial capabilities of FBs and non-FBs. According to resource based view, a firm must possess resources that are valuable, rare, inimitable, and non-substitutable to have a sustained competitive advantage. Graves & Thomas' motivation for undertaking the study was that family businesses are argued to possess unique resources, but the link between such resources and international growth was not clear. The unique

resources of family businesses are for instance explored by Sirmon & Hitt (2003). This is “*arguably the most encompassing application of resource based view to family businesses*” (Chrisman, Chua & Sharma, 2005, p. 563). Sirmon and Hitt (2003) distinguish between 5 sources of family business resources. These are human capital, social capital, patient financial capital, survivability capital and the governance structure and costs. Table 1 gives an overview of these resources in comparison with non-family businesses, amplified with other researchers’ applications of resource based view to family businesses.

Comparing the Uniqueness of Resources and Attributes of Family businesses				
Resource	Definition	Positive	Negative	Non-family businesses
Human capital	Acquired knowledge, skills, and capabilities of a person.	Extraordinary commitment; warm, friendly, and intimate relationships; potential for deep firm-specific tacit knowledge.	Difficult to attract and retain highly qualified managers; path dependencies.	Not characterized by the positives but have fewer limitations.
Social capital	Resources embedded in network, accesses through relationships.	Components embedded in family; legitimacy with constituencies enhanced; development of human capital.  FBs invest generously in open, enduring relationships with value chain or joint venture partners, these relationships ultimately bring access to valuable resources (Miller & Le Breton-Miller, 2005).	Limited number of networks accessed; often excluded from elite networks (i.e. Fortune 500 CEOs).	Networks can be more diverse; maybe opportunistic in accessing and leveraging; sometimes used for managers’ benefit – agency costs.
Patient financial capital	Invested financial capital without	Generational outlook; not accountable to	Non-family investors excluded; limited	Largely do not have the benefits or limitations.



	threat of liquidation.	<p>strict short-term results; effective management of capital; allows pursuit of creative and innovative strategies.</p> <p>Continuity and the power to institute changes without outside interference or control enables FBs to generate and make exceptional long-term use of patient strategies and relationships with stakeholders (Chrisman et al., 2005; Miller &amp; Le Breton-Miller, 2005).</p>	<p>to availability of family's financial capital.</p> <p>Capital constraints can make FBs disadvantaged in acquiring the resources and capabilities needed to compete in capital-intensive industries (Carney, 2005).</p>	
Survivability capital	Pooled personal resources family members loan, contribute and share with the business.	Help sustain the business during poor economic times or redevelopment of the business; safety net.	Not all family businesses have it.	Do not enjoy due to lack of commitment by employees and stakeholders.
Governance structure & costs	Costs associated with control of firm; examples include incentives, monitoring, and controls.	<p>Family owned and operated firms' structures, trust and family bonds reduce governance costs.</p> <p>The governance structure of family businesses generates propensities for parsimony, personalism and particularism</p>	Some family businesses may not have an effective structure trust and strong family bonds, thereby producing greater governance costs.	Professional management and capital diversification often increase governance costs.

		(Carney, 2005), that may lead to cost advantages, help in the development of social capital, and encourage entrepreneurial investments (Chrisman et al., 2005).		
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Table 1: Comparing the Uniqueness of Resources and Attributes of Family businesses, adjusted from Sirmon & Hitt, 2003.

In line with the above, Graves & Thomas (2006) found that the managerial capabilities of FBs lag behind that of non-FBs as they grow internationally, particularly at high levels of internationalization. Family businesses are found to internationalize with less management capacity (smaller management teams), less outside management expertise and less strategic planning than non-family businesses. Also, contrary to non-FBs, with FBs the association between managerial capabilities and internationalization was not evident. The management capacity (management team size), management expertise (use of outside managers, training), and adoption of management processes (for instance strategic planning, financial reporting) of FBs with a high level of internationalization were not greater than that of FBs with a moderate level of internationalization.

**Internationalization pathways**

A firm can undertake different pathways when internationalizing (Graves & Thomas, 2008). Traditionally, firms are considered to internationalize in an incremental, stepwise manner. This is known as the Uppsala learning model of internationalization (Johanson & Vahlne, 1977; 2009). Firms start with low commitment strategies such as exporting to relatively similar countries (small psychic distance), before moving to modes like joint ventures and more distant countries. Later research has suggested that firms can also use a more rapid internationalization process. “Born global firms” (Graves & Thomas, 2008) or “international new ventures” (Oviatt & McDougall, 1994) are businesses that proactively pursue internationalization. They start internationalization within two years of establishment. Their internationalization is not influenced by the psychic proximity of markets. Furthermore, “born-again global firms” (Bell, McNaughton & Young, 2001), suddenly start internationalizing as a reaction to a critical event such as a takeover. The focus changes from the domestic market to dedicated and rapid internationalization.

### **Influence of family on the internationalization pathway**

According to Graves & Thomas (2008), there are three determinants which influence the internationalization pathways firms undertake. These determinants are commitment towards internationalization strategy, financial resources available and organizational capabilities. The family aspect influences each of these determinants. Furthermore, the concept of socio-emotional wealth (SEW) turns up occasionally in research on family businesses. This concept may also have an influence on the internationalization pathway.

#### *Three determinants*

Most family businesses researched follow the traditional internationalization pathway (Graves & Thomas, 2008). Several reasons can be put forward to explain this. First, non-economic goals are often important to family businesses (Chrisman, Chua & Sharma, 2005). They may not pursue internationalization aggressively because of these goals, such as continuing the tradition of being a local producer. In other words, they are less committed to the internationalization strategy. The succession to the next generation can influence the commitment toward internationalization strategy. This may be dependent on the vision and the qualities of the successor. For instance, his or her ability in gaining the consensus of the family owners and management. If the successor believes in internationalization and is successful in convincing others, succession to the next generation can be a critical event that triggers a born-again global pathway. However, if the successor does not believe in internationalization, succession can hinder internationalization (Graves & Thomas, 2008). Concerning financial resources available, family businesses often favor internally generated equity over longtime debt and outside equity because of their preference for privacy and control. Therefore, the performance of family businesses in the domestic marketplace largely determined the funds they had available for international growth strategies and the pace of their internationalization (Graves & Thomas, 2008). Regarding the third determinant, the ability of a firm to grow internationally is dependent on its ability to acquire and configure its resources to develop the capabilities required for internationalization. As described in the beginning of this paragraph, family businesses have some unique resources. Limited managerial capabilities negatively influence the rate at which firms grow internationally, thereby leading to an incremental internationalization pathway. Two of Graves & Thomas' (2008) case firms followed a born-again global pathway. However, these firms appointed a non-family member with the expertise to develop the capabilities required for internationalization.

#### *Socio-emotional wealth (SEW)*

Another aspect, besides from the three determinants mentioned by Graves & Thomas (2008), that can influence internationalization of family businesses is socio-emotional wealth. Socio-emotional wealth refers to the non-financial aspects of the firm that meet the family's affective needs (Gómez-Mejía,

Takács Haynes, Núñez-Nickel, Jacobson & Moyano-Fuentes, 2007). Examples of SEW-aspects are the perpetuation of the family dynasty and the satisfaction of needs for belonging (Gómez-Mejía et al., 2007). Scholes et al. (2016), empirically examine if the concept of SEW can be integrated into the Uppsala model of internationalization (the traditional, incremental pathway). The case firms studied by Scholes et al. (2016) all established long-term domestic business operations before internationalizing. The majority of case firms were exporting products to multiple regional markets. The researchers identified four features that influenced internationalization: (1) family harmony, (2) trust in external relationships, (3) social and business networks, and (4) organizational resources and capabilities. The first two are considered SEW-aspects and the second two are considered enablers of internationalization. Family harmony is related to SEW because without family harmony, social ties that bind the family together may be weakened and emotional attachment to the firm may be reduced. In four cases managing family preferred to adopt a consultative approach to decision making regarding key actions, so that family harmony could be maintained. This slowed down the decision-making, resulting in missed international opportunities. Furthermore, trying to maintain family harmony also influenced the family's willingness to commit financial resources for internationalization. For instance, family managers were not willing to risk the family members' investments in the firm and they adopted a cautious approach in the use of such funds for internationalization. Trust is related to SEW, because the binding social ties of family are primarily built on trust. In several cases trust was afforded solely to family members and close associates. Consequently, these firms preferred to largely deal with these selected, trusted individuals. When such individuals were not available in foreign markets, the firms often did not take the risk of dealing with individuals or firms they did not know. Distrust of outsiders was further identified by some respondents as one of the main reasons why their firms were not able to capture the learning benefits associated with internationalization. Social networks and business networks and organizational resources and capabilities are not SEW-aspects, but they are important internationalization enablers. The SEW-aspects harmony and trust can affect the ability of a family business to build resources and develop networks, both of which will subsequently enhance their ability to internationalize. To conclude, Scholes et al. (2016) suggest that family harmony can have a negative effect on internationalization. Trust is useful to begin the internationalization process through exporting but then limits the firm's ability to internationalize further. Harmony and trust together influence networks and organizational resources and capabilities to the extent that limited networks are established, yielding limited resources and a negative effect on internationalization. In order to be able to internationalize beyond exporting, they suggest there needs to be a reduced reliance on trust and a greater willingness for the family to be less harmonious.

### **Strategic environment**

The strategic environment is an important factor that influences a firm's strategy. Therefore, it should be considered in this research. According to Miller, Wright, Le Breton-Miller & Scholes (2015), strategic environments can be characterized as high velocity or low velocity. A high velocity environment is unstable, there is rapid and disruptive change. An environment with low velocity is more stable and evolves in a more predictable fashion. Family businesses are often portrayed as competing in mature, low-innovation markets. However, many do operate in turbulent and competitive sectors that demand significant innovation in products, markets, and processes (Miller et al., 2015). Ghoshal and Nohria (1993) distinguish between four environments that can be faced by multinational companies: global, transnational, international and multinational. The environment is determined by forces for global integration (cost efficiency) and forces for local responsiveness (adapt product locally). Figure 1 shows how different industries are classified in terms of global integration and local responsiveness. This integration-responsiveness framework is one of the most widely used frameworks to explain the strategies and organizational settings of multinational corporations (Dörrenbächer & Geppert, 2016). No research has been found that applies this framework to family businesses specifically. However, it does not seem logical to assume that internationalizing FBs are, in contrast to other multinationals, unaffected by the forces for global integration and local responsiveness.

### **Organizational structure**

One of the most enduring ideas of organization theory is that an organization's structure must fit its environment (Ghoshal & Nohria, 1993). Just like with the integration-responsiveness framework, there is no reason to assume family businesses are exempt from this idea. More complex and turbulent environments call for more complex organizational structures. Regarding internationalization, the Stages model (Figure 2) proposed by Stopford and Wells prescribes ideal organizational structures for different levels of internationalization. The different levels of organization are determined by two factors: the number of products sold internationally (foreign product diversity) and the importance of international sales to the company (foreign sales as percentage of total sales). In the early stages of internationalization, international operations can be managed through an international division. Subsequently, firms can expand their international operations by extending sales abroad, without significantly increasing foreign product diversity. In that case, an area structure is preferred. When mainly product diversity increases, a worldwide product division is preferred. Finally, when both product diversity and foreign sales are high, a global matrix structure is preferred.

<b>Strong forces for global integration</b>	<b>Global environment</b> - Construction and mining machinery - Nonferrous metals - Industrial chemicals - Scientific measuring instruments - Engines	<b>Transnational environment</b> - Drugs and pharmaceuticals - Photographic equipment - Computers - Automobiles
<b>Weak forces for global integration</b>	<b>International environment</b> - Metals (other than nonferrous) - Machinery - Paper - Textiles - Printing and publishing	<b>Multinational environment</b> - Beverages - Food - Rubber - Household appliances - Tobacco
	<b>Weak forces for local responsiveness</b>	<b>Strong forces for local responsiveness</b>

Figure 1: The environment of MNCs: Classification of businesses. *Source: Ghoshal & Nohria, 1993.*

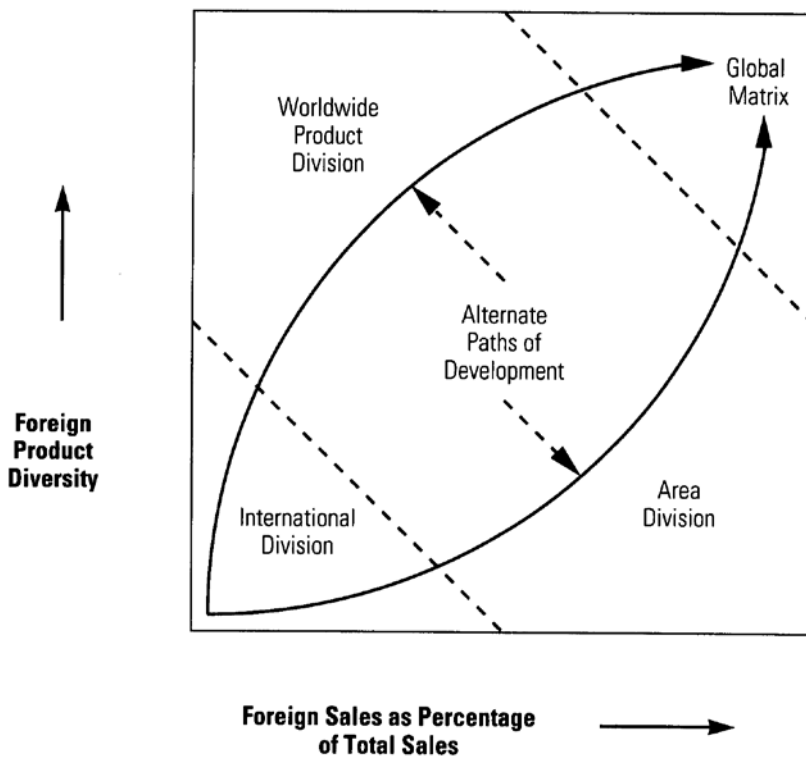


Figure 2: Stopford & Wells' Stages model of internationalization. *Source: Ghoshal & Nohria, 1993.*

The integration-responsiveness framework and the Stages model on internationalization are mainly used for big organizations. Still, small or medium-sized businesses that are internationally active will also be confronted with the challenges regarding global integration and local responsiveness. They also must decide how to manage their international activity. It is questionable if small or medium sized enterprises have the resources to set up an area division, product division, or global matrix structure.

