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FAMILY FIRMS AND FOREIGN ENTRY STRATEGIES

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Introduction

Family firms are the most common type of business entity around the world (Faccio & Lang, 2002). They represent more than two-third of companies in the world, and they provide about 70% of the total employment (EY, 2015). Often they are undervalued and relegated to the category of small firms. However, even the giant enterprise around the globe can be family controlled. For instance, Ford, Koch Industries, Wal-Mart, LVMH, and Roche are family businesses. During the past few decades, given their contribution to the world economy, the academic research started to focus on their characteristics and their strategies that differ from those of non-family firms. Indeed, previous studies have shown that firm's ownership and governance characteristics affect company's strategies (Baysinger & Hoskisson, 1990; Fernández & Nieto, 2005; Filatotchev, Strange, Piesse, & Lien, 2007; Hoskisson, Hitt, Johnson, & Grossman, 2002; Oesterle, Richta, & Fisch, 2013).

Extant literature has recognised that family businesses have peculiar features (presence of family members both in ownership and in the management, combination of family values and business goals) influencing their strategic choices. Scholars have demonstrated the family influence on the firm's international level, but with few exceptions, they failed to investigate whether and how the family control affects entry modes. When firms decide to internationalise their operations, an important strategy they have to implement concerns the entry mode. Entry mode research has identified numerous determinants (firm, country, and institutional level), but it almost neglected the effect of firm's ownership and governance. This gap in the literature is quite surprising since foreign entry strategies are long-term strategies with important consequences on firm performance. This topic is even more crucial in relation to family firms, given that they are the most widespread type of companies around the world. Thus, the effect of their entry modes have widespread consequences for the world economy. The goal of the present work is exactly to address this gap in the literature. The aim of the thesis is twofold. First, it aims to provide an integrative framework of the literature on family firms and foreign entry strategies, identifying the main existing gaps in the research. Second, it aims to demonstrate empirically that family control affects entry strategies, studying the entry mode (joint venture versus wholly owned subsidiary in the second paper) and the establishment mode (greenfield versus acquisition in the third paper) of a sample of family and non-family firms.

Differently from previous studies, the entry strategies have been studied here as bilateral choices, thus, both the family status of the MNE and of the local firms have been considered.

The thesis is structured in three papers, one that is a literature review and two empirical papers.

The first paper highlights the existing gap in the literature regarding the relationship between corporate governance and entry strategies. Thus, it reviews the relevant literature in the field of family business, with a particular focus on family firms' peculiarities and on their internationalisation. Moreover, it reviews the literature on foreign entry modes and it reconciles the literature on family businesses and entry modes, underlining how firm's ownership and corporate governance is another important determinant of entry strategies, mostly neglected in previous research. Finally, this first paper presents the results of the few articles investigating the family firm's foreign entry strategies and highlighting the existing research gaps which I filled in the second and third empirical paper.

The second paper aims to investigate whether and how the family firms' characteristics might affect the choice between joint venture and wholly owned subsidiary. Using a sample of 898 deals, completed from 2005 to 2015, between MNEs from 42 countries investing in Italy, this research also aims to investigate the family effect of both the MNE and the local company on the entry mode choice. The aim of the third paper is to investigate how the local firm's assets affect the choice between greenfield joint venture and partial acquisition. Hypotheses were tested using a sample of 357 foreign entries made by firms from 31 different countries in Italy, over a ten-year period (2005-2015). The sample is composed by 121 greenfield joint ventures and 236 partial acquisitions.

Overall, we make two main contributions to the international business and family business literature. First, the thesis extends our understanding of the determinants of entry and establishment mode choices, including in the analysis the effect of family ownership and family involvement using a transaction cost approach. Moreover, in doing so, we investigate the effects of family firms using data on ultimate ownership. To the best of our knowledge this is the first work to address entry mode issues in family firms with such detailed data. Second, it contributes to entry mode literature investigating the effect of ownership type of both the MNEs and the local company.

1 An integrative framework of family firms and foreign entry strategies

1.1 Introduction

Family firms are the most common form of business entity around the world (Faccio & Lang, 2002). The peculiar presence of family members both in ownership and in the management of the firm, and the combination of family values and business goals that affect the strategic choices, require a specific knowledge to understand their mechanisms and choices.

From a historical point of view, it is impossible to locate precisely in place or time the origin of the organisational form of the family firm (Colli, 2003). "They were in the absolute majority during the first industrial revolution, as well as in the pre-industrial period, going from the urban artisan workshop to the famous Medici Bank … to the sophisticated commercial and trading company of Andrea Barbarigo, "Merchant of Venice"…" (Colli, 2003).

Nowadays family business still plays a key role in the worldwide economy. They account for two-thirds of all businesses around the world and are responsible for 60-90 percent of global GDP (European Family Business, 2012). Common wisdom associates the idea of family business to small and domestic firms, but even some of the largest companies in the world, i.e. Ford, Samsung, Wal-Mart, and with popular brands, i.e. Benetton, Lego, Mars, are family firms.

Despite the relevance of family businesses in the worldwide economy, only in the 1990s, the field became a separate academic discipline (Bird, Welsch, Astrachan, & Pistrui, 2002). The development of the new field proceeded slowly, at least until 1995. Indeed, before that year, the number of the articles published in the field was limited, even if the first Journal entirely dedicated to family firms, the Family Business Review, has been released by 1988. Accordingly, academic research began to study family firms internationalisation only in the last three decades (Kontinen & Ojala, 2010).

Prior literature has largely demonstrated that corporate governance characteristics (among others ownership structure) affect firm's strategic decisions (Filatotchev, Dyomina, Wright, & Buck, 2001; Lien, Piesse, Strange, & Filatotchev, 2005), for instance, internationalisation. However, the growing literature in the international business field concerning family businesses is more focused on the degree of internationalisation, and it has largely ignored how these firms expand overseas (Lin, 2012). Indeed, the extensive empirical research on entry modes mostly focused on country, industry, and firm-specific determinants (Majocchi, Mayrhofer, & Camps, 2013). Few studies investigate the role of ownership and corporate governance on foreign entry strategies. Moreover, only a slightly portion of them focus on family firms (Boellis, Mariotti, Minichilli, & Piscitello, 2016; Chang, Kao, & Kuo, 2014; Claver, Laura Rienda, & Quer, 2009a; Filatotchev, Strange, Piesse, & Lien, 2007; Kuo, Kao, Chang, & Chiu, 2012; Pongelli, Caroli, & Cucculelli, 2016).

The purpose of this paper is to highlight the existing gap in the literature regarding the relationship between corporate governance and entry strategies. Thus, it reviews the relevant literature in the field of family business (with a particular focus on their internationalisation), the literature regarding foreign entry strategies, and the scant literature on family firms' entry mode. The paper is organised into three main sections. The first section reviews family firms' peculiarities. It begins by synthesising what are family firms reviewing the definitions used in literature to define them. It then goes on to review the main theories applied to family businesses. In light of the leading theories presented, the distinguishing features of family firms are described. Finally, the first section concludes reviewing the empirical studies on family firms' internationalisation. The second section moves on to analyse previous literature on foreign entry modes. This section is composed of two parts. First, it presents the state of knowledge in the field, highlighting the main classifications used in entry mode research. Second, it reviews the entry mode determinants, accordingly to the main theories applied. The last section of this paper aims to reconcile the literature on family businesses and entry modes, underlining how firm's ownership and corporate governance is another important determinant of entry modes, mostly neglected in previous research. This last section presents the results of the few articles investigating the family firm's foreign entry strategies. Finally, concluding remarks highlight the existing research gap and insights for future studies.

1.2 Family firms: definitions and theories

1.2.1 Family firm definitions

The first issue in the family business literature is how to define a family firm. Despite a huge number of articles published in the field from different perspectives (Corporate Governance, Accounting, Business History, Organizational Studies and International Business), research still lacks a single definition (Chua, Chrisman, & Sharma, 1999; Steiger, Duller, & Hiebl, 2015). Variations in the definitions might produce considerably different results (Colli, 2003). Indeed, reviewing studies on the effect of family control on firm's performance (see Dyer

(2006) for a review) and internationalisation (Fernández & Nieto, 2006; Zahra, 2003), the obtained evidence is so far inconclusive. Three main approaches are defining a family firm.

The first approach focuses on the influence that a family exercises on a firm through its involvement in ownership, management, and board of directors. Definitions based on the extent of family involvement are the most frequents, mostly because they are easy to operationalize (Chua et al., 1999) using secondary data. Moreover, the comparison of results arising from these definitions is straightforward. However, authors do not always use the same combination of ownership, management and governance criteria and this complicates the comparison. The different definitions used within the involvement approach can be summarised following an increasing degree of strictness in the defining requirements. The minimal requirement used is the family ownership. Some authors define family firms with reference exclusively to the threshold of stakes held by the family (Banalieva & Eddleston, 2011; Bhaumik, Driffield, & Pal, 2010; Faccio & Lang, 2002; King & Santor, 2008). However, within the involvement approach, the most common definition combines ownership and management criteria (Kontinen & Ojala, 2010). Indeed, most of the researchers using this method combined ownership percentages held by the family with other requirements regarding the presence of family members in the management team (Fernández & Nieto, 2006; Miller, Le Breton-Miller, & Scholnick, 2008; Thomas & Graves, 2005). Alternatively, they define the family business with reference to ownership but then in the empirical analysis they control for the managerial involvement of the family (Majocchi & Strange, 2012). Furthermore, some definitions combine ownership with the presence on the board of some family members (Gomez-Mejia, Makri, & Kintana, 2010; Sanchez-Bueno & Usero, 2014). Gentry, Dibrell and Kim (2014) relaxed the ownership requirement and defined a business as a family firm if the founding family has at least two family members sitting on the board of directors. Kuo et al. (2012) have used a strict requirement of 50 percent of the directors members of the family. Other scholars used more inclusive definitions, requiring that a family owns a percentage of stakes, it has family members serving as managers and/or sitting on the board of directors (Lien et al., 2005; Sciascia, Mazzola, Astrachan, & Pieper, 2012). Even if the ownership criteria, alone or in combination with other requirements, is the most used, there is not a consensus on the minimum level of shares that a family must hold to satisfy the definition requirements. Thresholds of previous studies range from 5 percent (Chen, Chen, & Cheng, 2008; Jiang & Peng, 2011; Sirmon, Arregle, Hitt, & Webb, 2008) to 50.1 percent (Carr & Bateman, 2009; Eberhard & Craig, 2013; Westhead & Howorth, 2006) of shares held by the family. The highest threshold of 60 percent adopted by Donckels and Fröhlich (Donckels, Fröhlich, & Frohlich, 1991) is an exception.

