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The Determinants of International Performance for Family Firms: Understanding the Effects of Resources, Capabilities, and Market Orientation

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Abstract

Family firms (FFs) tend to display specific characteristics that differentiate them from non-family companies. In addition to the importance that FFs hold for the economic structure of many countries, their characteristics have motivated a wide range of research studies, including succession, corporate governance, and strategic management.

The purpose of our study is to examine the role of resources, capabilities, and market orientation, and how these facets can impact on the international performance of FFs. To this end, we administered a web-based questionnaire to a sample of 212 small and medium-sized FFs based in Portugal.

In terms of the research methodology, we applied structural equation modelling (SEM) to test our hypotheses. We found that not only do resources and capabilities return a positive impact on the market orientation, but also the combination of resources and capabilities and the market orientation can positively influence the international performance of FFs.

Our research contributes both to theory and FF management practises by analysing the strategic orientations adopted in internationalisation processes and the empirical relevance held by resources and capabilities. More specifically, proactivity (i.e., market orientation), a network of contacts (i.e., resources) and assuming risks, mitigated by knowledge about the external market (i.e., capabilities), can enable the achievement of superior international performance for FFs.

Keywords: family firm; resource; capability; resource-based view; RBV; market orientation; SME; small business; international performance

1. Introduction

Internationalisation is a process involving increased levels of involvement in external markets, recognised as a key strategy for the growth and expansion of companies. As ownership is a well-known determinant of internationalisation (e.g., George, Wiklund, and Zahra 2005), grasping the processes behind the internationalisation of family-owned firms (FFs) has frequently emerged as a topic of interest across the fields of strategic studies (e.g., Pukall and Calabrò 2014; De Massis, Frattini, Majocchi, and Piscitello 2018; Zachary and Chandra 2011). Thus, several researchers have dedicated their attentions to the unique characteristics that can help or hinder FFs in identifying and committing their resources and capabilities to the exploration of international business opportunities. FFs are common around the world and essential to the economic prosperity of many nations (Kudrats, McDowell, and Mahto 2019). FFs generally represent the most common type of company at the global level (Hennart, Majocchi, and Forlani 2019), generating over 70% of global annual GDP (Family Firm Institute 2017). FFs also tend to dominate the global scenario, accounting for over a third of S&P500 companies in the United States, and over 90% of European companies, and contributing significantly to the growth of economies across Asia, Latin America, and Africa (De Massis et al. 2018; Eddleston, Sarathy, and Banalieva 2019; Eddleston, Jaskiewicz, and Wright 2020).

FFs generally display their own specific characteristics that influence their management practises and endow them with competitive advantages when applied in the most appropriate manner. In addition, these companies often represent a fundamental pillar in the economy (Shi, Graves, and Barbera 2019). FFs are generally present in every sector of activity across all scales of companies: micro, small, medium, and large; regional, national, and multinational. Hence, there is a need to deepen the ways in which FFs define and deploy their strategic approaches. Given the difficulty of such companies in dealing with change, only a third survive the transition to the second generation (e.g., Mokhber et al. 2017). This arguably constitutes one of the main reasons for their weaknesses (Bogers, Boyd, and Hollensen 2015). We may, thus, argue that FFs are idiosyncratic in the ways that they compete and deploy their resources and capabilities (Barros, Hernangomez, and Martin-Cruz 2016; Daspit, Long, and Pearson 2019).

There have been many studies on the nature of family ownership and internationalisation; specifically the ways in which family control influences the resources and capabilities for internationalisation, the adopted strategies and approaches, and the ways in which internationalisation itself affects the continuity and the international performance of FFs (e.g., Fernández and Nieto 2006; Arregle et al. 2012; Graves and Shan 2014; Baschieri, Carosi, and Mengoli 2017; Kano and Verbeke 2018). The possession of valuable resources that are rare and difficult to imitate or replace (VRIO concept of valuable, rare, inimitable and non-substitutable – see Barney 1986) can enable companies to nurture their differentiated capabilities (e.g., Lin and Wu 2014) necessary to sustaining advantages and facilitating growth within dynamic business environments in the context of internationalisation processes (Schilke 2014). The effective correspondence between distinctive resources and capabilities and the conditions prevailing in the external environment (Fuller et al. 2019) is, thus, a crucial factor for the continuation and growth of FFs (Daspit et al. 2019).

This highlights how, associated with resources and capabilities, companies may deploy a market orientation (MO) as their key strategic orientation (Lonial and Carter 2015). The MO definition incorporates a set of multi-functional processes and activities directed at attracting and satisfying clients through means of continuously evaluating their respective needs (Deshpandé and Farley 1998). To date, the literature has mainly served to explore the effects of MO on international performance (e.g., Acosta, Crespo, and Agudo 2018; Fernandes, Ferreira, Lobo, and Raposo 2020). Other authors have focused their research on studying the differences between the levels of MO prevailing in FFs against those in non-family-owned businesses (e.g., Zachary et al. 2011). As suggested by Hernández-Linares, Kellermanns, and López-Fernández (2018), the uniqueness of FFs and their capacity to act in unique ways can impact on the ongoing relationship between MO and international performance of FFs (Habbershon and Williams 1999; Habbershon, Williams, and MacMillan 2003; Carney 2005). We may, thus, argue that there have been studies considering the FF characteristics in accordance with the resource-based view (RBV), their international performance levels, and MO; however, there seems to be a lack of studies approaching these three constructs simultaneously.

Therefore, our study aims to provide an answer to the following research question: *What is the role of resources, capabilities, and market orientation for the international performance of family firms?*

Through recourse to structural equation modelling (SEM), we find that resources and capabilities can return a positive effect on MO and on the international performance of FFs and, in turn, MO generates positive effects on the level of international performance of FFs.