### 2.3 HR in family businesses

Being a family business can influence HR practices. Barnett & Kellermanns (2006) propose that when there are high levels of family involvement, there is a danger of “restrictive family influence” that is likely to lead to HR practices that are perceived as unfair by non-family employees. Developing and implementing fair HR policies and procedures related to hiring, performance appraisal, promotion and compensation are important to be able to hire and maintain high-quality non-family employees. Barnett & Kellermanns (2006) hypothesize that a “facilitating family influence” can lead to fair HR practices. Fair HR practices will in turn lead to desirable value-creating attitudes and behaviors among non-family employees. For this facilitating influence to take place, the involvement and interactions between the family and the business must be effectively managed. Formalization of policies is a possible strategy to do this. Information and explanations given for decisions are likely to be important to non-family employees. Non-family members will experience treatment, received as decision processes are carried out, as more fair when it is consistent with a formalized practice. In young family businesses, however, formalization is often resisted and personal preferences dictate decision making. In a commentary on the article of Barnett & Kellermanns, Carsrud (2006) suggests that the management of family members is far more difficult than the management of non-family employees. This is because the identification of employees with both the family system and the business system in the firm may be essential to conflicts in the perceptions of justice, fairness and equality. When the family system and the business system overlap, designing human resource practices becomes particularly difficult (Chrisman, Steier & Chua, 2006). For instance, how do you fire family? Individuals perceive an injustice as a negative event that is usually attributed to an external cause. An easy target for such an attribution by non-family employees is the family in the family business, but who does the family member of a family business attribute the injustice to (Carsrud, 2006)?

In research, a negative relationship between family business governance and the use of professional HRM practices is generally confirmed (De Kok, Uhlaner and Thurik, 2006). De Kok et al. (2006) researched if and why this is indeed the case. By professional HRM practices, they mean practices that are derived primarily from experts in the field of HRM and that typically conform to legal requirements and professional standards established in a number of western economies. Examples of professional HRM practices include the use of references, appraisal systems, peer appraisal, training assessment and merit-based pay. Resource based view, agency theory and stewardship theory are useful concepts regarding HR in family businesses. Resource based view and agency theory provide different hypotheses regarding professionalism of HR practices in family businesses. Agency theory and stewardship theory offer very different advice on how to manage family employees.

### **Resource Based View**

Especially among small and medium-sized enterprises, family ownership and management may be negatively associated with professional HRM practices because of resource limitations of family businesses. Family businesses, in general, are less specialized and smaller than non-family businesses, this means they are less likely to have an HR department and professional HRM practices. This is in line with resource based view. Firm size is often an indicator for the lack of specific organizational and human resources. Regarding complexity, in complex organizations, coalitions of specialists in differentiated subunits increase the depth of the knowledge base. Therefore, greater specialization is associated with greater knowledge resources. In line with resource based view, it is hypothesized that family businesses are less likely to use professional HRM policies, because (typically being smaller), they have fewer resources and are less complex. This is an indirect relationship (family businesses have certain organization characteristics associated with organizational complexity and/or resource availability, those characteristics lead to less professional HRM practices) (De Kok et al., 2006).

The resource based view has been criticized for ignoring process factors, which link to developing and adapting critical resource bundles. In high-velocity markets, where the challenge is to maintain competitive advantage when the duration of that advantage is unpredictable, resource based view might be too stationary (Festing & Eidems, 2011). The dynamic capabilities perspective is a less static version of the resource based view. Through dynamic capabilities, the critical resources can be developed, adapted and renewed, thereby sustaining the firms' competitive advantage. In other words, dynamic capabilities are organizational routines to adapt critical resource bundles when needed. Path dependency and specific asset positions have also been identified as influencing variables in the context of dynamic capabilities (Festing & Eidems, 2011). In summary, it may not be just the specific resources that provide a firm with sustained competitive advantage, but the dynamic capabilities to achieve new resource configurations when markets develop.

### **Agency theory**

Agency costs arise because of conflicts of interest and asymmetric information between two parties to a contract (Chrisman et al., 2005). For employees who belong to the same family as the owner and managers, agency theory suggests that less professional HRM practices are required to align the interests of managers and employees. This may also hold for employees who are not related to the owner and/or managers, to the extent that family businesses are able to create an organizational culture where all employees feel they belong to the same family (De Kok et al., 2006). The affective ties between the parties reduce the presence of formal safeguards (e.g. monitoring) designed to mitigate threats to firm performance (Gómez-Mejía, Núñez-Nickel & Guitierrez, 2001). Therefore,



based on agency theory, it is hypothesized that it is less likely that family businesses choose professional HRM policies (De Kok et al., 2006). De Kok et al. (2006) find support for this negative relationship between family ownership and management and the use of professional HRM practices, also when controlling for organizational characteristics.

Researchers have suggested altruism as an essential factor differentiating family and non-family businesses in terms of agency costs. Altruism can create agency costs, for instance free riding and biased parental perception of a child's performance (Chrisman et al., 2005). Such altruism leads to negative performance because it allows for less qualified managers to be appointed. Due to altruism, family business leaders can offer jobs and promotions to unqualified family members. This can create problems for HR. Monitoring is believed to improve employee performance by reducing shirking and social loafing. Therefore, control via monitoring can help to reduce agency costs associated with family involvement (Eddleston, Kellermanns & Kidwell, 2017).

### **Stewardship theory**

Stewardship theory offers an alternative to agency theory when conceptualizing the principal/agent relationship. It denies the need to monitor family employees, as stressed by agency theory. Essentially, stewardship theory holds that there is an alignment between agent and company interest. Agents who act as stewards will want to act in the best interest of their company, and in working towards organizational ends, their personal needs are fulfilled (Keay, 2017). Stewardship theory typically characterizes family employees as stewards who significantly contribute to the family business. Thus, stewardship theory advocates emphasis on participation, adaptability and family bonds in managing family employees (Eddleston et al., 2017).

Eddleston et al. (2017) examined the roles that monitoring (agency theory) and collaboration (stewardship theory) play regarding the extra role behavior (ERB) of employees that are also family members. Someone engages in ERB, when he goes beyond expected activities associated with a given position or a job. In a family business, a family employee may for instance engage in ERB by helping others to promote cooperation beyond a formal job description, or by offering an idea that would prevent a harmful act from occurring. Literature suggests that HRM practices can increase ERB when such practices are seen as reflecting procedural justice and support (Tremblay, Cloutier, Simard, Chenevert & Vandenberghe, cited in Eddleston et al., 2017). HRM practices associated with participation and decision-making particularly enhance employees' ERB. It has also been argued that the strength and quality of the relationship between a family business leader and family employee can affect the degree to which the family employee behaves as a good organizational steward or as an opportunist who looks out for self-interests first (Eddleston & Kidwell, cited in Eddleston et al., 2017).

The antecedents of ERB may be unique in FBs because of the hybrid identity of family businesses, having a family and business-domain. Lack of boundaries between the two domains can result in vague lines of authority, complicating family members' interactions in the firm. For instance, a paternalistic culture in a family can transfer to the family business, thus hampering family employees' willingness to participate in decision making and take initiative (Eddleston et al., 2017).

Eddleston et al. (2017)'s general proposition is that control and collaboration can be used together to promote ERB, reflecting in part the hybrid identity of family businesses. They find that monitoring by family business leaders is negatively related to family employees' extra role behavior. Explanations for this are that employees only focus on the tasks being monitored and do not look for other ways to contribute to the organization. Additionally, extensive monitoring can be seen as an indicator of distrust. However, monitoring interacts with family harmony to affect extra role behaviors. As family harmony increases, the relationship between monitoring and extra role behaviors becomes positive. An explanation for this is that family harmony helps to legitimize the family's role in the family business. The presence of both high family harmony and monitoring can help the family understand their importance to the business and the leader's expectation that they contribute to the family business. In family businesses with high monitoring and family harmony, family employees can be encouraged to demonstrate their legitimacy and bond to the family business through greater levels of ERB. Another collaboration related factor that interacts with monitoring to influence family members' ERB is adaptability. Adaptability reflects the firm's willingness to challenge outmoded traditions and demonstrate strategic flexibility (Eddleston et al., 2017). When adaptability is high, monitoring can be seen as supportive and directive in the search for new opportunities, thus promoting greater family employee ERB. In contrast, when monitoring is high but adaptability is low, family employees may feel hindered in their search for ways to contribute to the family business. In general, the results suggest that creating an equilibrium between business results and family stewardship is crucial to the successful functioning of family businesses (Eddleston et al., 2017).

### **Lessons from successful family businesses**

Miller & Le Breton-Miller (2005) show in a study of large, mostly American, long living family businesses that successful FBs take a long term approach in general. Regarding HR, the successful FBs hire employees whose values fit with the company. The long term objective is to attract and keep, for their entire careers, talented employees who believe in the mission, fit with the culture, keep learning and collaborate without much guidance. Frequently, hobbies and activities that fit a firm's mission and culture are used as key suitability indicators. The successful FBs hire only a very small percentage of applicants, because employment is seen as a big investment. Therefore, there is a tendency towards understaffing. This reduces the probability of demoralizing layoffs and obliges people to assume larger

roles and show initiative. The resulting demands quickly weed out less capable employees and make jobs more interesting for the rest. The successful FBs have interesting ways of developing their employees' potential. Through mentorship programs, newcomers not only learn the subtleties of the job, but also the values and social system of the company. Another example is broad job descriptions, which give employees latitude to explore their talents and interests and keep learning. Another thing that the successful FBs have in common, is that they minimize vertical distinctions. Lines of communication are open and high level executives spend a lot of time on the shop floor. Lastly, the HR department is charged with celebrating organizational values and the people who best exemplify them. Examples include rewards for and celebrations of service anniversaries. Many businesses even set up "walls of fame" to showcase veterans and celebrate their contributions.

## 2.4 Internationalization of family businesses and HR

### **Influence of HR on internationalization**

There is very little research, if any, on how HR in family businesses influences internationalization. Nordqvist (2011) did a research on who the actors involved in strategic decisions in family businesses are. Instead of taking the formal organizational structure as a point of departure, he uses the concepts of strategic arenas and actors. Findings show that family actors are heavily involved in working upon strategic issues, no matter their role in the organization. The involvement of non-family actors in strategic work differed between the firms studied. Some non-family actors described how they acted in line with what they knew or thought the owners would want. These findings suggest that the influence of HR on a strategic process like internationalization, may be dependent on if the HR manager is a family member or not. However, next to acting in line with the owners, the same non-family actors were sufficiently independent to advocate strategic ideas that could be threatening to some family actors, if they believed that those ideas were important for strategic development (Nordqvist, 2011). This was the case when the non-family actors were hired because of their specialist knowledge. These actors can be referred to as "Simmelian strangers". The Simmelian stranger is "*an actor who is neither too close, nor too far, from the other actors with whom he or she interacts*" (Nordqvist, 2011, p. 31). This specific distance of a stranger from other actors involved in strategic work has consequences for their interactions. The stranger can be more objective in relationships with the other actors than family actors. Also, the other actors find it easier to express confidence and exchange sensitive information with an experienced stranger. Thus, if the HR function is carried out by someone that can be labeled a Simmelian stranger, HR can possibly play a role in internationalization.

Additionally, the study identified the importance of the arena in which actors meet and interact. Examples of arenas are board meetings, casual conversations and ad-hoc meetings. Figure 3 illustrates

a categorization of different arenas along two dimensions. The first dimension refers to whether the arena emerges in the family or firm context, the second dimension refers to whether the subject of the meeting is formal or informal. Hybrid arenas have formal and informal elements and can emerge in the family and in the firm context. Examples of hybrid arenas are offsite meetings, such as workshops or strategy away-days. In all three cases, significant discussion on strategic issues mainly took place in informal arenas. Informal arenas are characterized by subtle boundaries that include certain people but exclude others. The emergence of these arenas is beyond the control of single individuals. Formal arenas emerge when encounters take place in formalized contexts or social occasions which are bounded in time and space (Nordqvist, 2011). In Nordqvist's (2011) case organizations, most arenas with an impact on strategic work were in fact rather closed, with a family actor as gatekeeper who selected the other actors who could interact within a particular arena. In all cases, a formal structure, such as the board or the family council, was adopted 'ceremonially'. It did not represent a real change in strategic work. Instead, informal norms continued to prevail over the new formal procedures and dominated strategic work even after structural changes. From the previous can be concluded that the influence of HR on internationalization is partly dependent on the arena in which strategic decisions are made, and if HR has access to that arena.

	<u>Informal</u>	<u>Formal</u>
<u>Family context</u>	Ad-hoc meetings at home, family meetings (dinners, etc.), casual conversations	Family council, annual shareholders' and other formal family meetings
<u>Firm context</u>	Ad-hoc meetings, casual conversations	Board, advisory board, TMT, shareholders' meetings, other formal meetings

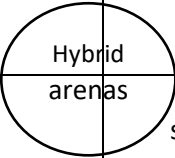


Figure 3: Categorization of strategic arenas in family businesses. Based on Nordqvist (2011).