Usually, low thresholds are used for listed companies because the necessary equity holdings to control the firm is low when the ownership is widespread among many shareholders. Empirical studies on samples including both listed and non-listed companies use different threshold in the same analysis: 50 percent for non-listed firms and 30 percent (Miller, Le Breton-Miller, & Lester, 2010; Minichilli, Nordqvist, Corbetta, & Amore, 2014) or 25 percent (Miller, Le Breton-Miller, Minichilli, Corbetta, & Pittino, 2014; Miller, Minichilli, & Corbetta, 2013) for listed companies. Discrepancies among the requirements also regard the managerial prerequisites to define family firms. Indeed, even in this case, have been used different degrees of involvement of family members in executive positions. Some definitions do not specify the position or the number of family members involved in the management or on the board. They simply require that the owning (Cromie, Stephenson, & Monteith, 1995) or founding family (Anderson & Reeb, 2003a) run the firm. Some authors consider a firm as a family business only if at least one member is involved in the management (Eberhard & Craig, 2013). Stricter definitions require that the CEO (McConaughy, Matthews, & Fialko, 2001; Sirmon et al., 2008) and/or the Chairman (Davis & Harveston, 2000) are family members, or the involvement of multiple generations in the leadership, distinguishing (Calabrò, Torchia, Pukall, & Mussolino, 2013) or not (Zahra, 2003) between the number of family members involved or the type of position. The continuity of the family business across multiple generations is expressed differently from other scholars that require the firm is in the second or later generation (Villalonga & Amit, 2006). Among the different definitions, the presence of the founding family in the company assumes a particular importance. Indeed a considerable number of studies requires that the founder or its descendants are involved in the management or the board (Bingham, Dyer Jr, Smith, & Adams, 2011; Hutton, 2007; Singla, Veliyath, & George, 2014; Wang, 2006).

The second approach used to define family firms is to use the family's vision (Mazzi, 2011). A major factor in these definitions is to ask the CEO or the Chairman if they consider the firm as a family business (Okoroafo, 1999). Moreover, this approach focuses on the intention of the family to maintain the control of the company over generations. Given the perceptual feature of this approach, data are collected through the submission of questionnaires and surveys. Authors referring to the essence of the firm highlight the crucial difference existing between two businesses with the same involvement of a family in ownership and management, but one is considering itself as a family firm and the other is not (Chua et al., 1999).

The last approach combines both the involvement and essence approaches (Crick, Bradshaw, & Chaudhry, 2006; Zellweger, Kellermanns, Chrisman, & Chua, 2012). More narrow definitions combined the perception of the firm to consider itself as a family firm, with family ownership and managerial criteria (Eberhard & Craig, 2013; Zellweger et al., 2012). Astrachan, Klein, and Smyrnios (Astrachan, Klein, & Smyrnios, 2002) delineate this approach more formally, naming it F-PEC scale. They state that three dimensions should be considered to define whether and to what extent the family involvement influences the firm. These are Power, Experience, and Control. The Power dimension is measured by the ownership and management involvement of family members. The Experience dimension is measured with reference to the succession and the numbers of family members involved in the firms. The Culture refers to the extent to which family noneconomic goals and business goals overlap. Although the F-PEC scale seems to be the most completed approach defining a family business, only a few authors used it. Indeed, Steiger et al. (2015) in reviewing 238 articles on family firms, found that only 5 percent of them use the F-PEC scale (Jaskiewicz, Gonzalez, Menendez, & Schiereck, 2005; Merino, Monreal-Perez, & Sanchez-Marin, 2014; Rutherford, Kuratko, & Holt, 2008). However, more authors use this approach even if they do not make explicit reference to the F-PEC scale (Davis & Harveston, 2000; Naldi, Nordqvist, Sjöberg, & Wiklund, 2007).

What emerges from the review of this vast variety of requirements, is that researchers applying different definitions fail to motivate theoretically the importance of the components used to define a family firm (Chrisman, Chua, & Sharma, 2005). Furthermore, the lack of consensus on a unique definition might make difficult to compare findings of previous researchers. However, differences between countries, regarding culture and institutional environments, may affect the concept of the family firm (Carney, 2005). We can expect that the perception of a family firm in Asia would be different from the perception US. Thus, the operational definitions are context-specific (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011). Looking for a unique definition with the same operationalization of variables all over the world might not be the right solution. A solution to overcome the problems arising from the use of different definitions is to overcome the family versus non-family dichotomy (D'Angelo et al., 2016). However, authors avoiding the dichotomy, have the same huge amount of requirement combinations to measure the family involvement. Especially if they use dummy variables, as González, Guzmán, Pombo, and Trujillo (2013) do. Thus, authors should use continuum variables measuring the involvement of the family in ownership and management, instead to define a firm as a family or not (Lin, 2012). Table 1.1 presents the definitions of family firm used in the main articles in the field.

Table 1.1 Family Firms definitions

Study	Scale variables	Ownership	Management	Board	Generation	Founder	Vision	Definition
(Donnelley, 1964)		x	x		x			"A company is considered a family business when it has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interests and objectives of the family" (Donnelley, 1964: 94)
(Bernard, 1975)		x	x					"An enterprise is controlled by the members of a single family" (quoted by Chua et al., 1999: 21)
(Barnes & Hershon, 1976)		x						"Controlling ownership is rested in the hands of an individual or of the members of a single family" (Barnes & Hershon, 1976: 106)
(Alcorn, 1982)		x	x					"A profit-making concern that is either a proprietorship, a partnership, or a corporation. ... If part of the stock is publicly owned, the family must also operate the business" (quoted by Chua et al., 1999: 21)
(Davis, 1983)		x	x					"Family businesses are those whose policy and direction are subject to significant influence by one or more family units. This influence is exercised through ownership and sometimes through the participation of family members in management." (Davis, 1983: 47)
(Rosenblatt, DeMik, Anderson, & Johnson, 1985)		x	x					"The majority ownership or control lies within a single family and in which two or more family members are or at some time were directly involved in the business" (quoted by Chua et al., 1999: 21)
(Davis & Tagiuri, 1985)			x					"Two or more extended family members influence the direction of the business" (quoted by Chua et al., 1999: 21)
(Stern, 1986)		x	x					"Owned and run by the members of one or two families" (quoted by Chua et al., 1999: 21)
(Pratt & Davis, 1986)		x	x					"Two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights" (quoted by Chua et al., 1999: 21)

Study	Scale variables	Ownership	Management	Board	Generation	Founder	Vision	Definition
(Babicky, 1987)		**x**			**x**			"A small business started by one or a few individuals who had an idea, worked hard to develop it, and achieved, usually with limited capital, growth while maintaining majority ownership of the enterprise" (quoted by Chua et al., 1999: 21)
(Lansberg, Perrow, & Rogolsky, 1988)		**x**						"A business in which members of a family have legal control over ownership" (quoted by Chua et al., 1999: 21)
(Handler, 1989)			**x**	**x**	**x**			"Major operating decisions and plans for leadership succession are influenced by family members serving in management or on the board" (quoted by Chua et al., 1999: 21)
(Leach et al., 1990)		**x**	**x**					"More than 50 % of the voting shares are controlled by one family, and/or a single family group effectively controls the firm, and/or a significant proportion of the firm's senior management is members from the same family" (quoted by Chua et al., 1999: 21)
(Dreux, 1990)		**x**	**x**	**x**				"Economic enterprises controlled by one or more families (that have) a degree of influence in organisational governance sufficient to substantially influence or compel action" (quoted by Chua et al., 1999: 21)
(Lyman, 1991)		**x**	**x**	**x**				"The ownership had to reside completely with family members, at least one owner had to be employed in the business, and one other family member had either to be employed in the business or to help out on a regular basis even if not officially employed" (quoted by Chua et al., 1999: 21)
(Donckels et al., 1991)		**x**						"Family members own at least 60 % of the equity" (quoted by Chua et al., 1999: 21)
(Gallo & Sveen, 1991; Tsang, 2002)		**x**	**x**	**x**				"A single family owns the majority of stock and has total control" (Gallo & Sveen, 1991)