Our research contributes to the FF literature in several ways. First, our study fosters a better knowledge on the ongoing relationships between the resources, capabilities, and MO of FFs, and the relationship of each of these constructs with international performance, which the literature has identified as requiring greater study (e.g., Deutscher et al. 2016; Pehrsson 2016; Fernandes et al. 2020).

Second, we contribute towards a better understanding of the importance of strategic orientations on the international performance of FFs (e.g., Chrisman et al. 2005; Benevides-Velasco, Quintana-García, and Guzmán-Parra 2013)

Third, our study contributes to the level of impact that this type of business ownership may have on decision-making over internationalisation processes, which has been a question widely considered as a “black box” within the context of the Uppsala model (Vahlne and Johanson 2017).

Fourth, we contribute to the ongoing discussion in the literature on the role played by resources and capabilities as antecedents of MO. This contribution holds relevant implications for the different means of deploying strategic orientations by FFs (Frank et al. 2017), and how entrepreneur-owners may embrace the uniqueness of being family owners as a means of broadening and deepening their MO and the resulting international performance.

2. Literature Review

2.1. Theoretical Underpinnings

The focus of the Uppsala model as first proposed by Johanson and Vahlne (1977) and later refined by Vahlne and Johanson (2017) falls essentially on the experiential learning and knowledge that companies hold about international markets. According to Eriksson et al. (1997), this knowledge encapsulates the notion that companies hold about international markets and about firms’ internationalisation processes. Vahlne

and Johanson (2017) correspondingly classify this knowledge as a key facilitator to the success of internationalisation processes and international performance standards. Thus, for this same motive, some authors have focused not only on the antecedents of internationalisation, but also on the international performance with the knowledge held about the international markets (e.g., Calof and Beamish 1995; Canabal and White 2008) and knowledge about the culture (e.g., Brouthers and Brouthers 2000; Game and Apfelthaler 2016) deemed as fundamental factors.

The internationalisation literature proposes that the level of academic qualifications of company managers (Katsikeas 1996) and the depth and value of their international experience (Bloodgood et al. 1996) can raise the internal knowledge of a company in a direct and positive relationship with the level of international performance. Thus, according to the behavioural theory of firms (Cyert and March 1963), specifically in the context of assumptions regarding socio-emotional wealth and in line with the assumptions underpinning the Uppsala model (Johanson and Vahlne 1977, 2009), we propose that FFs attain better levels of international performance whenever deploying higher levels of education, experience in international business, and knowledge about the target international markets (Stieg et al. 2018).

Within this context, applying the resource-based view (RBV) and the MO can provide two approaches to explaining the international performance of FFs; such knowledge, capabilities, and the requirements for knowledge about client needs defended within the framework of these approaches, and this can prove fundamental to the international growth of FFs (Zahra et al. 1997; Rodriguez 2009; Golovko and Valentini 2011; Shi et al. 2019).

However, the particularities of FFs and their desire to protect their socio-emotional wealth (SEW) may lead them to take up different positions. The SEW perspective implies that family relationships dominate FFs (hence, with long histories of knowledge and shared experiences that shape and influence their current strategies) (Berrone, Cruz, and Gómez-Mejía 2012). Granovetter (1985) concludes that family members, in their determination to protect family ties and to exclusively share knowledge among family members may lead companies to replace formal education and/or prioritise factors other than the need to develop human capital. This prevails to such an extent that some authors have verified the existence of FFs with lower levels of human capital returning lower levels of international performance (Casillas and

Acedo 2005; Cerrato and Piva 2012) alongside other studies reporting that the level of international business closely interlinks with the educational level of the owner (Sundaramurthy and Dean 2008). Graves and Thomas (2008) argue how, in general, FFs deploy lower levels of advanced management qualifications than non-family owned companies and with the former also normally holding lower levels of international business experience than their corporate peers and driving lower levels of international performance as a result (Gómez-Mejía et al. 2010; Banalieva and Eddleston 2011; Kuo et al. 2012; Boellis et al. 2016). Consistent with the RBV, Gallo and Pont (1996) suggest that FFs also tend to contract managers without international experience with the opposite occurring only when the family managers have themselves obtained international experience (Banalieva and Eddleston 2011).

The companies need to apply sufficient levels of idiosyncratic, rare, and valuable knowledge to obtain high levels of international performance (Grant, Jammine, and Thomas 1988; Kogut and Zander 1993). Within the same framework, knowledge about the specific international business ongoing in a particular market or culture, is crucial to high levels of international performance (Fletcher and Harris 2012), serving as the foundation for international competitiveness of firms (Lu and Beamish 2006).

Thus, in this way, we can conclude that extending the international engagement of any family-owned firm arises from the interactions between the family and the company characteristics due to their effects on committing resources and capabilities to internationalisation with this relationship generating positive direct effects on the level of international performance (Coviello, Kano, and Liesch 2017; Shi et al. 2019).

3. Hypothesis Development

3.1. Resources, Capabilities, and Market Orientations

A shared concern among marketing (e.g., Hunt and Morgan 1995) and RBV (e.g., Barney 1991) scholars encapsulates the search for answers to the fundamental challenge at the core of organisational survival: What leads to competitive advantage and how might this be sustained?

While competitive advantage receives a variety of different and not always compatible definitions across the fields of marketing and RBV, the shared emphasis

focuses on leveraging the resources for the creation and maintenance of value to the parties interested in a particular organisation.