### **Influence of internationalization on HR**

#### *Resource exploration vs. resource exploitation*

Research into how internationalization influences HR in family businesses is scarce. Bannò & Sgobbi (2016) studied the relationship between family business and HR management abroad. The study focuses on firms with FDIs (foreign direct investments), so not on international firms that only export. Family business features such as focus on family human capital and risk avoidance suggest that internationalizing family businesses may simply transfer the approach from HRM at home to their foreign ventures. However, the focus on control and internal resources jeopardizes foreign investments by constraining growth opportunities and hampering the internationalization of new

competences. This may encourage family businesses to explore alternative models of HRM abroad. Bannò & Sgobbi (2016) classify the approach to HRM abroad by contrasting resource exploration and resource exploitation. Firms that mainly use competences and human resources from the parent company in overseas ventures are 'resource exploiters'. Firms that use the skills and competences of highly qualified personnel recruited in the host country are 'resource explorers'. The results of this study show that family ownership favors HRM based on resource exploitation. In other words: family ownership hinders an exploratory approach. Participation of family members in the company managerial team also favors an exploiting attitude. Family involvement in the managerial staff reduces the firm's capability to adopt an explorative attitude in the foreign markets. Successors' active role in the business has a positive impact on the probability of adopting an explorative attitude toward HRM abroad. This is due to younger successors often representing a source of discontinuity with past strategies and promoting the recruitment of external managers and professionals. Moreover, the presence of multiple generations of family members creates an organizational culture that encourages risk taking and exploration of new opportunities (Bannò & Sgobbi, 2016).

Research on the influence of internationalization on HR in general, however, is substantial. International HRM (IHRM) is a lively and growing academic subject (Harzing & Pinnington, 2015). IHRM concepts that are relevant to this thesis are that of convergence and divergence, and standardization and localization. These debates are about (HR) management practices in an international context. The convergence vs. divergence debate is a key point of controversy in cross-cultural management. This is a debate on macro (country) level. The standardization vs. localization debate is a related debate on the meso (company) level (Pudelko & Harzing, 2007).

#### *Convergence vs. divergence*

Convergence suggest that in management, best practices can be defined that are universally valid and applicable, regardless of national cultural or institutional factors. Efficiency and similar global competitive environments are perceived to force companies to adopt these best practices to increase their competitiveness. This will lead to a cross-national convergence of management, including HR, practices. Divergence, on the other hand, suggests that because of the embeddedness of management practices in national cultural and institutional contexts, convergence can't be extensive (Pudelko & Harzing, 2007). Literature in this area consists of two schools of thought. There is the culturalist orientation, which leans heavily on Hofstede's cultural dimensions (Hofstede, cited in Pudelko & Harzing, 2007) and the institutionalist orientation, which sees the institutional environment as the key determinant of organizational characteristics (Pudelko & Harzing, 2007). The US is considered as the dominant model for HRM practices. This model is characterized by greater centralization and formalization regarding HR, applying practices such as performance related pay and direct forms of

employee involvement (McDonnell, Lavelle and Gunnigle, 2014). Empirical work points to evidence of this dominance effect, by showing that subsidiary HRM practices of Japanese and German multinational companies were converging towards dominant US practice (Pudelko & Harzing, cited in McDonnell et al., 2014).

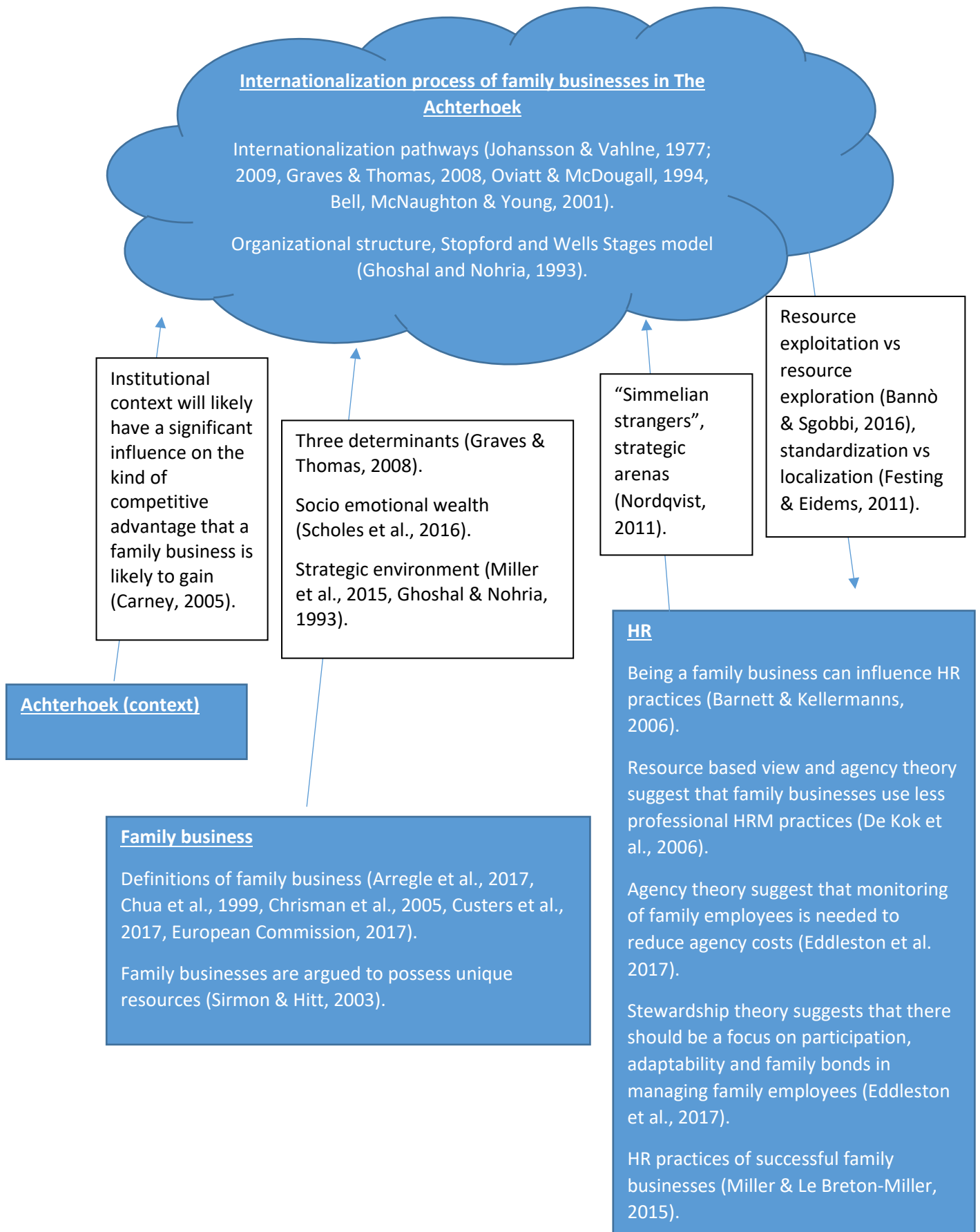
#### *Standardization vs. localization*

Figure 1 in paragraph 2.2 showed that the strategic environment of a multinational company is determined by forces for global integration and forces for local responsiveness. These conflicting pressures must be managed. It can be complex to balance both pressures, especially in a transnational environment, when both are high. This integration versus responsiveness terminology is frequently used to characterize MNC strategies in general. When referring to functional areas such as HR, the terminology mostly used is standardization versus localization (Pudelko & Harzing, 2008). Standardization means that firms have the same practices throughout the company, so in every subsidiary and in the headquarters. Localization means that the headquarters and each subsidiary have their own practices.

HRM policies and practices are required to be horizontally and vertically aligned and aimed at developing, attracting and maintaining a firm's human resources. HRM policies and practices are horizontally aligned when they are not independent from each other, but integrated. They are vertically aligned when they are linked with corporate strategy and culture (Festing & Eidems, 2011). Internationalization complicates the horizontal and vertical aligning of HRM policies and practices because it exposes the organization to more external influences, such as the institutional and cultural host-country environment. Regarding HRM, decisions must be made about what to standardize and what to localize. The appropriateness of the balance between standardization and localization is influenced by the international strategy of the firm. Firms must decide for which HR practices the balance is relevant and for which employees and subsidiaries it applies. Standardization would align the geographically fragmented workforce around common principles and common objectives (Festing & Eidems, 2011). Firm strategy, firm structure, corporate culture, firm size and maturity are main drivers for standardization. For instance, a transnational strategy and structure is often associated with a strong corporate culture, which is shared by all employees worldwide. However, subsidiaries' different institutional and cultural context, as well as their strategic role, are drivers for localization. For example, the education system of a country influences the importance of professional training schemes and culture influences how employees react to different reward structures (Festing & Eidems, 2011). Much of the existing research has focused on the "usual suspects", notably firms that hold dominant positions in important industries, firms that have been in existence for a long time and firms with a strong, recognizable brand (McDonnell et. al, 2014). It will be interesting to see if the firms in

this study, family businesses from a specific region, adopt global best HRM practices, if they standardize or localize their HR practices, and how the home country and host country affect HR.

To summarize, the visual representation of the research questions is pictured on the next page, with the key words from this chapter added to it.





## Chapter 3: Methodology

This chapter elaborates on the methodology used in this research. An attachment to philosophical or metatheoretical commitments is a key part of the methodology of any research (Duberly, Johnson & Cassell, 2012). Therefore, the philosophical assumptions of this research are discussed in paragraph 3.1. In paragraph 3.2 the research design is described, in paragraph 3.3 the research method. Paragraph 3.4 outlines the data analysis procedure. Paragraph 3.5 focuses on quality of research and the topic of paragraph 3.6 is research ethics.

### 3.1 Epistemology and ontology

Epistemology is the study of the criteria by which we can know what does and what does not constitute knowledge. What is “truth”? According to positivists, it is possible to objectively research the social world. This view has been criticized by the subjectivists. Subjectivists believe that in observing the world, people inevitably influence it. Research can take an objectivist (realist) or subjectivist (relativist) epistemological stance. Ontology concerns the question whether or not the phenomenon researched exists independent of people knowing and perceiving it. Regarding ontology, a distinction can be made between realist assumptions and subjectivist assumptions about social reality. Realist assumptions entail that reality exists independent of people knowing and perceiving it. Subjectivist assumptions, however, entail the view that reality is a creation of our consciousness and cognition. It is created by people in perceiving and knowing it. Together, the epistemological and ontological assumptions lead to different philosophical approaches to methodology. Examples are positivism, interpretivism and critical theory (Duberly et al., 2012). This research falls into the qualitative neo-positivism approach, another term for this is neo-empiricism. Key assumptions are that there is a reality “out there” to be known (ontological realism) and that it is possible to remove subjective bias in the assessment of that reality (Duberly et al., 2012).

### 3.2 Research design

Qualitative research methods will be used to find answers to the research questions. Qualitative research methods are appropriate in this study for several reasons. First, qualitative methods are useful for exploration (Boeije, 2014). Exploration is an important goal of this study, since there hasn't been enough research on the topic of internationalization of family businesses in a particular context yet. Especially the role of HR in this process is not clear yet. Second, qualitative research is suitable when existing research delivers mixed results (Boeije, 2014). As stated in the introduction of this thesis, this is the case for the existing research into the internationalization of family businesses. Third,

qualitative research is of use when studying complex and dynamic situations (Boeije, 2014). Since the subject researched is a process, and the roles of different actors in this process, this is the case.

The specific research design applied is a case study. A case study is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clear (Buchanan, 2012). Yin (2014) points out that a case study tries to explain causal links that can be studied in real-life and are too complex for a survey or experiment. Since this thesis focuses on a process of which the starting point and the end are not clear, and the roles of multiple actors within this process, a case study is a fitting research design. The subject under investigation is the internationalization process, and the roles of the family, HR and the Achterhoek context within this process. This will be studied in different organizations, making this a multiple case study. A multiple case study has analytic benefits over a single case study. Analytic conclusions independently arising from two or more cases, will be more powerful than those coming from a single case (Yin, 2014).

### **Case study organizations**

Four organizations have been found willing to participate in this research. Organization A Group (Organization A), Organization B Group (Organization B), Organization C Group (Organization C) and Organization D Group (Organization D). Organization A is a company owned by two cousins, who are both in the top management of the company. Organization A consists of two companies, Organization A Coating BV and Organization A Metaal BV. Organization A Metaal BV sells metal accessories to radiator manufacturers and radiator covers under the name OrgAConsumers to consumers. Organization A Coating BV coats metal goods for other companies. Organization A is based in Village A and has around 200 employees, according to their website ([Werken bij de Organization A Groep is...], n.d.). Organization B is a company based in Village B, it makes machines and production lines for industrial bakeries. The website of Organization B shows that there are companies belonging to Organization B Group in 5 countries: the Netherlands, Germany, United Kingdom, Italy and France. Organization B also has agents in 34 countries (all continents except Oceania) ([Your local partner], n.d.). Organization B Group is owned by a member of the Organization B family, who is not working at the company anymore. There are over 400 people working at Organization B ([Over Organization B Group], n.d.). Organization C provides parts and accessories to customers in the agricultural sector throughout Europe. Its current CEO and part owner is the grandson of the founder of a company Organization C has been collaborating with since 1969 and merged with under the name Organization C in 2000 ([Historie], n.d.). Organization C has around 3000 employees of which around 800 in The

Netherlands (Organization C, 2017<sup>1</sup>). Organization D Group consists of companies in The Netherlands, Germany and Romania. It is a specialized technical wholesaler ([Organization D Groep], n.d.). The number of employees is not on their website ([Organization D Groep], n.d.). During the interviews it has become clear that there are about 1300 people working at the Organization D Group.