Study	Scale variables	Ownership	Management	Board	Generation	Founder	Vision	Definition
(Holland & Oliver, 1992)		x	x					"The decisions regarding the ownership or management are influenced by a relationship to a family or families" (quoted by Chua et al., 1999: 21)
(Churchill & Hatten, 1987)			x		x			"It is either the occurrence or the anticipation that a younger family member has or will assume control of the business from the elder" (Churchill & Hatten, 1987: 52)
(Welsch, 1993)		x	x					"Ownership is concentrated, and owners or relatives of owners are involved in the management process" (Welsch, 1993: 40)
(Carsrud, 1994)		x	x	x				"family business means a firm's ownership and policy making are dominated by members of an "emotional kinship group" whether members of that group recognize the fact or not." (Carsrud, 1994: 40)
(Cromie et al., 1995; Smyrnios, Romano, Tanewski, Karofsky, Millen, & Yilmaz, 2003)		x	x					"We consider a business to be a family business if one or more of the following obtain: a) More than 50 per cent of the shares are owned by one family; b) one family can exert significant control over the business; c) a significant number of top managers are drawn from one family." (Cromie et al., 1995)
(McConaughy et al., 2001; McConaughy & Walker, 1998)			x			x		Founding family controlled firms are defined to be public corporations whose CEOs are either the founder or a member of the founder's family."(McConaughy et al., 2001: 36–37)
(Barbera & Moores, 2013; Okoroafo, 1999)							x	"…respondents identified themselves as family businesses." (Okoroafo, 1999: 150)
(Chrisman, Chua, & Litz, 2004; Chua et al., 1999)		x	x	x			x	"The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families." (Chua et al., 1999: 25)

Study	Scale variables	Ownership	Management	Board	Generation	Founder	Vision	Definition
(Davis & Harveston, 2000)			**x**	**x**		**x**	**x**	"Whether large or small, family businesses are characterized by (a) having the entrepreneur-founder or a family member as president or chief executive officer, (b) employing members of the entrepreneur-founder's family, and (c) managers defining their firms as family businesses." (Davis & Harveston, 2000: 108)
(Westhead, Cowling, & Howorth, 2001; Westhead & Howorth, 2006)		**x**					**x**	"A firm is regarded as a family firm if it meets the following conditions: more than 50% of ordinary voting shares are owned by members of the largest single family group related by blood or marriage and the company is perceived by the chief executive/ managing director/chairman to be a family business." (Westhead et al., 2001: 370)
(Child et al., 2002)		**x**						"A dominant family or entrepreneurial ownership (defined as a 30 percent holding or more)" (Child et al., 2002: 38)
(Chrisman et al., 2004; Chrisman, Chua, & Steier, 2002; Memili, Chrisman, Chua, Chang, & Kellermanns, 2011)		**x**	**x**	**x**	**x**			"Operationalization of the definition [proposed by Chua et al. 1999] required consideration of family ownership, management, and trans-generational sustainability. These constructs were measured by the percentage of the business owned by members of the family, the number of family members involved in the management of the business, and whether the future successor as president of the business was expected to be a member of the family." (Chrisman et al., 2002: 118–119)
(Zahra, 2003; Zahra, Hayton, & Salvato, 2004)		**x**	**x**		**x**			"Family firms were defined as those businesses that reported some identifiable ownership share by at least one family and had multiple generations in leadership positions within those firms." (Zahra, 2003: 501)
(Astrachan et al., 2002; Holt, 2012; Klein, Astrachan, & Smyrnios, 2005; Merino et al., 2014; Mitter, Duller, Feldbauer-Durstmuller, & Kraus, 2014; Rutherford et al., 2008)		**x**	**x**	**x**	**x**		**x**	F-PEC scale. Power: % of ownership; % of directors that are family members; % external directors nominated by the family; % of managers that are family members. Experience: generation that owns the company; generation that runs the company; % of family members that participate actively in the company. Culture: family culture influences the business.

Study	Scale variables	Ownership	Management	Board	Generation	Founder	Vision	Definition
(Ali, Chen, & Radhakrishnan, 2007; Anderson & Reeb, 2003b, 2004; Chen, Chen, Cheng, & Shevlin, 2010)		x	x	x	x	x		“The founder and/or their descendants hold positions in the top management or on the board or are among the companies’ largest shareholders.”(Ali et al., 2007: 247)
(Abdellatif, Amann, & Jaussaud, 2010; Allouche, Amann, Jaussaud, & Kurashina, 2008; Kurashina, 2003)		x	x	x				“Kurashina (2003) considered three types of family businesses: Type B, in which family members hold management positions or are members of the board of directors, as well as the main shareholders. Type C, in which family members do not hold top-ranking management positions but are among the major shareholders. Type D, in which family members hold top management positions but are not among the major shareholders.” (Abdellatif et al., 2010: 111)
(Chua, Chrisman, & Sharma, 2003; Claver, Rienda, & Quer, 2007; Claver, Laura Rienda, & Quer, 2009b; Claver Cortés, Rienda García, & Quer Ramón, 2008)		x	x					“The family both owns and manages the business”(Chua et al., 2003: 92)
(Miller & Le Breton-Miller, 2004; Salvato & Melin, 2008)		x	x		x			“A family-controlled business is here defined as a public or private company in which a family (or related families) controls the largest block of shares or votes, has one or more of its members in key management positions, and members of more than one generation are actively involved within the business.” (Miller & Le Breton-Miller, 2004: 2)
(Graves, Thomas, & Thomas, 2006; Graves & Thomas, 2004, 2008; Thomas & Graves, 2005)		x	x					“This study defines a family business as one that is majority family owned (>50%) and has at least one family member in the management team.” (Graves & Thomas, 2004: 14)

Study	Scale variables	Ownership	Management	Board	Generation	Founder	Vision	Definition
(Casillas & Acedo, 2005)		x	x	x	x			"1) Is the share capital of the firm controlled by any family group? 2) Is the firm's general director or are most of the persons in a firm's top management team members of that family? 3) Does any member of the second generation of the family already work in the firm?"(Casillas & Acedo, 2005: 142)
(Lien et al., 2005)		x	x	x				"Percentage of shares held by the family of the largest individual shareholder and CEO; Board Chairman; honorary Chairman; Vice-Chairman; Directors and Supervisors that share a common family name with the largest owner." (Lien et al., 2005: 748)
(Zahra, 2005)		x						"Family owned" (Zahra, 2005: 30)
(Crick et al., 2006)		x	x		x	x	x	"1) If the senior executive considered their company as being a family business; 2) if the majority of ordinary voting shares in the firm are owned by members of the largest family group that are related by blood or marriage; 3) if the management team of the firm is comprised mainly of members drawn from the single dominant family group who own the business; 4) where the firm was not run by the founder, if the firm had experienced an inter-generational ownership transition to a second or later generation of family members drawn from the single dominant family group owning the business"(Crick et al., 2006: 501)
(Wang, 2006)		x	x	x		x		"Founding family ownership refers to firms with substantial common stock held by family members or with founding family members actively involved in the management or the board of directors."(Wang, 2006: 620)
(Fernández & Nieto, 2005, 2006)		x	x					"The SME belongs to a family with one or more members in managerial positions"(Fernández & Nieto, 2005: 82)

Study	Scale variables	Ownership	Management	Board	Generation	Founder	Vision	Definition
(Villalonga & Amit, 2006)		x	x	x	x	x		"A minimum control threshold of 20% of the votes, being the largest shareholder or voteholder, having family officers or directors, or being in second or later generation" (Villalonga & Amit, 2006: 389)
(Basly, 2007)		x	x					"Control of the capital and involvement in high management."
(Filatotchev et al., 2007)		x						"Combined equity holding of the largest individual shareholder, and his/her close family."(Filatotchev et al., 2007: 564)
(Hutton, 2007)		x	x	x	x	x		"Founders or descendants continue to hold positions in top management, on the board, or among the company's largest stockholders." (Hutton, 2007: 290)
(Miller, Le Breton-Miller, Lester, & Cannella, 2007)		x	x					"Multiple members of the same family are involved as major owners or managers, either contemporaneously or over time." (Miller et al., 2007)
(Naldi et al., 2007)		x	x				x	"1) Are ownership and management control of the company dominated by one family? 2) Do you consider your business to be a family business?" (Naldi et al., 2007: 38)
(Banalieva & Eddleston, 2011; Bertrand, Johnson, Samphantharak, & Schoar, 2008)		x						"A family is the ultimate owner."
(Chen et al., 2008)		x	x	x	x	x		"Founders or their family members (by either blood or marriage) are key executives, directors, or blockholders (continuous family ownership); members of the founding family have an equity ownership of 5% or higher." (Chen et al., 2008: 507)
(Miller et al., 2008)		x	x			x		"Owned and founded by family members, or individual owners, and run by these people as well." (Miller et al., 2008: 59)
(Sirmon et al., 2008)		x	x			x		"A family member is the CEO of the firm while the family owns at least 5% of the firm." (Sirmon et al., 2008: 988)
(Carr & Bateman, 2009)		x						"A family owns over 50% of a private firm or more than 10% of a public company." (Carr & Bateman, 2009: 736)