The market orientation literature also provides insights into the firm's capabilities that are crucial to generating superior customer perceptions (Day 1994; Hunt and Morgan 1995; Basco et al. 2021). Day (1994) conclude that market-oriented organisations are those that have skills superior to the level of understanding and satisfying customer needs, whose main characteristics are (a) a set of beliefs that put customers' interests first, (b) the ability to generate, disseminate, and use superior information about customers and competitors; and (c) the coordinated application of cross-functional resources to create superior customer value. Day (1994) further notes that superior understanding of customer needs, competitor actions and market trends allows a market-oriented company to identify and develop the capabilities needed to achieve superior long-term performance. Similarly, Hunt (2012) observes that market-oriented companies are those with the organisational capacity to systematically (a) gather market intelligence relating to current and future customers and current and potential competitors, (b) disseminate intelligence across departments and (c) respond to intelligence in terms of market offers (goods and services). Kumar et al. (2011) note that a market orientation emphasises the importance of using information and that the main objective of a market orientation is to deliver superior customer value based on the firm's knowledge of customers and competitors. These authors also found that developing and improving a company's market orientation can allow it to develop distinct marketing capabilities (in relation to competitors) as a potential source of sustainable competitive advantage. By entering a process of continuous acquisition of information about customers and competitors and sharing that information within the organization, market-oriented companies are well positioned to develop an organisational memory and, thus, become a learning organisation (Varadarajan 2020).

Irrespective of compatibility and the impact that the RBV holds for responding to the challenges of marketing theory and practise, we can examine how some marketing researchers have been paying attention to this aspect (Wernerfelt 1984; Bharadwaj et al. 1993; Hunt and Morgan 1995; Hunt 1997; Capron and Hulland 1999; Day 2001; Lin and Wu 2014; Schilke et al. 2018). While this relationship may have been overlooked to some extent in the context of the specific features of FFs, the existing research findings become still more scarce (Srivastava et al. 2001;

Hernández-Linares et al. 2018). Hence, Sirmon and Hitt (2003) propose that while capital assists FFs to absorb new resources more efficiently, the deficiencies of human capital negatively moderate this process.

The strong dependence of FFs on family managers (Habbershon and Williams 1999) reflects the lack of scope for non-family managers to contribute towards understanding the strategies and behaviours of current and future competitors (Newman et al. 2016). Such situations drive fewer positive levels of MO in FFs (Short et al. 2009). Hence, the management continuity frequently attributed to FFs reflects the increased trust in the owner's family by clients, suppliers, and employees (Sundaramurthy 2008), thus leading to strong relationships between FFs and their stakeholders. Such relationships enable these companies to gain regular feedback on behalf of their consumers (Newman et al. 2016; Dibrell et al. 2017). Therefore, FFs can grasp that serving their clients is fundamental to their future success (Cooper et al. 2005; Danes 2013), facilitating the identification of client needs and incorporating them into the entrepreneurial search for the means to satisfy their needs. This leads to our first hypothesis:

H1: The combination of resources and capabilities is positively related to the market orientation of family firms.

3.2. Resources, Capabilities, and International Performance

Penrose (1959) notes how fundamental it is for companies to develop their internal resources, through exploratory tools for knowledge and innovation so that they can add value and build up their strategic positioning. According to Grant (1991), the triggering of interest in this theory in the 1980s resulted from the strong development and growth of competitive environments, the surge in business value, and the existence of a new and diversified world of market preferences.

RBV, thus, focuses on internal resources and capabilities to identify the determinants of performance and competitive advantage of companies. Some authors have argued that the RBV should be applied in managing the internationalisation of companies (e.g., Zou and Stan 1998; Florez et al. 2021), considering the importance of studying the interactions between resources and capabilities for this process (Lu et al. 2010; Zou and Stan 1998; Kaleka 2011, 2012; Pinho et al. 2016). Resources are defined as stocks of knowledge, physical assets, human capital, and other tangible

materials, and intangible factors owned or controlled (Penrose, 1959; Teece et al. 1997). Based on this theoretical framework, companies with internationalisation processes should have assets and individuals with different abilities. It is the synergistic effects generated for their combinations that matter more in the process of establishing competitive advantage, rather than the simple accumulation of all these factors (Barney 1991; Amit and Schoemaker 1993). Thus, companies are idiosyncratic in terms of the bundle of resources they accumulate over time, and organisational resources are considered as ultimate sources of competitive advantage. Kaleka (2011) identifies four areas of competitive resources for internationalization: physical assets, the scale of operation, financial assets, and the company's experience in export market operations. In an inter-organisational context, Kaleka (2012) concludes that most of these resources may positively influence international performance.

RBV, thus, emerged as one of the most influential strands of strategic management theory (Powell 2001; Priem and Butler 2001; Newbert 2008) and within this logic of internationalisation applies knowledge as a resource for developing the company's own means and capabilities of competitively and commercially engaging with its target market (Luo 2001).

International companies benefit from their associating with local companies whenever not seeking to meet basic needs but rather generating value for its clients in competitive markets (Dewett and Jones 2001). These relationships are particularly important to FFs. The local relationships and knowledge resulting ensure that FFs undertaking internationalisation processes can expand their businesses in unknown markets and driving better international levels of performance (Zahra et al. 2000). Family companies planning to enter foreign markets may, thus, deploy business relationships as a resource to acquire knowledge about markets that, in principle differ from those prevailing in their country of origin (Gronroos 2004; Luo and Tung 2007). Based on this analysis, our second hypothesis is as follows:

H2: The combination of resources and capabilities is positively related to the international performance of family firms.

3.3. Market Orientation and International Performance

Market orientation (MO), marketing competence, and other marketing-related activities are considered as direct influencers of international performance (e.g., Albaum and Peterson 1984; McKee et al. 1992).