### 3.3 Research method

The study will rely on interviews as a method for collecting data. Table 2 shows an overview of the interviewed people. The interviews will be prepared by developing an interview guide. An interview guide for semi-structured interviews will include an outline of topics to be covered with suggested questions (Brinkmann & Kvale, 2015). A semi-structured interview is chosen because a degree of structure is needed to make sure interviewees respond to the themes identified in Chapter 2, while at the same time there needs to be room for the interviewees to provide new perspectives (Alvesson & Aschcraft, 2012). Next to that, it makes the interviews more comparable with one another, since employees will answer to roughly the same questions. Furthermore, the interview guide assists in time management during the interview.

<b>Respondent</b>	<b>Company</b>	<b>Role in company</b>
1	Organization A Group	HR manager
2	Organization A Group	Financial director
3	Organization A Group	General director, owner, family member
4	Organization A Group	Director Organization A coating
5	Organization B Group	HR manager
6	Organization B Group	General director
7	Organization B Group	Owner, family member
8	Organization C Group	Innovations manager
9	Organization C Group	Compensations and benefits manager (HR)
10	Organization C Group	HR employee
11	Organization D Group	Office manager
12	Organization D Group	General director
13	Organization D Group	HR manager

Table 2: Respondents.

<sup>1</sup> Organization C's annual report 2016. Reference not included in this anonymized version.

### 3.4 Data analysis procedure

The analysis of case study data can be difficult because techniques still have not been well defined. Unlike statistical analysis, there are not much fixed formulas to guide the researcher (Yin, 2014). Template analysis is a useful method to analyze the interview data from the case study (Buchanan, 2012). This method will be used in this thesis. Template analysis is a good choice for those who are not inimical to the assumptions of grounded theory but find that method too prescriptive (King, 2012). This is the case for this thesis. Grounded theory is said to be good for studying processes and for when no previous theory exists (Urquhart, 2013). Especially with regard to the third research question, *“Specifically, how is HR influenced by and how does HR influence the internationalization process of family businesses in the Achterhoek?”*, there is not much previous theory. However, regarding the other research questions, there is some. As opposed to grounded theory, template analysis allows for some themes to be defined deductively based on the theory (King, 2012).

Template analysis balances a relatively high degree of structure in the process of analyzing textual data, mainly interviews, with the flexibility to adapt it to the needs of a study. Central to the technique is the development of a coding template, usually based on a subset of the data. Through an iterative process, this template is continuously modified. The approach is very flexible regarding the style and format of the template and does not suggest in advance what the different coding levels should be (King, 2012). Template analysis can be positioned in the middle ground between a bottom up and top down approach to coding. There is no rigid distinction between descriptive and interpretive coding. The template consists of themes. The themes summarize a group of related codes and underlying quotes. The researcher is allowed to define some themes in advance (a priori themes). These themes can be redefined or discarded during the research (King, 2012). Table 3 depicts the a priori themes. The a priori themes were defined based on the literature. They are the themes that formed the basis of the topic list and interview guide used during the semi-structured interviews. Therefore, it is expected that these codes will be found in the data. All the key aspects from the theoretical chapter are included. When possible, key aspects are clustered together in one theme. This is mainly the case for aspects relating to HR. A key feature of template analysis is the hierarchical organization of codes. Codes as well as themes can be clustered together to produce more general higher order codes/themes. This allows the researcher to analyze the transcript at varying levels of specificity. There can be as many themes as the researcher finds useful. Template analysis permits a parallel coding of segments of text. This means that the same part of the text can be labeled with more than one code. There can also be integrative themes. Integrative themes pervade much of the data, cross-cutting many or all other thematic clusters, like an undercurrent (King, 2012). In the results section, the different versions of the template are presented with a short explanation. Once the final template has

been developed, an account of the interpretation of the data must be presented (King, 2012). This will be done by describing each case, followed by a discussion of the differences and similarities.

<u>A priori theme</u>	<u>Description</u>
Family business characteristics	Includes: Why the business is a family business.
Institutional context	Includes: The influence of legislation, norms, culture and the Achterhoek on the business.
Internationalization pathway	Includes: How the internationalization of the company has started and how it has been developing. What influenced this (three determinants).  Key words: incremental, accelerated, sudden, motives, degree of internationalization, relative importance of international activities.
Resources	Includes: The most important resources of the company and how they are used for internationalization. Possible resources: human capital, social capital, financial capital.
Socio emotional wealth (SEW)	Includes: Non-financial needs of the business, family harmony and trust are for instance aspects related to SEW.
Market (strategic environment)	Includes: Stability and innovation in the market, characterization of the environment as global, transnational, international or multinational and how this influences the company.
Organizational structure	Includes: How the (international) activities are managed.
HR in a family business	Includes: What HR policies and practices are present in the company. If and how being a family business influences HR practices. The family aspect can possibly influence the use of

	professional HR practices. How interaction between the family and the business is managed, for instance formalization. How (family) employees are managed (monitoring or emphasis on collaboration) is relevant as well.
HR and internationalization	Includes: If HR can influence internationalization and if and how internationalization influences HR practices. The role of HR in the company (specialized “stranger” or not, access to arenas where strategic decisions are made). International aspects of HR (resource exploration vs resource exploitation, standardization vs localization).

Table 3: A priori themes.

### 3.5 Quality of research

There are several quality criteria that can be used to assess qualitative research. In quantitative research, reliability and validity are well known and upheld assessment criteria. It is less clear what constitutes good qualitative research. The epistemological and methodological position determines which criteria are relevant in a research and in what way they are relevant (Symon & Cassell, 2012).

#### **Reliability**

Reliability is achieved when, if a later researcher follows the same procedure and conducts the same case study, the later researcher arrives at the same conclusions (Yin, 2014). Reliability is important because of the realist epistemological position, assuming that there is an objective truth to be discovered (King, 2012). The goal of reliability is to minimize errors and biases in the study. The general way of accomplishing reliability is to make as many steps operational as possible and to conduct research as if someone is looking over your shoulder (Yin, 2014). Therefore, the steps taken in this research are thoroughly documented. For instance, in progress versions of the research are saved, as well as the different interview guides used. The different steps taken in the construction of the template are also extensively documented. Furthermore, after the interviews, notes were of the researcher’s feelings. This will increase researcher objectivity, since it forces the researcher to reflect on how these subjective feelings might have influenced the interview.

## Validity

The general term validity refers to systematical errors that influence the research. When the researcher measures or finds what he wants to measure or find, there is validity (Boeije, 2014). To improve validity, the respondents have checked the interview transcripts. Furthermore, the use of semi-structured interviews improves validity. The guiding questions are based on literature, ensuring that in general the right things are asked, but there is also room to depart from the interview guide if this is necessary to get a complete and correct story of the interviewee.

More specific forms of validity can be distinguished. Construct validity refers to identifying correct operational measures for the concepts in the study (Yin, 2014). In this research, theory has been studied extensively to clarify the relevant concepts. Internal validity, referring to seeking to establish a causal relationship as distinguished from a spurious relationship, is mainly relevant in explanatory case studies. It is not so much a concern in descriptive or exploratory studies (Yin, 2014). Therefore, it is not so much relevant to this study. However, concerning internal validity there is also the problem of making inferences. Case studies include inferences every time an event cannot be observed directly. This happens a lot in this study since the data used are interviews. To deal with this problem, the tactic of pattern matching is employed in the conclusion. Pattern matching is comparing the empirical pattern based on the findings from the case study, to the pattern predicted by theory. If the empirical pattern matches the predicted pattern, this increases internal validity (Yin, 2014).

If the findings of a study are applicable to other settings, there is external validity. Another term for external validity is generalizability. Lack of generalizability is often viewed as a limitation to case studies, since case studies can't be generalized in the statistical way. However, case study findings can be generalizable in other ways (Buchanan, 2012). Moderatum generalizations are speculative generalizations: *"If characteristics point to particular structures in one situation, then one can hypothesize that the existence of such structures in a further situation will lead to at least some similar characteristics"* (Buchanan, 2012, p. 365). In this thesis, findings come from four different cases. Based on this some moderatum generalizations can be made. However, generalizability remains rather low because of the limited number of companies and interviews. Unfortunately, time constraints and limited access to suitable businesses made it impossible to do more interviews.

## 3.6 Research ethics

It is important to reflect on how the research effects and affects those it touches (Holt, 2012). Research participants should consent to the research by being informed formally and in advance. The best way to accomplish this is to make sure the participants are given time to think about their decision to participate or not and feel in control (Farquhar, 2012). In this research, organizations were initially

approached for possible participation via email. In this email, the researcher introduces herself and the research. The email ended with the explicit notification that the company could ask any questions they had about the research via email or telephone (the phone number of the researcher was added). Confidentiality is also a vital element of ethical research. From informants or documents the researcher may learn about personal opinions and private thoughts as well as competitive intelligence (Farquhar, 2012). Interview transcripts are anonymized, and it is carefully considered which quotes from the transcripts to use to demonstrate results. Also, all data is saved securely on a USB of the researcher that nobody else uses and on the university computers via the personal account of the researcher. During the data collection, the researcher took ethics into account in several ways. Permission was asked for recording, the goal of the interview and the research was clarified and participants were asked if they had further questions. The participants were also reminded that they could always approach the researcher with concerns and questions, via e-mail or telephone. Furthermore, it was ensured that the interview data would be treated with care and anonymized. In the analyzing and reporting phase, it is the researcher's ethical responsibility to make sure the analysis honestly represents the data (Anderson, 2013). The researcher tried her best to fairly and accurately report the information. This has been done not editing out inconvenient parts and reflecting on her own role in the data collection and analysis. Finally, the researcher will not consent to submission of the thesis to the Radboud Thesis Repository without the explicit consent of the participants.



## Chapter 4: Analysis and Results

In this chapter the results are presented: the initial template in paragraph 4.1 and the final template in paragraph 4.2. A distinction between the organizations is made with the letters A, B, C and D consecutively depicting Organization A, Organization B, Organization C and Organization D. In paragraph 4.3 the four cases are analyzed based on the final template.

### 4.1 Initial template

The initial template was developed based on the interviews conducted at Organization A and Organization B. Everything in the transcripts that seemed of relevance to answering the research questions was labelled with a preliminary code. A distinction between the organizations and transcripts is also made, to make it easier to differentiate between cases and respondents if necessary. After trying out different versions of the structure, the initial template was created. Preliminary codes relating to small details were not put into the initial template, because the template is already large. It consists of seven top level themes, as well as several second and third-order themes. A priori theme “socio-emotional wealth” is not included in the initial template. Nothing could be fit under it that could not be placed somewhere else on the template. The a priori theme “family business characteristics” was redefined to involve aspects that could be attributed to the company’s nature as a family business. The a priori theme “resources” has been made a second order theme, to the extent that it involved resources that according to theory are typical for family businesses. The initial template can be found in Appendix 16. The initial template serves in the analysis as an illustration and justification of how the final template was developed. To provide you with a first idea of the initial template without having to check the Appendix, Table 4 was made. Table 4 depicts one code and underlying quotes per top level theme.

<b>Top level theme</b> and <i>underlying quote</i>	A Organization A code	B Organization B code
1. Institutional context <i>A Organization A quote: “Yes, Innovationhub ICER, there are more initiatives like that in The Achterhoek. It is a collaboration between DRU and a number of companies. Ottevanger from Aalten, Bronkhorst High Tech Ruurlo, Exerion from Village A and us” (Respondent 1).</i>	Regional collaboration	Regional collaboration

<p>B Organization B quote: <i>“So I think that the strength is also in the collaboration that is extensive in the region” (Respondent 5).</i></p>		
<p>2. Internationalization</p> <p>A Organization A quote: <i>“You need an organization, you need to talk to people, you need a customer service for questions. We cannot do that from here. We are too far away from the country. We do not speak the language. We do not understand the game. That’s why I say the French do business with the French” (Respondent 3).</i></p> <p>B Organization B quote: <i>“It starts with one person that travels the country and usually we start looking for a representative because a representative understands the mores of the country” (Respondent 6).</i></p>	<p>Use of representatives (agents, importers) abroad because of differences between countries</p>	<p>Use of representatives (agents, importers) abroad because of differences between countries</p>
<p>3. Family business characteristics</p> <p>A Organization A quote: <i>“When an investment has to made, a family company typically knows what is possible, what they can invest (...) that is more difficult when you have to go to a bank” (Respondent 4).</i> Interviewer: <i>“(…) Organization A can go to a bank as well right”?</i> Respondent 4: <i>“Yes, but you often see that family companies, ehm, you see, there are other aspects that play a role there, they want to know how their private [capital] is involved in that.”</i></p> <p>B Organization B quote: <i>“Well because family companies do not depend on decisions of shareholders. They determine where to invest their capital by themselves. Family companies in general have good equity. Therefore, they are not always dependent on banks. So they can decide independently how to spend their money” (Respondent 5).</i></p>	<p>Aversion towards external financing</p>	<p>Financial independence</p>
<p>4. Other resources</p> <p>A Organization A quote: <i>“Knowledge [is our most important resource]. Knowledge about metal (...) patents. Knowledge in general, the ability to understand what our customers need. We know our customers’ customers. We can anticipate on what is interesting for them” (Respondent 2).</i></p> <p>B Organization B quote: <i>“People [are our most important resource] (...) The knowledge inside of people that’s what</i></p>	<p>Knowledge</p>	<p>Knowledge</p>

<p><i>it is about. You have to cherish that, you have to build that and you have to cultivate that” (Respondent 6).</i></p>		
<p>5. Company culture</p> <p>A Organization A quote: <i>“Organization A, and me personally as well, believes the employee is the most important. It is the person that makes the company. If employees are not motivated, you cannot deliver a good product...” (Respondent 4).</i></p> <p>B Organization B quote: <i>“At Organization B we have always taken good care of our employees. It is tradition that every employee gets meat from the company once a year (...) that is something that started in the past when a lot of people could not afford to buy meat” (Respondent 5).</i></p>	<p>Attention for employees</p>	<p>Attention for employees</p>
<p>6. Market characteristics</p> <p>A Organization A quote: <i>“There are a lot of competitors in the powder coating sector” (Respondent 2).</i></p> <p>B Organization B quote: <i>“Well these days customers also find us, because we are the worldwide market leader so that makes it easier” (Respondent 6).</i></p>	<p>Much competition</p>	<p>Worldwide market leader</p>
<p>7. HR</p> <p>A Organization A quote: <i>“The last few years I have noticed that the level of education of the people in de factory was quite low. Therefore, we have done a lot of schooling” (Respondent 1).</i></p> <p>B Organization B quote: <i>“People have opportunities for promotion here and are stimulated to develop themselves” (Respondent 5).</i></p>	<p>Developing employees</p>	<p>Developing employees</p>

Table 4: Impression of initial template.