Study	Scale variables	Ownership	Management	Board	Generation	Founder	Vision	Definition
(Villalonga & Amit, 2009)		x	x	x	x	x		"The founder or a member of his or her family by either blood or marriage is an officer, director, or blockholder, either individually or as a group. (Second or later generation)." (Villalonga & Amit, 2009: 3057)
(Bhaumik et al., 2010)		x						"A family is the single largest shareholder in a firm." (Bhaumik et al., 2010: 443)
(Ellul, Pagano, & Panunzi, 2010)		x						"The ultimate owner is a family blockholder and owns at least 20 percent of the cash flow right." (Ellul et al., 2010: 2431)
(Gomez-Mejia, Campbell, Martin, Hoskisson, Makri, & Sirmon, 2014; Gomez-Mejia et al., 2010)		x		x				"Two or more directors must have a family relationship, and family members must hold a substantial block of voting stock." (Gomez-Mejia et al., 2010: 232)
(Miller et al., 2010; Minichilli et al., 2014)		x						"Our definition of family control is based on the power to appoint the board of directors, both directly and through financial holdings (Gomez-Mejia et al., 2011). Following this definition, we considered a private firm to be in family control when the majority stake was in the hands of one family (Westhead and Cowling, 1998). For listed companies, we tailor the threshold to the stock market under consideration (Minichilli et al., 2010) and put it to 30 per cent." (Minichilli et al., 2014: 1162)
(Villalonga & Amit, 2010)		x	x		x	x		"1) Founder or a member of his or her family by either blood or marriage is an officer, director, or blockholder, either individually or as a group; 2) "founding-family-owned and managed firms in their second or later generation and family managed (i.e., those whose CEO is the founder or a member of the founding family); 3) not only founding families but also individual investors or families that are not (related to) the founder and the family is a blockholder (i.e., a beneficial owner of 5% or more of any class of stock); 4) second - or later-generation firms whose CEO is an individual blockholder or a member of a blockholding family (founding or nonfounding)." (Villalonga & Amit, 2010: 866–867)
(Bingham et al., 2011)			x	x		x		"Founding family members remained as significant company shareholders, were still in senior management, or held a seat on the board of directors." (Bingham et al., 2011: 572)
(Herrero, 2011)		x	x	x				"Managers and/or some of the employees have familial ties to the owner." (Herrero, 2011: 889)

Study	Scale variables	Ownership	Management	Board	Generation	Founder	Vision	Definition
(Kontinen & Ojala, 2011a, 2011b, 2011c)		x	x		x			"The family: 1) controls the largest block of shares or votes, 2) has one or more of its members in key management positions, and 3) has members of more than one generation actively involved with the business." (Kontinen & Ojala, 2011a: 445)
(Acquaah, 2012)		x	x	x				"Family ownership, family members as managers, directors, or employees"(Acquaah, 2012: 1222)
(Anderson, Duru, & Reeb, 2012; Anderson, Reeb, & Zhao, 2012; Kuo et al., 2012)		x				x		"The family (founders or founders' descendants) continues to maintain a 5% or greater ownership stake" (Anderson, Reeb, et al., 2012: 358)
(Arregle, Naldi, Nordqvist, & Hitt, 2012)		x						"One or more family members owning at least 50% of the firm's shares." (Arregle et al., 2012: 1123)
(Cucculelli & Marchionne, 2012)		x						"The ultimate owner [as defined by Bureau van Dijk) is a family." (Cucculelli & Marchionne, 2012: 493)
(Jiang & Peng, 2011)		x						"Families hold a 5% or larger ownership stake." (Jiang & Peng, 2011: 21)
(Kuo et al., 2012)		x		x				"At least 50% of the members of the board are members of the owning family." (Kuo et al., 2012: 253)
(Muñoz-Bullón & Sánchez-Bueno, 2012)		x	x					"1) Presence of at least one family member on the board of directors; i.e., a family with one or more members was required to occupy managerial positions (Fernandez & Nieto, 2005). 2) Family members hold at least a 10 percent outstanding equity stake." (Muñoz-Bullón & Sánchez-Bueno, 2012: 473)
(Zellweger et al., 2012)		x	x	x			x	"The firm identifies themselves as family firms (e.g., Westhead and Cowling 1998), the family held a controlling interest, and the firm employed at least two family members." (Zellweger et al., 2012: 855)
(Cerrato & Piva, 2012)	x		x					"% of family members who cover managerial roles." (Cerrato & Piva, 2012: 629)
(Lin, 2012)	x	x						"% of family cash flow rights." (Lin, 2012: 49)

Study	Scale variables	Ownership	Management	Board	Generation	Founder	Vision	Definition
(Majocchi & Strange, 2012)	x	x						"% stakes held by a family." (Majocchi & Strange, 2012: 889)
(Sciascia & Mazzola, 2008; Sciascia et al., 2012; Sciascia, Mazzola, Astrachan, & Pieper, 2013)	x	x	x	x				"% equity held by the owning family and at least 1 family member in the management or on the board of directors." (Sciascia & Mazzola, 2008: 338)
(Calabrò et al., 2013)		x	x		x			"A family is the single largest owner; the CEO is a member of the owning family (Sirmon et al., 2008); more than one generation actively involved in the business (Zahra, 2005)."(Calabrò et al., 2013: 510)
(Deephouse & Jaskiewicz, 2013)		x	x					"Family involvement – in ownership and on a board – and essential element of having the family's name in the firm's name." (Deephouse & Jaskiewicz, 2013: 340)
(Eberhard & Craig, 2013)		x	x				x	"A business that: (1) considered themselves as a family firm, (2) majority family owned (>50%), and (3) had a family owner in management." (Eberhard & Craig, 2013: 390)
(Kappes & Schmid, 2013)		x	x	x		x		"Founding family directly or indirectly holds at least 25 percent of the firm's voting rights and/or a member of the founding family is represented on the management board and/or supervisory board." (Kappes & Schmid, 2013: 552)
(Kotlar & De Massis, 2013)		x	x				x	"1) Ownership majority was held by members belonging to one family, (2) two or more family members were actively involved in the business, and (3) the CEO perceived the firm as a family firm." (Kotlar & De Massis, 2013: 1266)
(Boellis et al., 2016; Miller et al., 2014, 2013)		x						"A family owned an absolute majority (i.e., 50 percent) of shares. … The threshold [is] reduced to 25 per cent for listed companies." (Miller et al., 2013: 559)
(Chirico & Salvato, 2014)		x	x				x	"The majority of equity owned by a family, had multiple family members involved in their operations, and were recognised as a family business by the family CEO or senior executive member." (Chirico & Salvato, 2014: 9)

Study	Scale variables	Ownership	Management	Board	Generation	Founder	Vision	Definition
(Classen, Carree, van Gils, & Peters, 2014)		x	x					"Is your enterprise controlled by a family or part of an enterprise group controlled by a family? In case of an enterprise controlled by a family, family members hold at least 50 % of the company's shares." (Classen et al., 2014: 602)
(De Massis, Chirico, Kotlar, & Naldi, 2014)		x	x					"The majority of equity owned by a family and had multiple family members involved in their operations." (De Massis et al., 2014: 7)
(Gentry et al., 2014)				x		x		"Founding family held two or more board seats." (Gentry et al., 2014: 8)
(Liang, Wang, & Cui, 2014)	x	x	x					"Ratio of family members in the top management team; % of total shares owned by the largest individual shareholders and their close family members." (Liang et al., 2014: 133)
(Obeng, Robson, & Haugh, 2014)		x	x					"A family business is defined as one where one or more relatives of the owner-manager are employed in the firm." (Obeng et al., 2014)
(Sanchez-Bueno & Usero, 2014)		x		x				"A majority family ownership (more than 10%) and has at least one family member on the board." (Sanchez-Bueno & Usero, 2014: 1315)
(Singla et al., 2014)		x	x	x		x		"Family controlled if any two of the following three criteria were met:1) the founding family had a stake of 20 percent or greater in the firm; 2) a member of the founding family was on the board of the firm; and/or 3) a member of the founding family was the chairperson; family managed if any two of the following three criteria were met: 1) a founding family member was the CEO of the firm; 2) a member of the founding family was an executive director, and/or (3) more than one member of the founding family were executive directors of the board." (Singla et al., 2014: 611)
(Cabrera-Suárez, Déniz-Déniz, & Martín-Santana, 2015)			x	x				"At least two people on the board of directors and/or management team have different first names and two identical surnames (i.e., they are siblings) and if some (or several) of the people occupying top management positions have at least one of these two surnames (i.e., he/she is a family member)." (Cabrera-Suárez et al., 2015: 150)

Study	Scale variables	Ownership	Management	Board	Generation	Founder	Vision	Definition
(D'Angelo et al., 2016)		**x**	**x**					"The largest shareholder is a family and at least one family member as manager."(D'Angelo et al., 2016)
(Calabrò, Brogi, & Torchia, 2016)		**x**	**x**					"[The family has] the voting control and the majority of ownership (more than 50.0 %) … [and there are family members in managerial positions]." (Calabrò et al., 2016: 684)

1.2.2 Theories of Family Firms

Researchers approaching family firms ground on many different theories. The most important with reference to the internationalisation of family firms are Agency Theory, stewardship perspective, Resource Based view, stagnation and socioemotional wealth perspectives, and Transaction Cost theory. Agency theory and Stewardship perspective refer to the interests' alignment between owners and managers in a firm. The Resource Based view focuses on the resources controlled by a firm. While all the perspectives mentioned above are generally applicable to all companies and they are also used for family businesses, the socioemotional wealth approach and the stagnation perspective has been applied exclusively to family firms. They have been expressly developed to study family firms, trying to give an explanation to the family firms' propensity to keep a strong control of the company, their risk aversion, and their conservative nature. What follows is a review of each theory which has been applied in the field of family firms.