MO indicates that the company's objectives and culture are focused on creating value for customers (Narver et al. 2004); creating value thus becomes an institutionalised culture. MO is aware of customers' expectations and needs, understanding and satisfying them, awakening feelings of being worthy and all organisational activities for the institutionalisation of this understanding (Kohli and Jaworski 1990).

Essentially, the term MO is a culture that supports the creation of value in the market and is market-driven to gain competitive advantage and consequently higher performance (Micheels and Gow 2010). Since the term MO mainly includes the introduction of new or different products/services to other international markets, it can be understood as a type of innovative behaviour and with its greater international performance (Micheels and Gow 2010; Cambra-Fierro et al. 2011). Many empirical studies confirm a positive relationship between MO and international performance (e.g., Cano et al. 2004; Kirca et al. 2005; Laukkanen et al. 2013; Balodi 2014).

Kirca et al. (2005) carried out a meta-analysis based on the literature on this topic and found that MO positively affects different variables, such as business evolution, sales, market shares, perceived quality, customer loyalty, and general satisfaction, and, hence, international performance. This evidence supports the fact that within their markets, market-oriented companies seek to offer products and services whose value buyers can perceive as exceeding the expected value of alternative products offered by competing companies, thus leading to increased performance (Acosta et al. 2018).

When comparing FFs without any MO to those FFs with a developed sense of MO, the latter tend to hold a better understanding of the needs and desires of foreign clients (Tokarczyk et al. 2007). Furthermore, they are often better able to grasp the strategies and capabilities of the competitors and external factors and may respond more appropriately to the demands of changing environments and, therefore, benefit from competitive advantages (Acosta et al. 2018). Hence, MO is valuable, rare, imperfectly imitable, and irreplaceable, and at the least enables the generation of

competitive advantages. There are a series of studies that confirm how MOs can positively influence the international performance of FFs (e.g., Armario et al. 2009; Chung 2012; Boso et al. 2013 Escandón-Barbosa et al. 2016; Acosta 2018; Hernández-Linares et al. 2018).

Applying MOs indicates that FFs define their objectives and culture in accordance with the values of their clients (Narver et al. 2004), with the creation of value becoming an institutionalised culture. MO, especially in FFs, considers the expectations and needs of clients, understanding and satisfying them (Shi et al. 2019). There are various authors who defend the uniqueness of FFs (e.g., Habbershon and Williams 1999; Habbershon et al. 2003; Sirmon and Hitt 2003; Hernández-Linares et al. 2018) and how their capabilities to act in particular ways (Carney 2005; Hernández-Linares et al. 2018) may have important impacts on the relationship between the MO and the standard of international performance (He and Wei 2011). Accordingly, our third and last hypothesis is as follows:

H3: Market orientation is positively related to the international performance of family firms.

Figure 1 sets out the conceptual research model of this study.

*** *Figure 1 about here* ***

4. Methodology

4.1. Survey and Data Collection

In order to obtain the data for this study, we drafted and distributed an online, web-based questionnaire to 8,103 family-owned exporters and/or interested in exporting companies from the AICEP - Portugal Global database. The questionnaire was addressed and emailed to the managers responsible for the companies' internationalisation process and strategy. The study sample includes the 212 valid responses received, corresponding to a net response rate of 2.6%. Table 1 provides the characteristics of the sample of this study.

*** *Table 1 about here* ***

4.2. Measures

Table 2 presents the variables deployed in our research and the means of measurement.

*** *Table 2 about here* ***

4.3. Data Analysis

We applied structural equation modelling (SEM) with Partial Least Squares (PLS) serving as the calculation methodology, to validate the hypotheses of the study. This research approach is widely disseminated and commonly adopted in the business sciences (Hair et al. 2020). The deployment of PLS-SEM as an alternative to covariance based SEM (CB-SEM) stemmed from the items not following normal distribution patterns, an assumption for the data distribution under CB-SEM, and with the sample dimension not enabling calculations in accordance with the CB-SEM methodology (Hair et al. 2020; Hair et al. 2019; Sarstedt et al. 2019).

To confirm the factorial structure of the instrument used, we examined the robustness and validity of the indicators used to represent and measure the theoretical concepts (Hair et al. 2020; Sarstedt et al. 2019). The construct validity stems from the magnitude by which a set of items reflects the latent theoretical construct established for measurement and the robustness of the instrument refers to its own properties in terms of consistency and the reproducibility of the measurement (Hair et al., 2020; Sarstedt et al. 2019).

Table 3 provides a summary of the criteria (e.g. Fornell and Larcker 1981; Hair et al. 2010; Henseler et al. 2015) for analysing the validity and robustness of the data collection instrument applied.

*** *Table 3 about here* ***

Given there are no overall goodness-of-fit measurements appropriate to PLS estimated models as in the covariance based structural equation methodologies, the evaluation of PLS estimated structural models takes place through analysis of the determinant coefficient values (R Squared greater than 25%) for the endogenous constructs and the value of the Standardized Root Mean Squared Residual (SRMR

below 0.08). In estimating the structural models, we applied the bootstrapping procedure (with a sample of 5,000 bootstraps), to determine the t statistics and their respective statistical significance.

We used SmartPLS Version 3.3.2 and IBM SPSS Version 27.0 to conduct the statistical analyses for this study (Ringle et al. 2015).

5. Results and Discussion

5.1. Construct Validity and Reliability

All constructs, the factorial loads, Cronbach's Alpha, and composite robustness returned values above the demanded limit of 0.7, respectively. For all constructs, the AVE came in above the 0.5 limit. To test whether the constructs were sufficiently mutually different, we verified the discriminant validity in accordance with the Fornell and Larcker criteria (1981), which requires that the AVE of any construct be greater than the square of the greatest correlation with any construct.