## 4.2 Final template

After the initial template was developed, the remaining set of interview transcripts were coded. In this process, flaws in the initial template were revealed and the template was modified. The first set of interviews was coded again based on the modifications. Aside from adding codes based on the remaining set of transcripts, several changes were made to the template. First, because of the size of the template, the codes “transparent organization” and “flat organization” were merged. The codes

are both used by respondents to describe the organization as one with short lines, where every employee can talk to high management if they want. Second, the code “everybody knows each other” was changed to “people know and help each other”. This fits the underlying quotes better. Third, the code “good mentality of employees, loyal” was deleted. It does not add anything to the human capital theme as “loyalty” is also a code relating to that theme. Fourth, a new top level theme “strategy” was created, with second order themes “general strategy” and “international strategy”. Fifth, the second order theme “broader context” was deleted. It does not contribute as much to answering the research questions as the other themes. This meant “Achterhoek context” became a top level theme. The code “collaboration across the border” was kept as it also fits under “Achterhoek context”. Sixth, second order theme “developments” was deleted, the underlying codes were too detailed to contribute to answering the research questions, with exception of the code “tight labor market”. This code was subsequently placed under third order theme “relevant issues”. Seventh, the code “tacit knowledge on how to work with employees with different cultures” was moved to third order theme “other international aspects”, it fits better there. Eighth, some codes were worded slightly differently. “A lot of big, long term clients (business to business)” was changed to “a lot of contact with business to business customer (long term)” and “(currently) professionalizing and developing HR” was changed to “professionalizing HR”. Ninth, the codes “Achterhoek mentality: honest, blunt, hardworking, collaborative” and “modest, hardworking employees” were replaced by the code “good work ethic”. This code fits both underlying quotes as well as quotes in the transcripts from organization D. Tenth, a new second order theme “structure” was added. Despite this being an a priori theme, the researcher failed to include this in the initial template.

The template can be considered final if every part of the text that seems relevant to the research questions can be coded based on the template (King, 2012). All the modifications lead to the final template that is placed in Appendix 17.

### 4.3 The four cases

The four cases will now be analyzed based on the final template. The eight top level themes from the template will be clarified. The order will be slightly different, since in describing the different cases it makes sense to start with the (family) business characteristics.

#### **A Organization A**

##### **Family business characteristics (final template theme 4)**

Organization A is a family business because it is owned by two cousins. They are the third generation of owners, their grandfather founded the company. Organization A consists of two different

businesses. Organization A Metaal BV and Organization A Coating BV. Organization A Metaal BV sells metal accessories to radiator manufacturers and radiator covers under the name OrgAConsumers to consumers. Organization A Coating BV coats metal goods for other companies. Organization A is based in Village A and has around 200 employees ([Werken bij de Organization A Groep is...], n.d.). Respondent 3 mentioned that the combination of family and business creates a special dynamic, hence the code “Succession can bring struggles”. This is illustrated by the following underlying quotes: *“First of all, you have the process of coming in and going out. The previous generation has to go out. That is not done with a single snap. The new generation must come into the company. Then you start working together. You have to stay pure with that. Family is family, that’s nice, but everybody has his role and responsibility in the company.”* Interviewer: *“Is that difficult sometimes?”* Respondent 3: *“Yes, sometimes that can be difficult.”* Interviewer: *“When is that difficult?”* Respondent 3: *“Well, sometimes family members are inclined.., the idea can be that when you are family, you have certain privileges in your role. You have to stay professional regarding that.”* Interviewer: *“How do you deal with that?”* Respondent 3: *“We try to keep that as clear as possible and to separate that. Separate your function from the fact that you are family, or shareholder. Imagine, I am family and I work here as a buyer. That means that I do my job as buyer and for instance do not meddle with production. You have to be professional.”* Underlying the code “family and business financial intertwining” is a quote from Respondent 2 in which he described why he liked working at a family company: *“It has its charm, the involvement, the loyalty and also the family-aspects, that history and in the financial sense you are confronted with that intertwining. I find that interesting (...) owners ask me about private financial issues, that has its charm”*. Family business characteristics that influence how the company is managed are listed under themes 4.2 and 4.3. Examples are “continuity important”, “long term focus” and “aversion towards external financing”.

### **Internationalization (final template theme 2)**

The clients of Organization A Coating BV are in a 150 kilometer radius around Village A, this includes Germany until the edge of the Ruhr area. Coating was the first business of Organization A. They expanded the area in which they had clients step by step. At the beginning of the 1980s they started a company in Emmerich Germany, 15 kilometers away from Village A. The reason for this was that *“The borders were still quite closed back then, in the sense that Germany was a very different market than The Netherlands. So you needed a company there”* (Respondent 2). They closed this company in the beginning of the 21<sup>st</sup> century. Further (international) expansion of Organization A Coating is possible but difficult due to competition in the coating business and high transportation costs. For Coating, Belgium is too far. Organization A Metaal BV started in the 1980s. Organization A Metaal BV started selling throughout Europe immediately because *“The owner/CEO of that time was often in Europe and*

*got a lot of requests, he had contacts at a lot of radiator manufacturers” (Respondent 2). Organization A Metaal BV is looking to sell more radiator covers in Belgium, England and Germany. They are also familiarizing themselves with the market in the United Kingdom. Organization A focuses on exporting and has no subsidiaries abroad. The internationalization pathway of Organization A can be labelled incremental because they apply a low commitment strategy (exporting) and they believe it is important to do well nationally before going international: “I always say you have to start in your home market and be successful there (...) so that it is an oiled machine, and then you go to your export market. That is a golden rule” (Respondent 3).*

### **Strategy (final template theme 3)**

Organization A’s strategy consists of two things. First, they want to optimize and become better at what they do. Second, they want to innovate and create new markets. OrgAConsumers is an example of that. This strategy is focused on protecting their long-term market position. Their strategy with regard to internationalization is that they use representatives (agents, importers) abroad because of the differences between countries. Their strategy is also different in each country. For instance, in France they work with an agent to represent them and in Germany with an importer that buys their product and resells it. They prefer the arrangement in Germany, because then they are not involved with marketing anymore, but the agent in France is not yet able to do everything an importer does.

### **Other resources and capabilities (final template theme 5)**

Resources that are crucial to Organization A’s success but are not characteristics that are unique to family businesses are “custom made machines for production”, “innovative capacity” and “knowledge”.

### **Company culture (final template theme 6)**

The culture at Organization A is open, there is attention for employees and sustainability is considered important. Respondent 1 mentioned that the core competencies that Organization A considers important are that people are results oriented, change oriented and that there is collaboration.

### **Market characteristics (final template theme 7)**

Organization A is active in the commodity market, where there is mass-production and a standardized process. On the other hand, they have room to adapt the product to their client’s wishes. At Coating they coat the product how their client wants to. At OrgAConsumers, clients can choose between different colors for their radiator cover. In the market of OrgAConsumers there is room to grow. The market of Metaal in general however, is shrinking. That’s the reason Organization A focuses on innovation and new ideas like OrgAConsumers.

### **HR (final template theme 8)**

Respondent 1 started working at Organization A in 2009. He is the first HR manager. Since last year, a second person joined the HR department at Organization A. Respondent 1 finds it typical for a family business to not have an HR-department from the start. Respondent 1: *"In a family business it is yet an extra function."* Interviewer: *"What do you mean?"* Respondent 1: *"It had never been there of course."* The past years Respondent 1 has been busy professionalizing and developing HR at Organization A, the current generation of owners/managers were a trigger of this: *"Now the third generation is in the company, they want to further professionalize the company, that means you need an HR department (...) before there was no structural HR policy, no reward system, no performance review system, no education and development-policy..."* Before, everything happened pragmatically. Training for instance: *"People were trained, but only ad hoc, there was no structure (...) so it also was not clear who wanted to be developed. A manager in production does not pay attention to that daily. He just wants the work to be finished on time"* (Respondent 2). HR is not extensively involved in internationalization. That is because Organization A does not have employees abroad. They prefer to work with partners abroad that know the market: *"We do not know the French and German playing field. There are other rules there and a different context. We do not know that context. We do not know the preferences and the mentality. And often it is the details that make the difference between success and failure"* (Respondent 1). There are 13 different nationalities working at Organization A in Village A. The cultural differences do not cause problems. Interviewer: *"How do you deal with these cultural differences?"* Respondent 1: *"That just works (...) It sort of happens automatically, the people who lead these employees have learned how to deal with different cultures. Every person is different. And it is just part of a multicultural society. You do not treat someone from Poland different than a Dutch person."* A striking thing about Organization A is the extensive way in which service anniversaries are celebrated *"Employees and their family are picked up with a taxi and brought to the head office. There is a buffet, a gift and a speech. It is full-day program, very fun"* (Respondent 3). The role of HR is advisory. Respondent 1 is asked for advice and can initiate changes, but only on the topic of his specialization, HR. HR is not part of the board that determines the general strategy.

### **Achterhoek context (final template theme 1)**

Organization A participates in an "innovationhub". This is a collaboration of several companies in the region to provide students with assignments and internships. They participate because they think it is important to promote the region: *"We are open too, here in The Achterhoek, in the manufacturing industry, to open our doors completely to interns, graduates, engineers, to facilitate as much as possible that the manufacturing industry in The Achterhoek, well, that we are just very interesting. What is happening in Eindhoven, an institution of knowledge that is developing inside and around Eindhoven,*

*we want to accomplish a similar thing here in The Achterhoek” (Respondent 2).* There is also collaboration across the border, with companies in the Bocholt area. There are meetings so that these companies are connected, despite being in separate countries. Employees in the Achterhoek have a good work ethic, according to Respondent 4.

## **B Organization B**

### **Family business characteristics (final template theme 4)**

Organization B is a family business because it has been in the Organization B family for four generations. Based in Village B, Organization B has companies in 5 countries: the Netherlands, Germany, United Kingdom, Italy and France. Organization B also has agents in 34 countries (all continents except Oceania) ([Your local partner], n.d.). Organization B sells parts and machines for industrial bakeries. They also built complete industrial bakeries. They can provide different production lines for many types of bakery products and provide personalized solutions for clients all over the world. There are over 400 people working at Organization B ([Over Organization B Group], n.d.). The current owner of Organization B took over the company from his father. His five brothers and sisters do not own parts of the company. This was a deliberate decision: *“He [my father] did not believe in multiple captains on one ship. There must be one person that can make the decisions. That way you stay decisive and don’t become bureaucratic. It keeps you from destroying your own company. So it was not an option to divide the shares” (Respondent 7).* When his father wanted to sell the company, it was not self-evident that one of the children would take over. The most important thing was continuity of the company. The takeover process was carried out thoughtfully, with external experts to make sure there would not be problems like discussion about the value of the shares later.

Organization B’s owner is no longer part of the board of Organization B. It was a conscious decision to no longer be involved with the daily operations: *“I felt the need to take more distance from the company (...) I do want to be informed, since it is my company. That means that I watch and am involved in decisions from a distance. That gives me the freedom to pay attention to external conditions that are important for us in the long term. So, the conditions that influence the continuity of the company (...) For instance, I am a board member of the regional interest group FME and I am a member of Regio Achterhoek where I talk about what I, as an entrepreneur, think the region should look like (...) A limiting factor of our ambition is the lack of qualified people. That is a real problem. We cannot fix that as an individual company. You need to solve that collectively. However, you do need someone to take the lead. I have that time now” (Respondent 7).* Examples of family business characteristics that influence how the company is managed are that there are no short term financial goals and that profit maximization is not the most important goal. Also, the Respondent 6 labels Organization B as a



company that is managed in accordance with the Rhineland model. He believes the Rhineland model is typical for family businesses. He describes this kind of organization as part of society.

### **Internationalization (final template theme 2)**

The first international activity of Organization B started in the sixties, when the previous generation owned and managed the company: *“Well, I think that started during my father’s time. He started that. That was in the sixties I believe. I think it has to do with getting the chance. So, you meet the right people at the right time (...), but you must be open to it. And he was someone that always liked to look across borders (...) He was a good entrepreneur that recognized opportunities (...) so when he had the chance to sell products, it were product carriers<sup>2</sup>, abroad, he took it”* (Respondent 7).

The 1990s were a critical period for the company: *“We had to make a choice if we wanted to be a niche player or a generalist. (...) The market used to be very fragmented, but in that period a lot of our clients started merging. That meant we had to specialize or generalize. We decided to generalize, that had a lot of consequences (...) We were a niche player, primarily in the field of transportation and product carriers. We did not do anything with baking or dough handling. And if we wanted to remain successful for the following decades, we felt that we needed to generalize. So we started broadening our product range and actively started taking over companies to broaden our product range”* (Respondent 7).