1.2.2.1 Agency theory

The focus of the Agency Theory is to analyse problems arising in the firms from the relationship principal-agent. A principal, typically the owner of the company, delegates to an agent the activity to manage the company. From the separation between management and ownership derives costs due principally to two main causes: information asymmetries and interests divergence between shareholders and managers (Chrisman et al., 2004). When owners choose their agent, they incur in the risk of adverse selection, while managers have the possibility to pursue private benefits taking decisions detrimental to the owners (Chrisman et al., 2004). Because of these agency problems, firms monitor and control the managers' behaviour implementing different kinds of control mechanisms ranging from the composition of the board of directors (size, the percentage of outside directors) to the payment of stakes options to managers (Shleifer & Vishny, 1997). Agency theory has been largely used in family firm literature, both from authors investigating the performance differences between family and non-family businesses and from those interested on family firms' internationalisation. The first aim of agency theorist was to analyse the problems, and the related governance solutions, arising from the separation between ownership and management. Whereas some authors state that agency costs do not affect family firms precisely because of the absence of separation between management and ownership (Jensen & Meckling, 1976), others claim that these costs are even exacerbated (William S Schulze, Lubatkin, & Dino, 2003; Schulze, Lubatkin, Dino, & Buchholtz, 2001). However, it is important to consider that family firms are not all equal, and at the same time, not all family member act in the same way (Chrisman et al., 2004). Some family firms may have higher agency costs than other family firms because they experience a higher divergence of interests among family members, or because they perceive differently to be part of a family business. Their behaviours and their decisions in order to maximise the family shareholders' performance (financial or not), change accordingly. Moreover, the presence of minority shareholders or the management team composed of managers external to the family generates different agency costs.

The key characteristic of family firms is the unification of ownership and management (Carney, 2005). Thus, family firms, in which ownership and management overlap, overcome principal-agent problems (Miller et al., 2013). The overlap between management and ownership reduces agency problems and promote the alignment of managers' goals and benefits for the firm. In family businesses this point become of prominent importance, given that members of the same family own and run the company. The conflicting interests between ownership and management, given that they belong to the same family, if any, are solved mainly with informal mechanisms, and this may enhance the firm's competitiveness (Bhaumik et al., 2010). Indeed, family firms through informal relationships might be quicker in solving conflicts and take decisions. The managerial involvement of the owning family magnifies the family ownership's effect on strategies. Hence, we can expect that the managers' willingness to take risks is not dictated by short-termism myopia to achieve personal goals, but they have a long-term orientation in accordance with family's interests. According to the agency theory, the managers' risk aversion increases with their percentage of stakes owned (Cerrato & Piva, 2012). Some authors state that family ownership is more risk averse because of the overlap between family's and firm's wealth (Lin, 2012). Indeed, as the amount of owners' wealth invested in a single firm increases, they become more risk-averse (Oesterle, Richta, & Fisch, 2013). Moreover, some authors highlight the undiversified portfolio investments of the owning family as the main reason for their risk aversion (Abdellatif et al., 2010). Indeed, they are exposed to a high specific risk. Gomez-Mejia et al. (2010) state that, in family firms agency, costs arise because family managers sacrifice the creation of a high shareholder value to maintain family control. However, if shareholders are more interested in preserving family control, and managers, in order to achieve this result, sacrifice economic performance, this is not an agency problem. Managers are pursuing shareholders' interests. An agency cost arises only if there is a divergence of interests and managers pursue their own benefits rather than those of shareholders. In family firms, another agency problem might assume a relevance importance: the principal – principal agency cost. These costs arise when, despite a high ownership concentration, there are some minority shareholders. In the case of family firms, the family is the largest shareholder, and it has sufficient power to choose managers among its members. Thus, when the family controls less than 100 percent of the firm, minority shareholders might be exploited by family shareholders (D'Angelo et al., 2016). Moreover, if family managers belong to the owning family with the largest percentage of equity, this may generate costs of principal-agent type for minority shareholders (Chrisman, Chua, Kellermanns, & Chang, 2007). Shareholders-managers may have opportunistic behaviours, pursuing the interest of the controlling family, ignoring those of the outside, and often minority, shareholders (William S. Schulze, Lubatkin, & Dino, 2003). They use their power to pursue family benefits even if doing so they damaged the company (Miller et al., 2013). Depending on how a family firm is defined, agency costs might assume an increasing relevance in this kind of organisations. To exemplify, consider the case in which family firms are defined exclusively in terms of ownership concentration or the perception of the controlling shareholder and is not required that managers be members of the controlling family. In this case, external managers might pursue high economic performance to improve their reputation in the job market, in spite of shareholders' goals, as avoiding risky investments to preserve the control of the company to pass it to future generations. However, family firms should pursue economic performance as all the other types of organisations, especially in light of their long-term vision for future generations. Thus, contrary to what Fama and Jensen (1983) argued, this kind of organisations is not the easiest possible, because they should conciliate different and contrasting goals.

1.2.2.2 Stewardship perspective

In accordance with the stewardship perspective, managers behave as loyal stewards, subordinating their own benefits to achieve firm goals. This perspective is well applicable to family firms, defined as firms where members of the same family are both controlling shareholders and managers. Classifying family firms as entities with a long-term orientation and having as the main goal to transfer the business, hence the wealth and the reputation to the next generations, some scholars deduce that family managers will act as loyal stewards. Indeed, in this context, the goals of family managers and family ownership overlap. Managers do not have conflicts of interests (Banalieva & Eddleston, 2011; Chrisman et al., 2007). Thus, the stewardship perspective assumes a different relevance depending on the definition of family firms, as in the case of agency theory. Focusing on family firms interpreted as firms in which members of the same family are both owners and managers might give useful insights to understand the stewardship perspective. Thus, in the following of this section the family firm expression denotes a firm owned and ran by a family.

The managerial involvement of the owning family promotes the alignment of the interests of the managers with those of the company, as forecasted by the Agency Theory (Jensen & Meckling, 1976). Family members share more than just their wealth invested in the same business. Most of the time managers belonging to the owning family are involved in the company since from their childhood (Arregle, Hitt, Sirmon, & Very, 2007). They share the family name and the reputation to leave as inheritance to the future generations (Banalieva & Eddleston, 2011). Their shared experiences and relationships with the other family members involved in the company help them to see the business as a continuum with the family. A fundamental concept in the stewardship perspective is altruism (Zahra, 2003). Given their strong identification with the firm, managers are more likely to act altruistically. They identify themselves with the company and thus are highly motivated to pursue the interests of the business and the family because their own interests are the same (Schulze et al., 2001). This theoretical approach highlights the benefits and the positive side of family firms.

The key difference between agency theory and stewardship perspective lies in the convergence or not of the principal-agent interests. The stewardship perspective analyses family relationship in a more positive light than the agency theory does. Indeed, even if some agency theorists claim that being a family organization is sufficient in order to not incur in agency costs (Chrisman et al., 2004; Jensen & Meckling, 1976), other authors state that family firms experience different agency problems, which to some extent are harder to solve than in other firms (William S. Schulze et al., 2003). Both theories, starting from different assumptions, focus on the maximisation of shareholders wealth (Tosi, Brownlee, Silva, & Katz, 2003). It is important to adapt the definition of "shareholders wealth" to family firms. Researchers testing whether family managers act more like as stewards or family firms face peculiar agency costs, focusing exclusively on the consequences on the firm's economic performance. However, if family firms are characterised mainly by their non-economic goals, as many authors stated, these empirical tests are not exhaustive. Scholars should find a measure of the family firms' performance regarding their non-economic goals to investigate whether are more effective the agency costs or the stewardship benefits. To understand which perspective best applies to family firms, and to understand whether shareholders' and managers' interests overlap, it is necessary to know in detail the managers' and firms' characteristics.

1.2.2.3 Stagnation and Socioemotional wealth perspectives

Research in the family business field has highlighted that from the non-financial aspects characterising family firms might originate a general conservative behaviour of these companies. The broad concept of family firms' conservatism has been analysed from two perspectives: stagnation and socioemotional wealth. Both the views deal with the relevance of control in family firms. Indeed, these perspectives argue that family firms sacrifice economic goals to maintain strong control over the business.

The stagnation perspective encompasses almost all criticisms regarding family firms (Miller et al., 2008). Authors making reference to this perspective highlight the conservatism, the importance to maintain the control of the business, and consequently to do not raise debt preferring an almost permanent lack of financial resources (Molly, Laveren, & Deloof, 2010). However, this reluctance to increase debt limits the financial resources and consequently the possibility to make investments in order to growth and/or internationalise. In accordance with the Resource Based view of the firm (Barney, 1991; Wernerfelt, 1984), financial resources are important determinants of firm's growth. They are a necessary element to gain and maintain a competitive advantage, even in international expansion. International diversification may require external funding and consequently the family should issue new stock debt or augments its debt financing, losing control (Gomez-Mejia et al., 2010). The increase of debt proportion might create conflicts between debtholders and shareholders, becoming a source of agency problems. Moreover, the increase of debt financing can be easily translated in a loss of control. Thus, family firms might be reluctant raising debt and change the capital structure of the company. González et al.(2013) found that family directors are associated to lower level of debts, consistent with the idea that they are more risk averse. Contrary they found that when the family is present exclusively on the ownership, and not in management and on board the, the family involvement is positive related to the proportion of debt. Indeed, the family risk aversion is moderated by the presence of external managers and directors (González et al., 2013). Moreover, they point out another important scarce resource: the managerial quality of their staff. Indeed, it is often claimed that family firms prefer relatives in the top managerial positions even if they do not have the necessary skills. Bloom and Van Reenen (2007) demonstrate that inferior management practices are associated with the presence of family members in managerial positions. Family firms that choose their managers exclusively between their members have a limited number of possible choices(Bloom & Van Reenen, 2007). Some authors argued that family firms in comparison with non-family firms suffer a lack of managerial capabilities (Graves et al., 2006; Lin, 2012). Moreover, the lack of managerial capabilities might prevent the firm to undertake foreign investments (Fernández & Nieto, 2006). These results have been discussed in the light of the desire of the owning family to maintain the direct control of the firm, and with the thesis that family shareholders prefer employ members of the family also in high-level positions rather than refer to expertise from external resources (Fernández & Nieto, 2006). Hence, according to these studies, family kinship is more important than the skills and capabilities. Altogether, these features make the family risk averse and less prone to growth, especially in the international markets.