Table 4 displays the results returned by the descriptive statistics as well as those for robustness and the validity of the latent constructs. This observes how various constructs return high levels of robustness as well as factorial, convergent validity, and discriminant validity, and, thereby, enabling their classification as valid and robust for utilisation.

*** *Table 4 about here* ***

5.2. Testing of Hypotheses

To determine whether the Resources and Capabilities dimensions impact on the MO and International Performance dimensions and just which MO factors predict International Performance, we estimated the first order structural model (see Figure 2). This portrays how Resources generates a statistically significant and positive impact on the Motivations related to the Internal Market Characteristics ($\beta = 0.398$; $p < 0.01$) and External Market Characteristics ($\beta = 0.226$; $p < 0.05$) dimensions to Market Orientation. The Capabilities equally return statistically significant positive impacts on the Motivation dimension related to the Internal Market ($\beta = 0.289$; $p <$

0.05) and External Market Characteristics ($\beta = 0.250$; $p < 0.05$) of MO. The Resources ($\beta = 0.278$; $p < 0.05$), the Capabilities ($\beta = 0.385$; $p < 0.05$) and the Motivations related to the Internal Market Characteristics ($\beta = 0.485$; $p < 0.01$) provide a statistically significant positive impact on International Performance.

Table 5 and Figure 3 provide the results of the structural model within the framework of validating the hypotheses. The structural model estimated returns with a high level of predictive power (R Squared $\geq 38.7\%$), and an SRMR result of 0.073.

*** Table 5 about here ***

*** Figure 3 about here ***

In terms of our Hypothesis H1: *The combination of resources and capabilities is positively related to the market orientation of family firms*, we find that there is a statistically significant positive impact of resources and capabilities on OM ($\beta = 0.318$; $p < 0.01$). Hence, H1 receives support from our study.

This result supports the compatibility between the RBV and marketing theory and practice (e.g., Wernerfelt 1984; Bharadwaj et al. 1993; Hunt and Morgan 1995; Hunt 1997; Capron and Hulland 1999; Day 2001). Therefore, this demonstrates the correspondence between resources and capabilities and the importance of analysing the conditions prevailing in external environments through adopting a strategic orientation, more specifically a MO, with this relationship essential to the growth of FFs (Fuller et al. 2019; Daspit et al. 2019). In the case of FFs, many authors emphasise the importance that their relationships with clients hold to their sustained firm success (e.g., Newman et al. 2016; Dibrell et al. 2017). MO also constitutes a fundamental factor in this client relationship. However, this only seems able to produce the expected results when companies can combine both their resources and capabilities in building this strategic orientation (Srivastava et al. 2001; Hernández-Linares et al. 2018).

In terms of our Hypothesis H2: *The combination of resources and capabilities is positively related to the international performance of family firms*, our results provide support to the positive and statistically significant effect of resources and capabilities on International Performance ($\beta = 0.403$; $p < 0.05$). This aligns with the positions of various authors who argue that the relationships between companies from

different countries can provide an extremely important resource to FFs embarking on internationalisation processes (e.g., Powell, 2001; Priem & Butler, 2001). In this sense, the RBV once again demonstrates its importance to the performance of companies. Of the three factors for applying the RBV by Grant (1991), we can conclude in our study that FFs adopt at least two of them: 1) strong development and growth in a competitive environment (whenever internationalising, companies encounter hostile and dynamic environments); and 2) the existence of a new and diversified world of market preferences. Company relationships, thus, enable FFs to internationalise and improve their international performance (Zahra et al. 2000; Gronroos 2004; Luo and Tung 2007).

In terms of our Hypothesis H3: *Market orientation is positively related to the international performance of family firms*, the findings indicate a statistically significant positive effect of Market Orientation on International Performance ($\beta = 0.447$; $p < 0.05$), thus providing statistical support to H3. Our results thereby support the importance of FFs focusing on understanding and satisfying the needs of clients, while simultaneously analysing and pre-empting the actions of competitors to effectively protect and maintain their competitive positions within the market (Acosta et al., 2018). In the case of international markets, this logic holds still greater force given that internationalisation necessarily requires meeting the needs of clients who are less well-known to the company (Cambra-Fierro et al. 2011). We, thus, provide support to the findings of various authors regarding the positive impact of MO of FFs on their firms' international performance (e.g., Cadogan et al. 2003; Chung 2012; Escandón-Barbosa et al. 2016).

6. Implications

6.1. Theoretical Implications

The results obtained by our study generate relevant theoretical implications regarding the impact of the resources, capabilities, and MO on the international performance of FFs. In accordance with several authors in the fields of strategic management (e.g., Deutscher et al. 2016; Ferreira et al. 2016), firm internationalisation (e.g., Hagen et al. 2017; Knight and Liesch 2016; Paul et al. 2017; Pehrsson 2016) and international performance (Weerawardena et al. 2007; Knight and Liesch 2016; Acosta et al. 2018;

Gerschewski, Rose, and Lindsay 2015), our research analyses the conjugation of all of these components simultaneously (i.e., resources and capabilities, market orientation, and international performance).

Within this framework, the empirical evidence of our study underpins how the international performance of FFs derives from the strategic variables: resources and capabilities and MO. In our case, we can conclude that all these facets return positive effects. Therefore, in addition to the specific nature of the explanatory variables, there seems to be a clear need to interconnect the different variable to obtain an integrated perspective on the factors determining the international performance of FFs.