Internationalization started in Germany and German speaking countries. Nowadays Organization B is active worldwide. They are open to opportunities from all over the world, they see no limitations there. The Asian market is particularly interesting at this moment.

### **Strategy (final template theme 3)**

Innovation is an important part of Organization B’s strategy. They want to make sure their products stay interesting, to make sure the company can survive. *“We have been at this location for over 100 years, and we continuously think about how we can make our products interesting for our customer. For instance (...) we added an identification code to our baking trays, these codes are scanned, that provides us with data. If a bread from a tray is of really good quality, you can use the code to see what the temperature and the humidity was (...) that way we can make sure that our employees can keep their jobs here”* (Respondent 5). Another example is that they recently started a new activity called Organization B 3d, Organization B 3d has the second industrial 3d printer in the world. It is typical for Organization B to give a lot of autonomy to the employees running that kind of activities. They are basically independent companies within Organization B.

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<sup>2</sup> Product carries are things that carry the product, like baking tins or baking trays.

Organization B's international strategy consists of differentiating between countries. They classify the countries they are active in, in four levels. These levels represent how committed they are to that market. The levels are opportunity market, growth market, important market and home market. The markets they have sales offices in, are the home markets. Eventually the goal is to make every country a home market, this is a process of increasing commitment step by step. *"You get a few leads and then (...) First we do it at a non-exclusive basis, we try if it is a good market (...) when a project is successful then you can think about making the "engagement" a "marriage" (...) When we talk about a "marriage" we may set up our own entity there, before that the agent gets money based on what he sells" (Respondent 6).* The production facilities of Organization B need to have the same focus, because Organization B produces complete industrial bakeries. *"Every company (...) has to provide a plan, we want to know what their ambition is. So that we can streamline it. (...) If Benier believes it is important to focus on baguettes.. they cannot do that alone because it is an integrated concept. Thus, if Benier says we think baguettes are important but Daub says pizza is important, there is a problem. We must make decisions as a group. There will be a discussion and then the group board decides." (Respondent 7).*

#### **Other resources and capabilities (final template theme 5)**

Resources that are crucial to Organization B's success but are not characteristics that are unique to family businesses are "innovative capacity" and "knowledge".

#### **Company culture (final template theme 6)**

Core values of Organization B are initiative, ambition and entrepreneurship. It is also mentioned that there is attention for employees.

#### **Market characteristics (final template theme 7)**

Organization C is the worldwide market leader. Therefore, clients also come to them. As long as the population keeps growing, the consumption of bread will grow, therefore it is a growing market. There is not much competition, since there is a lot of knowledge needed to enter the market. You need to know what technologies are needed to make sure the bread rises and develops taste.

#### **HR (final template theme 8)**

HR at Organization C is decentralized. Organization B has production facilities in the Netherlands, Italy, France and Germany. Each of these production facilities has its own HR-department: *"The companies in Nieuwkuijk have their own HR. Internationally there is no HR. So me and my colleague give advice when it concerns HR outside the Netherlands (...) the companies in Italy and Germany also have their own HR (...) we are not in contact with them. That has to do with the fact that the legislation is very different in those countries. So, it is difficult to talk about that (...) but there is no international HR*

department" (Respondent 5). Respondent 6 mentioned cultural reasons for the decentralization of HR: "Well, in general the policy of HR in The Netherlands is also the policy in other countries, hiring young people for instance. But the way people interact is different (...) We would call the hierarchy in Italy pre-warlike, for instance. Then you could try to impose the Dutch way but that simply would not work (...) so that means you let local people do HR there and that's it. It is very localized".

HR in the Netherlands has a specialized, advisory role. They are asked for advice on HR topics. HR is not involved in other strategic decisions. Regarding internationalization, they are for instance asked what to do with contracts if they let people work abroad. When asked about the general HR policy, Respondent 5 mentioned that Organization B finds it important that employees keep developing. They support that for example via mentoring. Younger employees help older employees with technological changes like the use of computers in the factories. Other things are that there is performance based pay for the sales people, because that is common in that type of work, and that there is an annual performance review in accordance with a formalized process.

For sales abroad, Organization B uses agents. These agents stay in contact with the customer. "I would not make a Dutchman responsible for our Italian activities. I just don't believe that will work. I want an Italian in Italy. However, it must be an Italian that understands our culture. So not somebody from Southern Italy but from Northern Italy. One that can speak English or German (...) An Italian that is intrinsically motivated. Then it will be all right" (Respondent 7). These agents are led by area sales managers based in The Netherlands. For execution of projects abroad Organization B uses its own people from the Netherlands. That does not mean people are abroad for a long, consecutive period "We try to get people back to the Netherlands every two or three weeks" (Respondent 7).

### **Achterhoek context (final template theme 1)**

Respondents at Organization B see the regional collaboration as a strong factor of the Achterhoek: "We are also a member of Smarthub Achterhoek. I am also in a network with other HR-managers from the region, we meet every two months (...) So I think that the strength is in the regional collaboration" (Respondent 5). "The difference with The Achterhoek is that there is much more collaboration here. That is also typical for this time. So maybe there is more collaboration in other regions now as well. But where I used to work there was no collaboration. Now you see a lot of collaboration. For instance, the Anton Tjink school here but also in other ways. Yeah, I think that is unique to The Achterhoek" (Respondent 6). The Anton Tjink school is a school for education related to the metal industry in East-Gelderland ([Anton Tjink Techniekopleidingen], n.d.). Over 80 companies are a partner of the school, including Organization B, Organization A and Organization C ([Lidbedrijven], n.d). The owner of

Organization B is active in regional interest groups that look after the interests of companies in the region.

## **C Organization C**

### **Family business characteristics (final template theme 4)**

Since founder Johan Organization C sold his shares, the Organization C family is not involved in the company anymore. Current CEO and part-owner is a member of a family that founded a similar company in Groningen. This company and Organization C have been working together since the 1960s and eventually the two companies merged. Organization C is therefore a family business because it is partly owned and managed by the second generation of one family. Respondent 8 said Organization C is a semi-family business. Organization C is active in the agricultural sector. They sell parts and accessories to customers throughout Europe. Their clients are companies that make or repair things like tractors or ride-on mowers. Organization C has around 3000 employees of around 800 in the Netherlands (Organization C, 2017). The head office is in Village C. They have around 24 sales offices and a network of distribution centers in Europe (see Appendix 21).

Organization C finds it important that the people who lead the company, also own shares in the company, it is a way to hold on to the family culture, that can be under pressure because of internationalization and growth: *“That is something that we have always cherished, that our management, the board, are also the people who are the investors in the company (...) we find that very important, because that culture in particular, that family culture, we want to preserve that. With internationalization and growth that can be difficult (...) you have a large influx of new people that might not know the culture, it is also not as normal as it used to be that people work here for a very long time, so that are aspects that, together with internationalization, put pressure on the family culture”* (Respondent 8). When asked to describe the family culture, Respondent 8 mentioned short lines, transparent, helping each other, doing the job together and no politics. Other typical family business characteristics include that Organization C invests generously in their relationship with their most important suppliers, they have loyal employees that know and help each other and that they are a flat, transparent organization.

### **Internationalization (final template theme 2)**

What specifically triggered Organization C's internationalization does not follow from the interviews. The book<sup>3</sup> that Organization C made in honor of their sixty year anniversary, does provide the answer to this question: *“A German friend said to mr. Organization C: “What you built in The Netherlands, is*

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<sup>3</sup> Organization C (2012). Reference not included in this anonymized version.

*impossible in Germany.” Mr. Organization C refused to believe that. For years he had bought supplies abroad and he was convinced that there was more to be gained. He decided to take a bike ride to Germany to ask around. He asked a man about an empty farmer’s shed. The man turned out to be the mayor of Hamminkeln, close to the border. The man pointed out that he needed a location on a business park, not a farmer’s shed. Later that year (1977), Organization C opened a location in Hamminkeln.”* (Organization C, 2012, p. 29). According to Respondent 8, the internationalization to countries other than Germany started after Mr. Organization C left the company. In the 1990s, Organization C was active in South Africa and The United States. They owned 50% of a company in both countries. In the early 2000s they decided to change their strategy (Organization C, 2012). Respondent 8 said the following about this: *“At one point we had bought a company in America and in South Africa (...) It was very difficult for us to run an operation in America that is six time zones away. The same goes for South Africa where you have very different cultural challenges (...). It was difficult to become a big player there because at that time in Europe, we were only active in a few countries around The Netherlands. So, we decided to change from a fragmented field of companies and activities, to a sort of oil spill construction. That meant that we wanted to have our things in order here, the best practices we learnt in the market here. We see what we have to do in another country, regarding local factors, cultural factors and our status in that country, to make that applicable there (...) Then you start doing that in France, and from Germany you move to Austria and Switzerland (...) So in those countries you focus on growing to total integration regarding culture and processes. After that you look at the next country.”* Organization C often acquires companies when they want to move into a new country, so that is a high commitment entry mode, as opposed to a low commitment entry mode like exporting. Now that they have spread their business through most of Europe, they are preparing a new move to the US.

### **Strategy (final template theme 3)**

As a consequence of the international growth of Organization C there has been formalization, as illustrated by this underlying quote from Respondent 8: *“There is the challenge of going from an entirely pragmatic company, where you can do a lot based on intuition/feeling, to a company where things have to happen in a professional way. But how do you avoid becoming bureaucratic? Because bureaucratic does not fit our family company culture”*. Another tension that is caused by international growth relates to the standardization vs localization dilemma and was mentioned by Respondent 9: *“There is a tension there (...) when the company gets bigger, we get more inclined to control everything from the center. However, there is also a fear that when we do that, the employees in other countries will not be satisfied and we will have to constantly fight to get them on board. So, there is a tension regarding what to impose from the center and what to decentralize. We have not found a clear line”*. In general, Organization C’s strategy is *“Think global, act local”*. This means they internationalize

functions when possible. They experienced that this works for IT, but not for marketing, since people in different cultures have different preferences. So now they have global marketing that determines frameworks, within which local companies have freedom. Organization C has logistics completely integrated, in the sense that the distribution centers are well connected. They are virtually one distribution center: *“We have distribution centers in 10 countries, that are connected. It is possible that we have parts in stock here that belong to a machine in Italy or vice versa. So the 10 centers are virtually one big center. Trucks drive all day between those centers to get things in the right place”* (Respondent 9). To have such a large inventory is a conscious decision of Organization C and a vital part of the strategy. *“We decided long ago that we wanted to be a party that has a lot of inventory (...) That is an important asset but also very expensive for us”* (Respondent 8).

#### **Other resources and capabilities (final template theme 5)**

Another important resource of Organization C is knowledge. Knowledge about products and the knowledge to help the customer think about how to solve a certain problem.

#### **Company culture (final template theme 6)**

In 2001, Organization C decided to present as one company and have one company culture. To achieve that, they have made the culture explicit and now they communicate this throughout the company, for instance via posters. Image 1<sup>4</sup> is such a poster. It hangs at every Organization C office around the world. In the four clouds that you see, the four values of Organization C are depicted. The values are customer first, entrepreneurship, engagement and together. Respondent 8: *“In some countries, like The Netherlands, we have been present for 67 years. In other countries, like Italy, it is much more recent. We have a market to build there. So, the position you take is different. However, at the basis, the culture and the Organization C-way, that is the foundation that we, ehm, we express that any chance we get. We expect all our 3200 employees and colleagues to understand those, that customer first, entrepreneurship, engagement, together, that are values that we understand in the same way.”* Interviewer: *“How do you do that?”* Respondent 8: *“(…) We have means of communication for that, there are posters here and there (...) and top down we make sure that this consistent message is communicated to everybody. There have been programs for that.”*

#### **Market characteristics (final template theme 7)**

There are local differences in the markets that Organization C is active in. Italy is full of olive trees for example and in the Netherlands people are not in the olive business. That means the machines clients use are different and so are the parts they need. The market is not dependent on economic conditions.

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<sup>4</sup> Deleted in this anonymized version of the thesis.

People will always keep eating, whether there is a recession or not. In that sense the market is stable. Still, there is innovation in the market in the form of new technologies. Examples are drones that can be used to inspect the farmland. Organization C is looking at how this affects them and their customers.

### **HR (final template theme 8)**

HR policy is standardized, but most countries do have a local HR department. There are only differences in HR practices when local legislation requires this, or when there are very significant cultural differences. For instance, they are now introducing the “performance cycle”. Instead of one performance review a year, there will now be multiple conversations a year. *“We are now introducing the performance cycle, so the performance review. That is one company-wide process and countries can only deviate from that process when legislation requires that (...) and culture... only when it is a very significant cultural factor” (Respondent 9).* However, the company is struggling with how much freedom they have to give to their employees in other countries, as illustrated by the quote from Respondent 9 in the paragraph regarding strategy. Indeed, Respondent 10 has his doubts about whether the centralized performance cycle will be a success: *“I think that it could work as a guideline, but it also depends heavily on cultural differences (...) in The Netherlands everybody finds it very normal to discuss his functioning with his manager, but in other countries that is not the case. We also find it very normal to give feedback to your manager during such conversations and to tell him when you do not agree with something. That is also not very usual everywhere.”*

Organization C is open to learn from foreign subsidiaries: *“Well, regarding internationalization, whether it concerns HR or another area, you always see that organizations or countries are used to a certain way of working. And you must have good arguments to change that. We do not go there and say, “In Village C we decided... and that is what is going to happen.” No, we talk to them. We also learn from each other. Certain practices in those countries, we have added to our corporate policy (...) Such as performance reviews, we used to do that in Belgium but not in Poland” (Respondent 9).*

There are several HR specialists at Organization C that work at the corporate level. The specializations are learning & development, compensation & benefits and e-HRM or high digital. These specialists are also in a center of expertise that assists HR in the different countries. The supporting HR functions are organized per country. *“In The Netherlands we do the HR administration and other supporting work for the Netherlands, not matter what department” (Respondent 10).* HR has an advisory role. HR is not involved in the initial decision to internationalize to another country. *“We are not involved at the moment Organization C has a company in mind to take over. We get involved in a later stadium. When a project team is put together. Because it not only has consequences for HR, but also for other business units. (...) We don’t have a deciding vote” (Respondent 9).*

### **Achterhoek context (final template theme 1)**

Organization C is aware of its role in the region. They think that they have to give back to the region. Therefore, they support a lot of local initiatives. They also organize the Organization C run, an event with 1200 to 1300 participants. Organization C did not mention local collaboration as explicitly as other organizations. They did mention that one of their former owners/board members set up the regional division of VNO-NCW, the employers' organization. VNO-NCW Achterhoek is one of the biggest, healthiest divisions of VNO-NCW.