Other scholars synthesised the idiosyncratic family businesses' characteristics, regarding the affective sphere, with the expression "socioemotional wealth" (Berrone, Cruz, & Gomez-Mejia, 2012). Gomez-Meija et al. defined it as the "non-financial aspects of the firm that meet the family's needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty" (2007: 106). Thus, all the non-economic aspects characterising family firms are included in the broad definition of socioemotional wealth. These features explain the reason why family firms take non-economic decisions in contrast to non-family firms (Liang et al., 2014). This perspective focuses on the family firms' risk propensity and their desire to preserve the direct control over the business. Berrone et al. (2012) tried to operationalize the dimensions of "socioemotional wealth". The operationalisations presented in their work are based on a set of questions to ask firms through the submission of questionnaires. However, the same suggested questions might be used to define a firm as a family business or as a non-family firm. Indeed the proposed items concern the identification of the family with the company (Astrachan et al., 2002), the level of ownership and management involvement in the business (Chua et al., 1999). Thus, they define the dimensions of the socioemotional wealth using the same criteria used to define family firms and to make conjectures on how socioemotional wealth is important for family firms. Gomez-Mejia et al.(2007) state that the propensity toward risk of family businesses varies with regard to their socioemotional wealth. To preserve it they are willing to take high-risk investment decisions, and at the same time, they are strongly risk averse if the risk concerns the loss of the socioemotional wealth. In summary, the willingness to take risk is high if this is necessary to retain the direct control of the firm and to increase the business with entrepreneurial activities. On the contrary, if the encompassed risk is to lose the family wealth, family businesses are higher risk averse than non-family firms (Naldi et al., 2007).

1.2.2.4 Resource Based view

According to Barney (1991), the pioneer of the Resource Based view, a firm can develop a sustainable competitive advantage if and only if it has tangible or intangible resources that are valuable, rare, imperfectly imitable, and not substitutable resources and capabilities (Barney, 1991, 2001). In light of the Resource Based view, some authors point out that family firms control unique inimitable resources, deriving from the family relationships, which allow them to build and sustain a competitive advantage over the other type of companies (Habbershon, 2006; Habbershon & Williams, 1999; Zahra et al., 2004). Habbershon and Williams (Habbershon & Williams, 1999) developed the concept of familiness to identify "the unique bundle of resources a particular firm has because of the systems interaction between the family, its individual members, and the business". Furthermore, the familiness is a concept that helps us to see the business, the family ownership and management, and family culture as a continuum of interactions and not just as a static system where ownership and management overlap (Habbershon, Williams, & MacMillan, 2003). This system of interconnected relationships and the shared culture make inimitable the family firms' assets (Zahra et al., 2004). The family culture and vision shape the company's strategy. For instance, the long-term perspective of the family contributes to undertake investments with a long-term commitment facilitating the constitution of a competitive advantage. In addition, in a fast changing world environment, speedy decisions are fundamental to build a sustainable competitive advantage. Informal relationships typical of family businesses are another source of competitive advantage. Indeed informal interactions among family owners and family managers simplify the communication inside the company and speed the decision-making process (Carr & Bateman, 2009). Reputation is another key resource in family business. Often the name of the controlling family is closely associated with the name of the firm, or even it is included in the company name. Controlling families consider the business as a continuum of the family; hence, they carefully consider the firm's reputation. Thus, family and firm reputation coincide. Families build over generations a good imagine and strong reputation of the firm, which facilitates relationships with customers, partners, and suppliers. Despite the presence of these valuable and unique resources, family firms are also characterised by the lack of some other crucial resources.

1.2.2.5 Transaction Cost Theory

Recently some authors began to apply the Transaction Cost theory to family firms (Gedajlovic & Carney, 2010; Verbeke & Kano, 2010, 2012). These authors apply the concept of specific assets of the Transaction Cost theory to the idiosyncratic characteristics of family firms (Verbeke & Kano, 2012). Williamson distinguished between specific and generic assets, arguing that the latter are easy to transact and therefore are generally traded through markets. Specific assets need to be managed through hierarchy or markets accordingly to their degree of specificity to the investment. Gedajlovic and Carney (2010) grounding on Williamson's work added that even generic assets might be difficult to transact. Thus, there are generic non-tradable assets, which have a wide variety of application inside the company but are sticky to the firm (Gedajlovic & Carney, 2010). They identified the family businesses' resources analysed by the above-presented theories, such as social capital, reputation, and tacit knowledge, are generic non-tradable assets. In addition, family firms' governance structure fosters the capabilities to developing, sustaining and appropriating value from these assets (Gedajlovic & Carney, 2010; Verbeke & Kano, 2010). Family firms' behaviours are thus affected by these specific family assets and might be explained through the Transaction Cost lens. Thus, the Transaction Cost theory reconciles the conflicting predictions of the other theories applied to family firms. Moreover, family firms' have different behaviours depending on whether the assets involved in the decision are strictly linked to the family or not. Thus, their decisions suffer from a "bifurcation bias" toward family-assets (Verbeke & Kano, 2012).

1.3 Why are family firms different from non-family firms?

Despite the lack of a common definition and irrespective of the theory used, research on family firms focuses on the characteristics and related influences of family ownership and, on the effect of family members involved in management. Moreover, scholars agree in associate family businesses to the strong desire to maintain the direct control of the firm (Gomez-Mejia et al., 2007) and on the longer-term orientation in comparison with non-family companies. The debate is still opened concerning the family firms' approach to risk. Indeed, is not clear whether family firms are more or not risk averse than non-family firms (González et al., 2013; Zahra, 2005). In accordance with these main idiosyncratic characteristics of family businesses, prior research demonstrated that their internationalisation differs from that of non-family ones. What follows is a description of the main family firms' characteristics affecting their strategies, irrespective of the definition applied.

Prior to the emergence of the family business field, ownership has been studied mainly with reference the degree of ownership dispersion or concentration (Cerrato & Piva, 2012). However, academic research demonstrated that also the shareholder type affects firm's strategies, (Calabrò et al., 2013; Sanders & Carpenter, 1998; Sciascia et al., 2012; Zahra, 2003). Thus, different kinds of ownership affect internationalisation (Filatotchev et al., 2007; Oesterle et al., 2013), because they have different values, incentives, temporal preferences and risk attitude (Lin, 2012). Furthermore, different shareholders may provide the company with different resources and networks (Fernández & Nieto, 2006). For instance, foreign financial owners may increase the firm's internationalisation providing access to networks of business partners and local institutions of their country (Calabrò et al., 2013). Moreover, in continental Europe, where ownership is highly concentrated, it is even more relevant to study how ownership type affect firm's strategies (Fernández & Nieto, 2006) because the main shareholder has a strong power to influence firm's strategies. The complexity of the different goals pursued by this kind of ownership has given rise to different streams of research investigating, among others, the effect of family ownership on financial performance and internationalisation. Family ownership has many related aspects; the most important for this research are six.
First, ownership is often linked to management. Family firms are characterised by the involvement of a member of the owning family in management operations. They may serve as CEO and/or Chairman or occupy other positions inside the top management team or in the Board. It has been demonstrated that family variables, as the involvement of family members in management, affect the degree (international sales) and the geographic scope (number of countries) of internationalisation (Arregle et al., 2012; Zahra, 2003). Moreover, they may also influence the timing of internationalisation. As stated above, family managers affect firm's strategies because of their lack of capabilities or because they pursue non-economic goals.

Second, the ownership governance promotes the desire to maintain the direct control of the firm, this because of family strong personal attachment, commitment, and identification with the company (Lin, 2012). The concept of family control, defined as the family's power to influence the business through ownership and managers, is strongly related to the above mentioned long-term orientation of family firms. Owning families exert their control over the business with a longer term orientation in comparison to widely-held corporations (Bertrand & Schoar, 2006). Indeed, the owning family considers the control of the firm as a way through which preserve and maximise the family wealth for next generations. Having the control of the firm is indispensable for the family to achieve its non-economic goals (Zellweger et al., 2012). Villalonga and Amit (2010) argue there are two approaches with regard to the benefits deriving from the control. These are the competitive advantage and the private benefits control. The key difference between these approaches concerns the group of shareholders interests whose the firm pursues. According to the first, the controlling family seeks to develop a firm's competitive advantage pursuing the benefits for all shareholders, even the minority ones which do not belong to the family. As shown by Friedman et al. (2003) the propping practice is not so uncommon, especially in countries with low quality of the legal system. Conversely, in accordance with the latter, the controlling family pursue its own benefits exclusively, neglecting the benefits of shareholders other than the family. In addition, Demsetz and Lehn (Demsetz & Lehn, 1985) highlight the "amenity potential" of family firms, referring to the non-economic benefits that family members achieve preserving the control over the family (Burkart, Panunzi, & Shleifer, 2003). These non-economic benefits might be the good reputation linked to the name of the firm or the pleasure to run the business together with other family members sharing the same values. The higher is the amenity potential, the longer the family will preserve the control, accepting a reduction in it only in the case of extreme necessity of capital (Burkart et al., 2003). The existence of a mixture of non-economic goals, values and family relationships intrinsically linked to the business, make more important for family firms rather than for non-family firms to preserve the control of the company.