According to our results, the international performance results are subject to the influence of the adopted strategic decisions that relate to the RBV and the approach to dynamic capabilities, such as MO while also demonstrating the crucial role that FFs perform in the commercial trade and business ongoing between the countries (Lobo et al. 2018). The empirical evidence underpins the argument that the stronger the combination between the RBV and dynamic capabilities, ongoing through the MO, the higher shall be the results returned by the international performance of FFs.

Our results attain relevance in terms of their contribution to the literature as the internationalisation of FFs and their respective international performance standards has received only a relatively low level of attention in the literature (Zhou et al. 2010; Knight and Liesch 2016; Gerschewski and Xiao 2015).

The RBV and dynamic capabilities assume particular importance in the internationalisation process of FFs and, consequently, on their subsequent performance (Knight and Kim 2009; Hessels and Terjesen 2010; Lim and Kim 2020). In this sense, our research responds to the need to study the strategic orientations that can bring about direct impacts on the level of FF international performance.

6.2. Practical Implications

The results of our study generate key implications for FF managers who have already internationalised or who are seeking firm internationalisation. From the point of view of the owners and managers, our findings demonstrate the importance of nurturing a proactive stance (i.e., MO), maintaining a network of contacts (i.e., resources), and taking on risks mitigated by the knowledge held about the external market (i.e., capabilities), to obtain high international performance standards. We also know that

FFs often encounter limited scope for change, and, hence, the added pertinence of our results. It seems, therefore, pertinent that companies establish and maintain contacts with the exterior and with suppliers and clients located in international markets, to best anticipate future needs and explore business opportunities.

Within this framework, in such a globalised and competitive market as currently prevailing, one of the key success factors is accessing and applying reliable information. Companies need to deploy the appropriate tools to enable them to access the most detailed and precise data about the markets they wish to target as well as building up the knowledge necessary to engage in and deal with such complex processes as those involved in firm internationalisation. Managers should, therefore, correspondingly favour innovation, remaining open to experimentation, and lending their support to new ideas and practices, including not only their entry into new markets, but also collaboration with new suppliers and partners.

Therefore, the structure of the organisation and its working procedures generally require focusing on deepening the knowledge held about partners (e.g., suppliers, intermediaries, and strategic allies), and improving the coordination of these interrelationships. All these dimensions help to deal with the firm internationalisation process and the need to systematise the existing information. Only thus are we able to grasp the reality of internationalised FFs, their respective internationalisation activities, their perspectives on future development and, by these means, strategically apply the acquired knowledge.

The institutional and political initiatives, those designed to advance FF internationalisation, should, thus, focus on fostering international entrepreneurship, international MO, essentially through incorporating their idiosyncratic characteristics. We know that FFs often experience resistance to change, especially in terms of the management openness to individuals from outside of the family even when specialists in internationalisation processes. Thus, such policies need to assist FFs engaging with networks of contacts and international cooperation and supporting them through consultancy services provided by specialists in transactions with international partners.

The clear identification of resources and competences, the selection of markets, and the most appropriate orientations for these markets all reflect key factors in returning high levels of international performance for FFs.

7. Conclusions and Directions for Future Research

This study set out with the objective of analysing the role of resources, capabilities, and market orientation on international performance of FFs. To this end, we sought to answer the following research question for this study: *What role do resources, capabilities, and market orientation play in the international performance of family firms?*

The empirical evidence from our study shows that research on the internationalisation of FFs should grasp, on the one hand, the multiple, but interconnected topics that convey the discipline and the perceptions of the management involved. On the other hand, there is substantial dynamism and change in the core themes of research over the course of time. Our research points to the strategic management approaches applied in the literature to study the internationalisation of FFs and assist in identifying the most appropriate avenues for future research. The interactions that we detail here are important for a better understanding of the research area of FF internationalisation.

Besides the contributions and implications of our research, our study is subject to several limitations. The first limitation stems from the fact of focusing solely on Portuguese FFs. While our results may apply to Portugal, the results may differ when examining other countries from different contexts.

Another limitation arises from not having tested each of the variables for each construct, but rather approaching them as a set. While having considered FFs as homogeneous, they may be, in fact, heterogeneous (e.g., Chua et al. 2012; Stanley et al. 2017). For example, some FFs may be more concerned about controlling the company and guaranteeing that the decisions are compatible with the family objectives. In our research, we did not test for these differences.

Hence, new lines of research on the international performance of FFs emerge more clearly, for example, the theory of knowledge spill-overs may help in explaining essential research questions in terms of FF internationalisation and the respective levels of firm performance. In addition, emerging issues, such as the role of international trade shows (Gerschewski, Evers, Nguyen, and Froese 2020) and the role of international entrepreneurial orientation (IEO) and export readiness could provide fruitful avenues for future research on FFs, firm internationalisation, and international performance (e.g., Hennart, Majocchi, and Hagen 2021, Gerschewski,

Scott-Kennel, and Rose 2020; Romanello et al., 2021; Fuentelsaz, González, and da Silva, 2021).

Future research may adopt a longitudinal approach that would help in elucidating on our results here (e.g., whether the effect of resources, capabilities, and MOs of FFs change in accordance with the prevailing economic situation, whether positively or negatively). For example, given the circumstances of the COVID-19 pandemic currently experienced worldwide, future research can analyse how FF internationalisation processes are impacted by the global pandemic. We also suggest examining the family influences on specific company variables for evaluating the ways in which relationships among the resources, capabilities and MO vary in accordance with a variety of factors specific to FFs.

In conclusion, we recommend continuing the efforts designed to foster the debates destined to expanding and developing theories of internationalisation, thus explaining the behaviours of FFs and enabling further advances in this growing field of research.