### **D Organization D**

#### **Family business characteristics (final template theme 4)**

Organization D is a company that is family owned. The family-owners work at the company but are not part of the board. Another family member (not owner) is part of the board. Organization D is a technical wholesaler. They sell installation tools for air conditioning, heating, plumbing et cetera to professionals. They have companies in The Netherlands, Germany and Romania. The head office is in Village D. There are about 1300 people working at the Organization D Group. Since July 2017, the third generation owns the company. There are three owners. They work in the company, but are not part of the board, since their father thought they are not "job-mature" enough yet. Their uncle, the brother of the previous owner, also works at the company. He is a member of the board but he does not own any shares. It was a thoughtfully organized takeover process. The previous owner and the current owners composed a family statute. *"Mostly, they have defined values and norms in there. How you treat each other. The goal of the company (...) Under what conditions would you sell the company? How important do we find certain things in our company? The five pillars I think Respondent 11 told you about.."* (Respondent 12). When asked if the owners play an extra role beside their function, Respondent 13 said: *"Ehm, yeah maybe not explicitly, that role has not been made very explicit. But implicitly they do of course, because they are "the children of" (...) They are active in different parts of the company, that way they learn a lot about the company. They get support regarding that. In my view they do not have a role that has been made explicit to the outside, but implicitly that is undoubtedly the case. When we are in a meeting with them, everybody knows they have a double role, their functional role in the company and shareholder."* According to Respondent 11 the owners do not play a role in the decision making in the company. Interviewer: *"To what extent do the owners play a role in the decision making?"* Respondent 11: *"None."* Interviewer: *"Not at all?"* Respondent 11: *"No"*. Interviewer: *"And that doesn't create problems?"* Respondent 11: *"No... they have to, if they want to become management in the future, that is possible. But that is something for the distant future."*



One typical family business characteristic that can be observed at Organization D is that they have no short term financial goals. When a company suffers a loss, people do not start panicking. *“Here at Organization D you clearly see a long term vision. When a company in the group does not make a profit, then it is not nice but there is also no panic, at listed companies this causes stress sooner”* (Respondent 12). Another example of a family business characteristic is that they invest generously in their relationship with their value chain partners. They have a long term relationship with suppliers and when they want a new product, they check if their suppliers have it before looking for a new supplier. Likewise, they organize events for customers together with some suppliers. Also, when a long term customer is in trouble, they do not end the relationship immediately. They help the client recover.

### **Internationalization (final template theme 2)**

It is notable that the focus of the internationalization of Organization D is not clear from the data. This is because it seems that, despite owning a subsidiary in Romania and in Germany, they are not specifically focused on internationalization. When asked about their general strategy, Respondent 12 answered: *“In general, we do want to grow, partially organically (...) we also look at companies [to acquire] that sell to the professional market, so wholesalers, that is our scope.”* Thus, he did not say anything about specific countries they want to do (more) business in. He also did not mention specific countries when asked if they wanted to continue making most of their revenue in The Netherlands: *“No, not necessarily, we are a Dutch company of course, so we want keep a strong base in The Netherlands. That is also how we have developed historically. And in other countries it just needs to become a healthy business as well.”* The internationalization of Organization D started when they bought their company in Germany. They learnt of the opportunity to buy this company from their international network, they are a member of an international network of family businesses, VGH: *“Then we decided to join VGH, family businesses from different countries try to buy from suppliers together (...) It is based in Germany, that’s also how we got to companies in Germany, so we bought two companies in Germany”* (Respondent 12).

### **Strategy (final template theme 3)**

Since the previous owner left the company, Organization D started doing certain things less pragmatic, they formalized certain things. *“Risk-analysis and monthly reporting, that way you know what is happening in the company, the previous owner built the company so he knew everything, but now we have a board for the entire group”* (Respondent 12). Organization D wants to grow but not at the expense of employees. So, they want steady growth. Organization D often acquires other companies in order to grow.

Organization D gives a lot of freedom to their companies when it comes to how they want to play the market. For efficiency reasons, they try to integrate functions such as ICT, finance, logistics and the purchase of goods from suppliers. HR was not mentioned here. Only when a company is not performing well, they intervene in the daily operations. For instance, currently in Germany: *“So our German company gets a lot of attention nowadays. To optimize the management of that company. We can save costs there. We did not make a profit there last year” (Respondent 11).* *“Three people of the board of the company are at our German company two days a week now on average (...) to build up the organization. The board member that is responsible for our operations in Romania only goes there about four times a year. And they are in contact not much more than once a month” (Respondent 12).*

#### **Other resources and capabilities (final template theme 5)**

Resources and capabilities that are crucial to Organization D’s success but are not characteristics that are unique to family businesses are that they are able to act fast, that they keep up with developments and that they have a lot of knowledge.

#### **Company culture (final template theme 6)**

The culture of Organization D consists of five pillars. These pillars are *“We make sure it works out”, “We look and work ahead”, “We believe in the power of collaboration”, “We are proud yet humble”* and *“We are more than a technical wholesaler”* (See Appendix 18).

#### **Market characteristics (final template theme 7)**

In the market there is a pressure to keep costs low. *“It is a real “price fighters market” (...) Internet has made the prices very transparent” (Respondent 11).* The market that Organization D is active in, is very different in The Netherlands compared to Germany and Romania: *“The building of houses is different in Germany. In the Netherlands you have many houses for parents with children. In Germany you have a lot of “Familienwohnungen”. In Germany we are also much more involved in office buildings and flats (...) and with Romania there are many more differences. There are people there that do not have central heating. And the infrastructure is very different” (Respondent 11).* The market is also transparent. There is a certain number of professional companies that are the clients of Organization D. Every now and then, an independent contractor enters the market. The market is growing, because there are houses being built. There is a transition away from natural gas, that is a challenge for Organization D.

#### **HR (final template theme 8)**

Respondent 13 explained that there is not much formalization at Organization D because of their organization in accordance with the Rhineland model. This includes HR. There are no set job descriptions for instance. Regarding this, Respondent 13 said the following: *“[The Rhineland model involves] organizing things more bottom up as well, giving people a lot of freedom in their work, more*

*autonomy. So that is not in line with your question about what is fixed. Because we want to avoid prescribing things (...) We used to prescribe annual performance reviews. We abolished that with approval from the board and the works council. Because we saw that there was some resistance towards it with managers and employees. It became a thing that had to be done. Then we said that does not fit our company.”* When asked about the influence of family members working at the company, the HR manager did not mention any difficulties. Instead, he mentioned that is valuable to have family members working in the company, because they are culture carriers. He also mentioned that the family members are not the only culture carriers in the organization. A lot of employees have the same values, for instance working together and looking at the future. Organization D made their company values explicit after doing a survey on what the company values are (see Appendix 18).

The companies in Germany and Romania have their own HR organization. HR in the Netherlands is only in contact with them incidentally. For instance, when they had to make a German employment contract for one of their Dutch companies. A colleague in Germany helped them with that. Another example is that when the German company was looking for a company to work with for assessments, HR in the Netherlands recommended the same company they are working with. Notable aspects of HR at Organization D is that they do not work with set job descriptions, they provide training to employees and that they are moving from an annual performance review to multiple conversations a year. HR at Organization D has a proactive role, there is freedom to do projects HR thinks are relevant. For instance, they are currently doing a project on LEAN-working. The following quote also illustrates this: *“I think we are a very proactive department that initiates changes. You do not see that in HR departments in other organizations. They act more reactively” (Respondent 13).*

#### **Achterhoek context (final template theme 1)**

Respondent 11 said the following about The Achterhoek culture: *“Modest, wanting to stay normal. We have been named the best wholesaler of the Netherlands by our clients. So, an association in our industry surveyed clients about that. But the thing is, when you look closely, the difference with the second place was very small. You could also say it was a tie. And then it is very difficult for us to say we are the best. To put an advertisement in the newspaper for instance. And marketing is centralized here, but when you go to our company in Moordrecht, they say you must tell everybody we are the best (...) they do not understand why marketing does not do that. I think that is typical for the Achterhoek.”*

## **Differences and similarities**

### **Family business characteristics (final template theme 4)**

The case organizations are family businesses because they are (partly) family owned. Still, they are very different. At Organization C, the second generation owner and CEO is not part of the founding family. Also, not all organizations are family managed. Organization B's owner does not have a formal role in the company anymore. At Organization D, the owners work at the company but are not part of the board. All organizations characterize family businesses as companies that have attention for non-financial (social) aspects and companies that have a long term focus. Organization D is the only company where continuity was not mentioned explicitly as an important goal. When discussing their strategy, Respondent 12 said the following: *"Well, that is very sustainable isn't it? It is cradle to cradle and as a family business.. the same goes for a lot of listed companies of course, but as a family business you do have the drive to leave it behind in a good condition for the next generation."* One could argue that this indirectly refers to continuity, because leaving something behind means you want it to continue to exist. A respondent at Organization A mentioned that it takes time to become an insider at a family business: *"A family business is very informal. The lines are short, there is some quick deliberation. It is very transparent. Sometimes it can be difficult"* (Respondent 1). Interviewer: *"In what way?"* Respondent 1: *"When I just worked here, I had moments that I thought: this is not what we agreed on. But now that is not the case anymore at all."* Interviewer: *"What changed?"* Respondent 1: *"Well I think you have to earn your place in the company (...) Now I notice that HR is really part of the management team. I get asked for advice now."* Similarly, Respondent 11 mentioned that some newcomers have difficulty adjusting to the culture at Organization D: *"Sometimes there are new people here. And we always think that it is very easy here and everybody is very approachable, you can walk into any office and it is all very informal and there are no layers. But that is difficult for some people. Because then it is also not always visible what is expected or how everything works here."*

### **Internationalization (final template theme 2)**

The degree of internationalization is different in each company. Organization A has clients throughout Europe, but their involvement in foreign countries is limited to export. They do not have subsidiaries abroad. Organization B is active worldwide. They own production facilities and sales offices abroad. Organization C has activity all over Europe and is currently looking at opportunities outside of Europe. Their activity in other countries is not limited to export. Instead, they often acquire companies abroad if this helps them grow. Organization D is not particularly focused on growing internationally. However, to the extent that they have international activity, these are high commitment ones. Instead of exporting, they acquire companies abroad which they use to operate those markets.

### **Strategy (final template theme 3)**

Every company's strategy is different. Organization B and Organization C have in common that they distinguish between countries based on how important the markets are to them. At Organization B they have opportunity markets, growth markets, important markets and home markets. At Organization C the categories are starting country, developing country and mature country. Organization A and Organization D seem more pragmatic in their approach to foreign markets.

### **Other resources and capabilities (final template theme 5)**

All companies believe their extensive knowledge about their products and their knowledge of the needs of their customers are crucial to their success.

### **Company culture (final template theme 6)**

The culture of each company is unique. Organization A, Organization C and Organization D all mention collaboration or together as an important aspect of their culture. Attention for employees is mentioned by Organization A, Organization B and Organization D.

### **Market characteristics (final template theme 7)**

All companies operate in a business to business context. Next to that, Organization A also has a product they sell directly to consumers. They want to pay more attention to that the coming years, since they believe there is more growth to be achieved in that market in the long term.

### **HR (final template theme 8)**

HR has a mostly advisory role at Organization A, Organization B and Organization C. At Organization D HR is proactive and can initiate changes. Organization A and Organization B have annual performance reviews, Organization C and Organization D mentioned they are currently moving away from annual performance reviews to multiple conversations a year. All the companies pay attention to developing employees. Also, all companies have a lot of employees that have been working at the company for a long time. Another common thing is that they all open their doors for students to do an internship. All companies except Organization D sometimes have difficulty to find qualified people for job openings. HR employees at both Organization A and Organization B mentioned that HR in a family business can be quite conservative. *"At the beginning it was not normal at all, that people would work four days for instance" (Respondent 1). "That makes HR sometimes difficult. Because sometimes you want to change things, but you have to deal with traditions. And you want to honor those traditions. There is a tension there" (Respondent 5).* Respondent 6 also mentioned it: *"What you see is, with flexible working and such things, we are not exactly ahead of the curve. We are too conservative to do that. But we do try*

*to adjust to it.*" Then again, HR at Organization D is not conservative at all, as illustrated by the fact that HR at Organization D can do projects they think are relevant and initiate changes.

**Achterhoek context (final template theme 1)**

All companies are involved in regional networks and regional collaboration. Respondents at Organization A and Organization B in particular, mentioned that this is needed to promote the region. To attract young talent and to prevent that young talent moves away, they believe accessibility of the region needs to be improved.