Third, family firms have generally a longer time horizon than non-family ones. The literature has emphasised the relevance of a large variety of non-economic goals for family firms. Most of them require a long-term orientation, i.e. a special attention to maintain and nurture a corporate reputation, the desire to maintain a direct control over the business and pass it to next generations. Thus, it is correct to state that family firms in comparison to their counterpart have a stronger long-term orientation that goes beside the usual meaning of going concern. Lumpkin and Brigham (2011) point out three dimensions of long-term orientation in the light of which analyses the choices of family businesses. The first dimension is futurity; it regards the activity to forecast and plan actions with particular attention to their future consequences (Lumpkin & Brigham, 2011). A meaningful example of this long-term oriented behaviour in family firms is their succession planning. The second dimension, continuity, refers to the constancy and durability of the business (Lumpkin & Brigham, 2011). Family business research has highlighted the prominence for family firms to build and preserve across generations a good reputation. Future generations of family member inherit not only the business but also the reputation and the long lasting relationship built on time. Finally, the last dimension considered in the long-term framework of Lumpkin and Brigham (2011) is the perseverance. This concept deals with the continuing effort to achieve the long-term objectives. The long-term vision of family firms has a massive impact on employed strategies. It shapes the goal to maintain the control and the risk attitude. Accordingly, different investments are evaluated in light of this long time horizon. For instance, international investments are stimulated by the long-term vision, since they are considered as an opportunity for growth (Claver, Laura Rienda, et al., 2009a).

Fourth, family ownership varies in terms of risk taking, which in turn may influence the choice to expand internationally (Zahra, 2003). With reference to the risk attitude of family firms, there are opposite views. Often the family business literature qualified family firms as risk-averse (see Gomez-Meija et al. (2007) for a summary) because their entire wealth invested in the family business. Other authors (Naldi et al., 2007; Zahra, 2005; Zahra, Neubaum, & Larraneta, 2007) argue that family firms show a higher entrepreneurial risky behaviour in comparison to non-family businesses. Another view, grounding on the "socioemotional wealth", states family firms are risk willing and risk averse at the same time, depending on how the decision affect the preservation of the "socioemotional wealth" (Gomez-Mejia et al., 2007). Risk aversion in family business research assumed mostly the connotation of financial risk aversion and it is measured as the proportion of debt (González et al., 2013). Given the relevance that non-financial aspects assume in family firms, scholars should gain insights from entrepreneurial research and study different measures of risk attitudes. The first attempt in this direction has been made by Zahra (2005), using as proxies of the risk attitude the involvement in risky activities, i.e. international alliances, new foreign markets entries, investment in emerging radical technologies, and radical product innovation. More research is needed in this direction, and the introduction of the concept of fear of failure to family business might shed some light on the risk attitude of these firms (Cacciotti & Hayton, 2015). Indeed, especially in family firms, the fear to obtain negative results that might affect other family members or the fear to be judged negatively by the family, might have significant effects on the business. However, as entrepreneurial research consider the fear of failure as a force preventing to do something, research is also needed to investigate the striving effect of fear of failure (Cacciotti & Hayton, 2015).

The last two aspects are related to the resource endowment of family firms: managerial and financial endowments. Some empirical research demonstrated that family firms in comparison to their counterpart have less managerial resources (Graves et al., 2006). Family ownership prefers a manager from the kinship rather than to hire an external professional manager (Burkart et al., 2003). However, the second generation of family members might have access to a qualified education more oriented to the involvement in the family business (Casillas & Acedo, 2005). More research is needed to investigate whether family managers are effectively less qualified then managers of non-family firms, taking into consideration also the experience that family members accumulate since the childhood. Indeed, the business-specific knowledge that family members acquire since their childhood in some aspects overcome the disadvantages arising from the lack of professional managers (Miller et al., 2013). In addition to managerial capabilities, financial resources assume a crucial role in family business literature. Researchers have pointed out that family businesses usually have lower financial resources than non-family firms, mainly because of their reluctance to increase debt proportion(Anderson & Reeb, 2003a). Indeed, family firms avoid sharing equity with external parties because they want to maintain the control.

In light of the key features described above, the next section provides an account of the main empirical results of studies investigating the family firms' internationalisation.

1.4 Family firms and internationalisation

The ownership structure (high concentration and shareholder type), in addition to the characteristics of the management strongly affects firms' strategies, as international strategies. Thus, the international strategies of family firms, which are characterised by one family that controls the business through high ownership share and management, are highly influenced by these characteristics. Since internationalisation of family firms may differ from that of firms with different ownership structures (Fernández & Nieto, 2006; Gomez-Mejia et al., 2007; Kontinen & Ojala, 2010), it is important to investigate their internationalisation processes separately. That importance resides in the above mentioned crucial differences among these two kinds of constituencies. Indeed, the extant literature on internationalisation of family firms highlighted as main factors affecting the internationalisation of these businesses their long-term horizon, fear of losing control, limited financial and managerial resources, and the possibility to take quick decisions (Kontinen & Ojala, 2010). These peculiar features have fostered a stream of international business research investigating whether family firms' international strategies differ from those of non-family ones. The results in the field are contrasting. Although some authors found a positive relationship, most of the studies state that being a family business negatively affects the degree of internationalisation. Moreover, a limited stream of research concluded that the relationship varies according to the degree of the family involvement. The main findings of the empirical studies concerning the internationalisation of family businesses are presented in Table 1.2.

Despite the high level of risk associated with internationalisation, the advantages related to this strategy are not less important. Indeed, international investments may increase, especially in the long run, firms' performance and its competitiveness (Chen, Hsu, & Chang, 2014). The altruism of family managers and the involvement of more generations in the business encourages the long-term orientation and the willingness to take risky decisions to get more benefits in the long run, as for instance expand the business overseas (Zahra, 2003). Moreover, in family firms, where the main shareholders are sharing the same values, goals and culture, the communication and consequently, decision-making processes are facilitated, reducing the problems related to the internationalisation strategy (Bhaumik et al., 2010). Thus, is not surprisingly that some authors (Carr & Bateman, 2009; Chen et al., 2014; Zahra, 2003) found a positive relation between family firms and international involvement. While Chen et al. (2014) found a positive relationship defining a family firm referring exclusively to the percentage of family ownership, the results are supported by the study of Zahra (2003), which considered both family ownership and management. Family managers choose to internationalise because through this strategy they foster the firm's growth and consequently the family wealth increases.

Although, prior literature has stressed the risk associated with the internationalisation and the consistent resource endowment necessary to undertake it. Grounding on this view and on the negative aspects of family firms, summarized by the stagnation perspective (Miller et al., 2008), some authors found a negative relationship between family control (Bhaumik et al., 2010; Fernández & Nieto, 2005, 2006; Gomez-Mejia et al., 2010) and internationalisation. The negative relationship is confirmed even disentangling the effect of family ownership and managerial involvement (Majocchi & Strange, 2012). The scarcity of financial and managerial resources (Graves et al., 2006), and the conflicting family's and business' goals (Schulze et al., 2001) limit the family firms' internationalisation (Fernández & Nieto, 2006). Moreover, the effect of cultural distance is stronger for family firms rather than for non-family firms. Indeed, when they internationalise prefer culturally closed countries (Gomez-Mejia et al., 2010).

The contrasting results concerning family firms' internationalisation have been integrated by some empirical studies founding a non-linear relationship between family businesses and internationalisation level (Liang et al., 2014; Sciascia et al., 2012, 2013). However, their findings are not consistent. Indeed, even if all the studies differentiate between the effect of family ownership and family involvement, they found opposite results. Regarding the effect of family ownership, Sciascia et al. (2012, 2013) found an inverted U-shaped relationship between family ownership and internationalisation, while Liang et al. (2014) found a U-shaped relationship. Concerning the effect of family involvement, Sciascia et al. (2012) found a J-shaped relationship between family participation on the board of directors and internationalisation while Liang et al. (2014) found that family management involvement has an inverted U-shaped relationship.

Unique among the studies on family firms' internationalisation are the results of Casillas et al., (2005). Indeed, they fail t find support for the hypothesis that family involvement has a direct relationship with internationalisation.

So far, this paper has focused on family businesses, concluding with the effect of their features on internationalisation. An important branch of international business concerns foreign entry strategies. Thus, if family control affects the international diversification and intensity, it is plausible that it also affects the foreign entry mode choices. The section that follows will focus on entry mode research. Since the extant literature in the field has almost neglected the effect of ownership on entry mode, the review of this literature in the next section does not refer to family firms.