8. References

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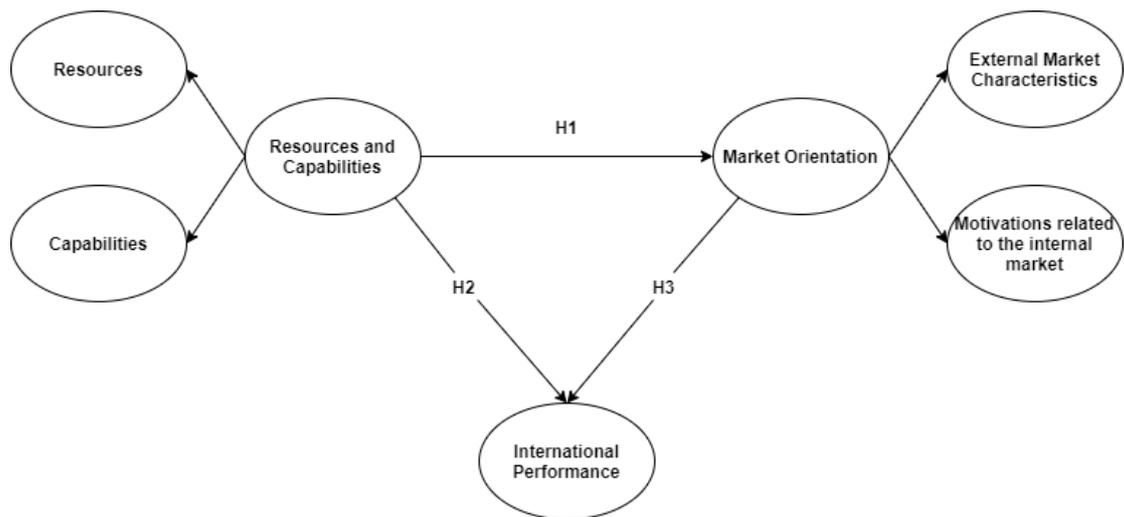


Figure 1. Conceptual Model

Table 1. Sample Characteristics

		N	%
Sector/Industry	Agriculture, cattle breeding, hunting, forestry and fishing	12	5.7%
	Wholesale and retail trade	50	23.6%
	Transformative industry	116	54.7%
	Services	22	10.4%
	Other	12	0.5%
Company longevity (in years)	Less than 1 year	2	0.9%
	Between 1 and 5 years	16	7.5%
	Between 5 and 10 years	26	12.3%
	Between 10 and 20 years	37	17.5%
	More than 20 years	131	61.8%
Length of internationalisation (in years)	Less than 1 year	8	3.8%
	Between 1 and 5 years	45	21.2%
	Between 5 and 10 years	40	18.9%
	Between 10 and 20 years	57	26.9%
	More than 20 years	62	29.2%
Company size (number of employees)	Less than 10	70	33.0%
	From 10 to 49	80	37.7%
	From 50 to 249	48	22.6%
	From 250 to 499	9	4.2%
	From 500 to 1,000	3	1.4%
	Over 1,000	2	0.9%

Table 2. Variables applied in the Analysis

Variables	Measurement	References	Hypothesis
Dependent Variable			
International Performance	International Turnover		H1
	(Less than 10%, Between 10% and 25%,	Fernandes et al. (2020)	H2
	Between 25% and 50%, Between 50% and 75%, Over 75%)		H3
Independent Variables			
Market Orientation (MO)	Motivations related to the internal market (IM) (5-point Likert scales)	Day (1990); Kohli & Jaworski (1990);	
	External market characteristics (EM) (5-point Likert scales)	Narver & Slater, (1990); Shapiro, (1988); Ruokonen (2008)	H1 H3
Capabilities	Specific employee competences (5-point Likert scales)		
	Strong entrepreneurial propensity and willingness to accept risk among the main staff and company management (5-point Likert scales)	Fernandes et al. (2020); Lobo et al. (2020)	
Resources	International experience of member(s) of staff (5-point Likert scales)		H1 H2
	Incentive/internationalisation support system (5-point Likert scales)		
	Network of contacts existing with target country (5-point Likert scales)		

Table 3. Instrument Validity Indicators

Statistic	Reference values
Factorial Validity	Factor loadings ≥ 0.5 , ideally ≥ 0.7
Converging Validity	$AVE_j \geq 0.5$
Validity Discriminates ¹	$AVE_j \geq R^2$
Composite Reliability	$CR \geq 0.7$
Cronbach's Alpha	$\alpha \geq 0.6$

Note: AVE - average variance extracted; CR - Composite Reliability

Table 4. Construct Validity and Reliability

	Range	Mean	SD	Factor loading	AVE	CR	Alpha	AVE > Corr ²
Market Orientation (MO)	1 - 5	3.2	0.8		0.655	0.836	0.769	0.665>0.631
Motivations related to the internal market	1 - 5	3.4	0.8	0.688	0.582	0.788	0.800	0.688>0.520
Need to gain new markets /clients	1 - 5	4.3	0.8	0.816				
Need to explore own resources	1 - 5	3.0	1.1	0.775				
Need to reduce/diversify risks	1 - 5	3.7	1.0	0.707				
Need to leverage economies of scale	1 - 5	3.4	1.1	0.749				
External Market Characteristics	1 - 5	3.0	0.9	0.926	0.651	0.882	0.821	0.651>0.614
Weak competition in the new market	1 - 5	2.7	1.1	0.793				
Favourable growth prospects in the new market	1 - 5	3.9	0.8	0.782				
Enables access to new technologies or resources	1 - 5	2.7	1.2	0.772				
Accompany clients	1 - 5	3.6	1.1	0.830				
Follow partners	1 - 5	3.1	1.2	0.842				
Follow competitors	1 - 5	2.6	1.2	0.820				
Resources and Capabilities	1.3 - 5	3.4	0.7		0.735	0.842	0.784	0.735>0.631
Resources	1 - 5	3.1	0.9	0.873	0.600	0.840	0.747	0.600>0.470
Digitalisation of business	1 - 5	3.0	1.3	0.757				
Incentive / internationalisation support systems	1 - 5	3.1	1.4	0.770				
Network of contacts (other companies)	1 - 5	3.5	1.1	0.796				
Capabilities	1 - 5	3.6	0.8	0.841	0.561	0.842	0.784	0.561>0.520
Specific employee competences	1 - 5	3.8	1.0	0.699				
Employee international experience	1 - 5	3.5	1.1	0.781				
Strong entrepreneurial propensity and willingness to assume risks by key employees and company management	1 - 5	3.6	1.1	0.765				
Ease of access to financing	1 - 5	2.9	1.4	0.750				