## Chapter 5: Conclusion and Discussion

This chapter will round up this thesis by answering the research questions (conclusion) and reflecting on the limitations of the research, practical implications, theoretical implications and suggestions for future research (discussion). As announced in Chapter 3, in the process of answering the research questions the results will be compared to the results predicted by theory (pattern matching).

### 5.1 Conclusion

The first research question was: What does the internationalization process of family businesses in the Achterhoek look like? The degree of internationalization of each company in this study is different. The approach to internationalization is also different in each organization. The internationalization pathway of Organization A and Organization B can be characterized as incremental because they choose to employ low commitment strategies such as exporting and moving to similar countries, before employing high commitment strategies and moving to more distant countries (Graves & Thomas, 2008). Organization C and Organization D start with high commitment strategies such as acquisitions much sooner. Therefore, the suggestion from theory that family businesses typically follow an incremental internationalization pathway is only supported by two of the four cases. The companies did not appoint an extra manager for internationalization or increase their management capacity because of internationalization. They do have strategic reasoning for internationalization. Often, it is to ensure continuity of the business. Organization A for instance deliberately looks for new, growing markets now that their current market is shrinking. All companies seem aware of developments in their markets and internationalize when they get the chance and it makes sense. These results partly support theory's suggestion that family businesses internationalize with less management capacity, less outside management expertise and less strategic planning than non-family businesses (Graves & Thomas, 2006). It can be said that family businesses internationalize with less management capacity and less outside management expertise than non-family businesses, but not that they internationalize with less strategic planning than non-FBs. All companies started their internationalization in Germany. For three businesses, this can be attributed to the Achterhoek, which is close to the German border. For Organization D however, this has to be attributed to their membership of an international network of family businesses. In the business of coating and radiator covers Organization A adapts their product to their clients' wishes, but not necessarily because of local differences. They also indicate that they experience pressure to keep costs low. Organization D experienced pressure to keep costs low, as well as big differences between countries. Organization B and Organization C mentioned local differences as a reason to adapt their product. They did not

mention high pressure to keep costs low. Consequently, the environment of the companies can be categorized based on the integration-responsiveness framework. Forces for global integration and forces for local responsiveness determine to what extent firms standardize their product or adapt it to different clients' wishes (Ghoshal & Nohria, 1993). The integration-responsiveness framework classifies different industries according to these forces. Organization A's situation points to a global environment (strong forces for global integration, weak forces for local responsiveness). Organization D's situation indicates a transnational environment (strong forces for global integration, strong forces for local responsiveness). The environment of Organization B and Organization C can be characterized as multinational (weak forces for global integration, strong forces for local responsiveness). The Stopford and Wells Stages model on internationalization prescribes organizational structures for different levels of internationalization. According to the model, at first businesses manage their international operations through an international division. When they expand their international operations, they manage their operations by distinguishing between area's or products. When the firms' operations are highly internationalized, a global matrix structure is preferred. Organization A is structured around its products. It is a product divisional structure as opposed to an area divisional structure. This is partly in line with what the Stopford and Wells Stages model predicts. Organization A's product diversity indeed suggests a product divisional structure. However, they have always had this product diversity. They did not change their structure when they started international sales and international sales were not the reason for increased product diversity. The other organizations differentiate more between areas in their structure. For Organization B and Organization C this makes sense based on the Stages model, since the importance of their international sales is relatively bigger than their product diversity. Respondents at Organization D indicated that the markets are very different. The companies abroad are very independent. The management does not really see it as one company, making it hard to apply the Stopford and Wells Stages model.

The second research question was: Specifically, how does the family aspect influence the internationalization process of family businesses in the Achterhoek? In all cases, a family owner that was a good businessman was crucial in international success. Organization A Metaal immediately started doing business internationally because of the owner's European contacts, Organization B's owner in the sixties was a good businessman who was able to recognize and take the chance to move into Germany, the same can be said for Organization C in the seventies. Respondent 12 mentioned that during the previous owner's time, Organization D really grew. That was also the time that they acquired the companies in Germany and Romania.

Theory predicts the family aspect influences internationalization in a number of specific ways. First, it is believed that FBs are not so committed to the internationalization strategy, because non-economic



goals are important to them (Chrisman et al., 2005). Indeed, the case firms indicated that non-financial goals are important to them. It is not explicitly said that this limits their internationalization. However, it can be argued that their attention for their employees limits their internationalization in the sense that the business won't internationalize further if this will cause people to lose their job. Second, theory predicts that family businesses' financial resources available for internationalization are limited because they favor internally generated equity over longtime debt (Graves & Thomas, 2008). It is confirmed by the organizations that, being a family business, they prefer internally generated equity over long time debt. It does not appear that this limits their internationalization. Instead, Respondent 4 (Organization A) and Respondent 5 (Organization B) see it as an advantage that people in a family business know very well what they can invest, which results in FBs being able to make decisions to invest quickly. Third, theory suggests that family businesses adopt a consultative approach to decision making which can result in missed international opportunities (Scholes et al., 2016) and that they prefer to work with highly trusted partners over individuals or firms they do not know, limiting their internationalization (Scholes et al., 2016). The preference for highly trusted partners is confirmed by the cases, but a consultative approach to decision making resulting in missed international opportunities does not follow from the cases. To the contrary, two of the organizations (Organization A, Organization B) mentioned that being a family business resulted them being able to make decisions quickly. Next to that, family businesses are often portrayed as competing in mature, low-innovation markets (Miller et al, 2015). Still, Miller et al. (2015) show that many do operate in turbulent and competitive sectors that demand significant innovation in products, markets and processes. The results confirm that the portrayal of family businesses as competing in mature, low innovation markets is outdated. Only the environment of Organization B can be characterized that way. In summary, it cannot be said that being a family business positively or negatively influences internationalization. Besides, the organizations were asked about their resources. The organizations indeed brought up resources that Sirmon & Hitt (2003) attribute to family businesses. One example is that employees were often named the most important resource, also it was indicated that the people in the organizations know and help each other. This indicates warm, friendly and intimate relationships. Three of the four organizations (Organization A, Organization C and Organization D) indicated that they invest generously in the relationships with value chain partners, something Miller & Le Breton-Miller (2005) associate with family businesses.

The third research question was: Specifically, how is HR influenced by and how does HR influence the internationalization process of family businesses in the Achterhoek? Internationalization influences HR in the case firms in different ways. Organization B uses its own employees to execute projects abroad. This indicates HRM based on resource exploitation, like theory predicts family businesses to prefer

(Bannò & Sgobbi, 2016). For production and sales abroad however, Organization B uses local people, indicating exploration. Organization C and Organization D also hire local people for their foreign subsidiaries. HR is mostly localized, except for Organization C. Two of the firms indicate that they learn from their foreign subsidiaries, in the sense that they copy best practices from them (Organization C and Organization D). This does not mean they adopt global best practices which leads to convergence. The US model is considered the dominant model for HRM practices, yet Organization D characterizes itself as a Rhineland model organization, which for HR, among other things, means no set job descriptions. In none of the case firms, HR has a direct influence on internationalization. The role of HR is often characterized as advisory, for instance with regard to employees that are going to work abroad or foreign employees that come to work in The Netherlands. In the case organizations, HR does not have an influence on strategic decisions regarding internationalization. Theory suggests that non-family members are involved in strategic issues when they can be referred to as “Simmelian strangers” and were hired because of their specialist knowledge. In the case organizations, the HR employees interviewed can be labelled Simmelian strangers in the sense that they were hired because of their specialist knowledge and are not part of the family. On top of that, the HR managers at Organization A and Organization D get a lot of freedom to organize HR the way they think is best. However, it does not appear that they advocate strategic ideas that are threatening to some family actors. Also, the HR managers indicate that their ideas have to be in line with the general company strategy. The firms refer to their structure and the board when asked about decision-making. A respondent at Organization A mentioned that sometimes things are discussed quickly because of the short lines and that in the beginning, he sometimes was confronted with things he thought they had agreed on differently. I believe this indicates that decisions are made in informal firm arenas (Nordqvist, 2011), such as ad-hoc meetings and casual conversations.

Based on the results some general conclusions regarding HR in family businesses can be made. It can be concluded that HR in family businesses can be conservative. One respondent characterized it as warm and personal (Respondent 13). The firm with the most family influence, Organization A, is currently formalizing HR, which contributes to HR policies being perceived as fair. At Organization D the previous owner and the current owners composed a family statute, a document in which they have defined values and norms that should guide decisions regarding the business. This is a way of formalization meant to lead to fair (HR) practices. Therefore, there is no indication of a restrictive family influence leading to HR practices that are perceived as unfair by non-family employees (Barnett & Kellermanns, 2006). Many practices that can be deemed professional are present in the case firms, such as assessments, performance based pay and use of trainees. Thus, it is not confirmed by the cases that family businesses use less professional HRM practices, professional HRM practices being practices

that are derived primarily from experts in the field of HRM and that typically conform to legal requirements and professional standards established in a number of western economies (De Kok et al., 2006). It is clear that the family businesses in the Achterhoek hire people whose values fit the company. Two of the firms made these company values explicit but the other companies also mentioned it. This confirms the observation of Miller & Le Breton-Miller (2005) that successful family businesses hire people whose values fit the company. The Achterhoek context has an influence on internationalization in the sense that there is collaboration with nearby Germany. There are contacts with German schools and contacts for recruitment.

## 5.2 Discussion

### **Limitations of the research**

This research has a number of limitations. For the most part, these limitations are the result of the research design and limited resources. The subject of the research is very broad. Internationalization, family business, HR and The Achterhoek are all factors that are part of this research. This made it impossible to explore any aspect to a very deep extent. The broad nature of this research is also visible in the theoretical chapter (Chapter 2). Theory relating to internationalization of firms in general, to family businesses in general, to internationalization of family businesses in particular, to HR in family businesses and lastly, to HR and internationalization, are all considered. This extensive theory formed the basis of the interview guide. The limited time available for each interview (one hour) and the broad theoretical basis of the interview guide, made it difficult to focus on finding answers to the research questions. Some of the findings therefore do not directly answer one of the research questions. However, these findings are still interesting. Examples of these findings are that there is a lot of collaboration in The Achterhoek region, family businesses have a long term focus and confirmation that family businesses often possess certain resources, such as employees that know and help each other. During the interviews at the first two organizations, the respondents mentioned HR not being involved in internationalization that much. It was difficult to find a family business in The Achterhoek where international HR was developed further. Therefore, it was decided to include Organization C in the research, despite it not being owned or managed by the founding family anymore. Furthermore, the respondents did not mention any difficulties regarding the management of family employees. Therefore, this thesis does not provide insights into these difficulties, which possibly could have been very interesting. More interviews with HR managers or interviews at yet another organization could possibly have provided these insights. Unfortunately, limited time and resources had to be divided across the different factors and organizations in this research. Another limitation is that the data collection is solely based on interviews. However, the analysis of documents would not contribute

much in to finding answers to the research questions in addition to the interviews. After all, the subject of this research is a process and the roles of different actors in this process, and not a particular policy. Furthermore, the data is very broad and extensive, analyzing particular documents would be too detailed and unnecessarily complicate the results. Instead, to supplement the interview data, the company websites, Organization B's structure, Organization C's annual report, structure and published book and Organization D's company values were examined. The multiple case study design limits in depth analysis of each case. It does however contribute to the generalizability. Moderatum generalizations are speculative generalizations. If certain characteristics are present in one situation, one can hypothesize that they are present in similar situations (Buchanan, 2012). In four cases there are more situations to speculate based upon than in one case. Also, findings independently arising from more than one case, are more powerful than those coming from a single case (Yin, 2014).

### **Practical implications**

Since the nature of this research is mainly exploratory and descriptive, it was not a goal of this research to give practical recommendations to the participating organizations. Nevertheless, there are ways in which the research can be relevant to practice. As mentioned in the introduction, internationalization can provide family businesses with fruitful growth opportunities and give succeeding generations employment opportunities. Thus, internationalization can also contribute to continuity, an important goal for family businesses. The insights into the internationalization process that this research provides, can help the participating and other organizations to reflect on their own situation and make more informed strategic choices.

### **Theoretical implications**

The aim of this research was to contribute to theory by investigating the internationalization process of family businesses in a specific context, with particular attention paid to HR. This aim was accomplished by providing a picture of the internationalization process and HR in four family businesses. This research is unique in the way it includes many different theoretical angles. This allows viewing the cases from different perspectives and therefore makes the picture more complete. The results show that every family business is different and that being a family business does not necessarily benefit or limit internationalization. It also confirms some of the aspects identified by theory as typical for family businesses. The results further add to the understanding of HR in family businesses, an area that is particularly under researched (Hoon et al., 2017; Astrachan & Kolenko, 2016).

### **Suggestions for future research**

The limitations of this research mainly follow from its broad design. Therefore, it is recommendable that future research focuses on one of the aspects, internationalization of a family business, HR in a family business, influence of internationalization on HR or influence of HR on internationalization. This research confirms that family businesses prefer to work with highly trusted partners over individuals or firms they do not know, but it is not clear if this limits their internationalization. Future research could focus on how the preference to work with trusted partners influences internationalization. Regarding HR in family businesses, more interesting research can be done as well. In one of the case organizations a respondent mentioned it takes time to become an insider in a family business. In another case a respondent mentioned that new people sometimes leave the company after a short period of time, because the informal culture makes expectations unclear. It would be interesting to delve deeper into this. Another possible avenue for future research is to explore the internationalization of family businesses in another context in comparison with The Achterhoek context, since it is not always clear in this research if certain characteristics follow from The Achterhoek or family culture. It would also be interesting to do a single case study regarding the topics of this research, since this would allow to analyze the process in a more detailed way.

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## Appendices

**Enclosed in separate book**