Note: Corr² = highest squared correlation between the model constructs

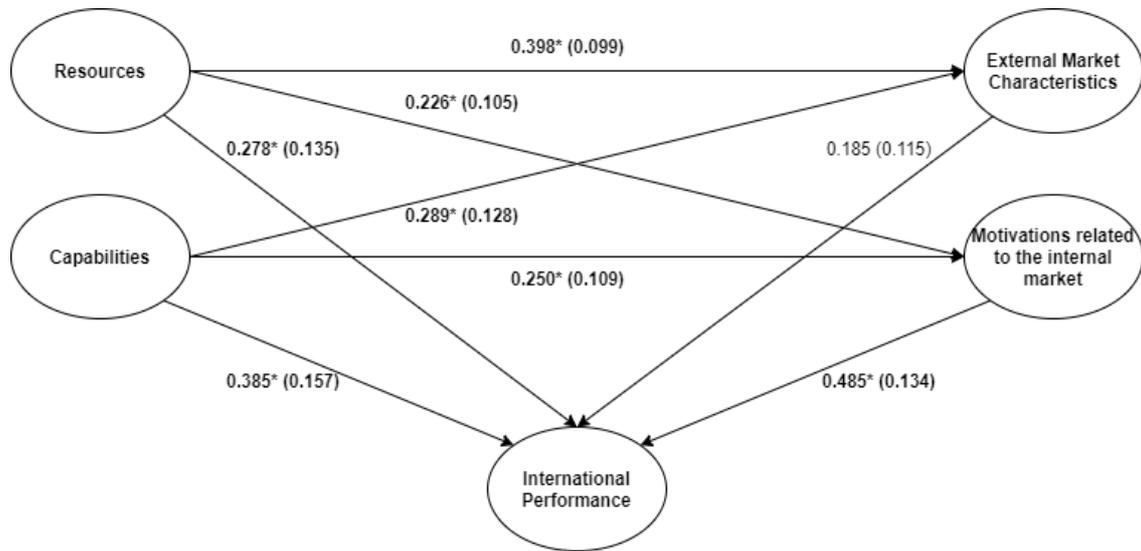


Figure 2. Estimated First Order Model: Standardised Coefficients (SD)

Table 5. Standardised Coefficients of the Model

Hypotheses	Paths	β	SD	p
H1	Resources and capabilities -> Market Orientation	0.318	0.111	0.004*
H2	Resources and capabilities -> International Performance	0.403	0.174	0.019*
H3	Market Orientation -> International Performance	0.447	0.195	0.025*

Note: * $p < 0.05$; β – Standardised Coefficients; SD – Standard Deviation

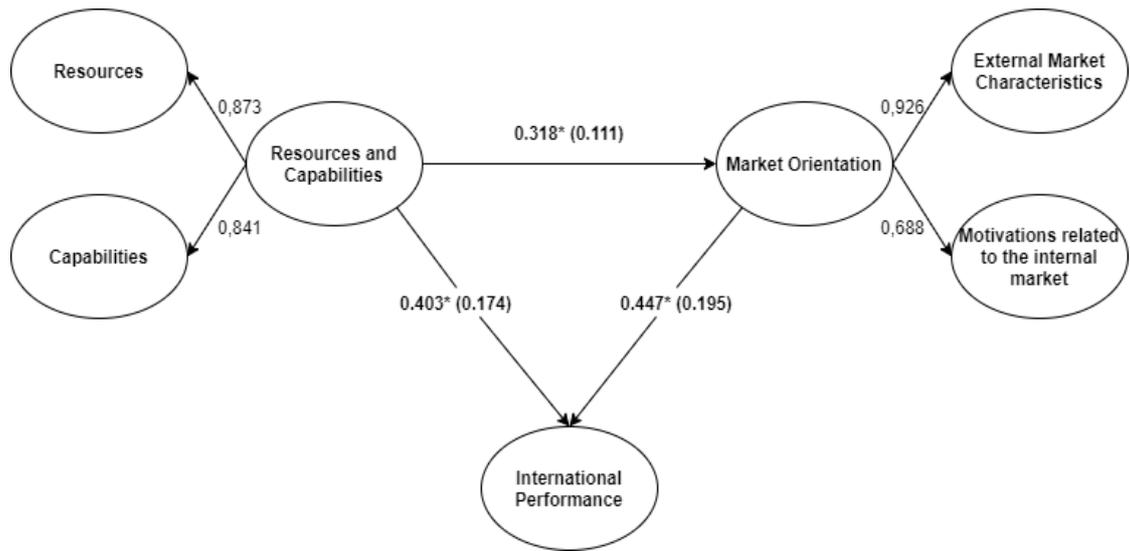


Figure 3. Estimated Model: Standardised Coefficients (SD)