Table 1.2 Empirical studies on family firms' internationalisation

Study	Results	Eff	Dependent variable	Independent variables	Control Variables	Sample size	Sector type	Firm size	Listed	Country of research	Meth
(Zahra, 2003)	Ownership is a significant variable that determines the degree and geographic scope of internationalisation. Family ownership and involvement also interact positively and significantly to influence internationalisation.	+	1) % of foreign sales; 2) N. of foreign countries	% equity held by the owner fam; % equity held by inside fam directors; fam founder is CEO and Chairman; % directors fam members; n. generations who worked on the firm; 5-item index fam business involvement in the firm's strategic planning process.	Firm size; firm age; CEO tenure; fam status; industry type; past performance; non-financial motivations to internationalize	409 (109 FFs)	Manufacturing	On average 72 employees (S.D. 181)	NO	US	OLS
(Casillas & Acedo, 2005)	No direct relation is verified between being a family firm and the internationalisation level. CEOs' experience and education level are higher in firms that are more of a family-type than in those less of a family-type. The higher the family involvement, the smaller the size of the firm. FFs show a lower perception of the risks arising from the international expansion of the firm.		Export intensity; level of Involvement (Likert-type scale)	Family status; CEO (education, age, language spoken); use of internationalisation support entities; risk perception;	Firm size; firm age	222				ES	PLS

(Fernández & Nieto, 2005)	The results confirm the negative relationship between family ownership and international involvement, measured with both export propensity and export intensity. In other words, there are few family SMEs that export, and those that do export do so to a lesser extent than other SMEs.	-	Firm's export propensity; firm's export intensity,	Fam ownership; second generation; joint ownership; alliances	Firm size; indebtedness; R&D intensity; export intensity by industry	1077 (56%FFs)	Manufacturing	SMEs		ES	Probit
(Thomas & Graves, 2005)	FFs are less likely to internationalise their operations when compared to non-family firms. Compared to non-FFs, FFs are less entrepreneurial in that they are more likely to focus on the domestic marketplace rather than exploit opportunities in the international marketplace. The results highlight the importance of the innovation commitment for international expansion.	-	1) Export status; 2) Export intensity	Family business status	Growth intention; Firm size; Firm age; Innovation; Networking dummy	871	Manufacturing	SMEs	NO	AU	Logit
(Lien et al., 2005)	FFs have been significantly more likely to undertake FDI than foreign-controlled firms. FFs have been significantly more likely to undertake FDI in China than State-controlled firms, but no more likely to invest in the rest of the world. Foreign-controlled firms have been significantly less likely to undertake FDI in China than both FFs those with widely dispersed ownership. An independent CEO reduces significantly the likelihood of FDI in China, though not elsewhere.	+	1) Dummy whether a company had undertaken FDI or not; 2) Cumulative number of international projects undertaken; 3) FDI density (% ratio of the cumulative FDI to the average issued capital	Dummies corporate control (family-controlled, State-controlled, foreign-controlled, and widely held corporations); total n. of family directors; Independent CEO; Independent Chairman	Firm size; Firm age; proprietary and human capital; industry dummies; ability to generate internal funding; ability to raise external funding;	228	Textiles, construction, electrical, and service	n.a.	YES	TW	OLS

(Fernández & Nieto, 2006)	Significant relationship between type of ownership and the internationalisation strategy adopted by SMEs. Negative relationship between family ownership and export intensity. Positive relationship between corporate blockholders and internationalisation.	-	1) Export status (whether the firm is a non-exporter (i.e., export sales are equal to zero) or an exporter; 2) Export intensity (ratio of export sales to total sales)	Family; Corporation (another company is a blockholder in the SME); Family and corporation (the SME belongs to a family, with one or more family members inmanagerial positions, and with a corporate blockholder)	Innovation; Alliance dummy; Age; Foreign ownership; Size; Sector export intensity	8497 (56%FFs)	Manufacturing	SMEs (10 -200 employees)		ES	Probit; Tobit
(Graves et al., 2006)	The results highlight that the managerial capabilities of FBs lag behind that of non-FBs as they grow internationally, and this was particularly evident at high levels of internationalisation.	-	Export intensity	Fam status; n. full time managers; nonfamily/outside managers; management training; formal strategic plan;		891	Manufacturing	SMEs		AU	nonparametric statistical techniques
(Sirmon et al., 2008)	The interaction effect of family influence and imitability on internationalisation is positive and statistically significant. Imitability negatively affects firm performance. the effect of imitability on firm performance is mediated by the firm's strategic actions, specifically R&D investments and internationalisation.	+	Firm value added	Family influence; internationalisation; R&D investment; inimitability;	Public ownership; prior performance; membership in a group; firm size; year.	2531	Industrial	SMEs		FR	OLS

(Carr & Bateman, 2009)	FFs are slightly more internationally oriented than non-FFs. No evidence of FFs adopting more ‘inward’ orientated strategic choices. FFs adopt a higher proportion of the most worldwide configurations, as compared to non-FFs. This propensity actually rises with the degree of fam ownership and control. FFs pursuing these more worldwide configurations appeared to achieve higher, not lower, levels of profitability.	+	1)RoCE; 2)Sales growth	Family status; FAM ownership <30%; FAM ownership 30%-50%; FAM ownership >50%;	Sector; Country; Level of ownership; Revenue; Pre-tax profit margins; R&D intensity; Capital Expenditure/Sales; Sales and General Administration Costs/Sales;	130 (65 FFs)		Large	YES	World	Multilinear
(Claver, Laura Rienda, et al., 2009a)	Long-term encourages greater international commitment. The presence of nonfamily managers is positively related to international commitment. The more family firm managers assign relevance to family funds for international activity, the less internationally committed the organisation	-	International commitment	Risk aversion; generation; long-term vision; family members in other countries; nonfamily managers; self-financing.	Firm size; international experience	92	primary extractive, manufacturing, construction, trade and service			ES	Logit
(Gomez-Mejia et al., 2010)	FFs differ from non- FFs in their diversification preferences. FFs diversify less than non- FFs, both domestically and internationally, and when they cross national borders they prefer to enter regions that are ‘culturally close’. Further, performance variability and performance hazard tend to reverse FFs’ preference for diversification avoidance.	-	Overall diversification (entropy measure); Foreign sales to total sales;	Family status; Cultural distance; Systematic and unsystematic risk; Performance hazard	Year dummies; manufacturing industry dummy; Performance; Firm size; firm age; leverage; CEO tenure; CEO duality; CEO founder; institutional ownership	360 (160 FFs)	all		YES	US	OLS

(Bhaumik et al., 2010)	Organisational forms involving fam control and concentrated ownership, while optimal in the home institutional market, may actually have a detrimental impact on outward expansion. Outward FDI is facilitated when emerging market firms develop strategic relationships with foreign investors.	-	FDI (proportion of firm's assets held overseas)	Family status; Herfindahl index for all shareholdings; foreign investment in the firms (2dummies capture 10% and 25% ownership of shares by foreign investor)	Sales; age; ratio of internal accrual of a firm to its tot cash flow, n. Indian subs, ratio intangible to tot assets, debt to equity ratio, return on assets	777	Pharmaceutical; Automotive			IN	Tobit
(Arregle et al., 2012)	Non-family ownership is positively related to family-controlled firms' internationalisation. Non-family board members have a positive influence on the level of foreign activity of the family-controlled firm (scale). Environmental heterogeneity negatively moderates the relationship between external ownership and a family-controlled firm's internationalisation.	(-)	International intensity; international scope	External ownership; number of external board members; ratio of external board members; environmental heterogeneity; past performance	Firm's main industry group is in a manufacturing industry or not; firm size; firm age; nonfamily CEO; CEO: age, gender, level of education, prior experience	351		SMEs		SE	Logit
(Majocchi & Strange, 2012)	An increased family ownership has a significantly negative impact on international diversification. In firms where the market is inactive managers have greater influence over corporate strategy and the influence of family shareholders is negated whilst that of financial institutions remains insignificant. The greater the independence of the board, the better the provision of critical resources and information, and the greater the degree of international diversification.	-	International diversification (entropy index)	Log of % stakes held by families, financial institutions, and the state; dummy VOTE=1 if the main shareholders have any kind of formal agreement between themselves to form a coalition); Dummy CEOC=1 if either CEO or the Chairman is a member of the controlling family; % outside directors	Industry dummies; Firm size; firm age; debt to equity ratio; product diversification; globalisation industry index	78 (55% firms have family ownership higher than 35%)	Manufacturing		YES	IT	GLS

(Sciascia et al., 2012)	While family ownership enhances international entrepreneurship at relatively low levels, it does not support it at higher levels. This relationshipcan be can be graphed as an inverted U-shaped curve: the advantages of family ownership for international entrepreneurship are higher than the disadvantages until an intermediate level of family ownership is reached (in the sample 53%).	+/-	International intensity (% foreign sales)	Family ownership (% equity)	Firm size; firm age; industry; past performance; family involvement	1035 FFs	large variety	On average 84 employees		US	Lin. and quadratic
(Chen et al., 2014)	Positive relationship between family ownership and internationalisation, suggesting that the positive aspects of family ownership seem to outweigh the disadvantages in this case.	+	FSTS	Fam ownership; Institutional ownership	Firm size; firm age; total debt to total assets; management ownership; outside director ratio; R&D to total assets	77	large variety	SMEs	YES	TW	OLS
(Liang et al., 2014)	Family involvement in management has a positive relationship with exporting propensity. Family involvement in management has a predicted inverted-U-shaped relationship with the likelihood of FDI. The percentage of family ownership has a U-shaped relationship with the propensity for internationalisation.	+/-	Export propensity; FDI propensity	Fam involvement in management; Fam ownership;	Firm size; firm age; firm performance (financial performance, sustainability, and reputation); industry; the founder's management experience	902	48% Manufacturing	%50 S	NO	CN	Logit
(Merino et al., 2014)	The familiness approach based on F-PEC scale adequately captures the family firm characteristics (power, experience, and culture) influencing the development of export activities. Specifically, globally indicating that the expertise from different generations and the composition	+	Export propensity; export intensity	Familiness	Firm size; firm age; firm productivity; industry technology intensity;	500	Manufacturing	SMEs		ES	Probit; Tobit

	of the family business culture affect the export activities of family SMEs positively. Conversely, factors related to family ownership and management does not have any significant influence on internationalisation.										
(Mitter et al., 2014)	An inverted U-shaped relationship between family influence and internationalisation. When family influence on ownership, management, and governance boards is relatively high, firms tend to stay local.	+/-	International activity	Family influence; generation; family in management board composition; supervisory board; advisory board;	Firm size; firm age; equity ratio; profit reinvestment; profit reinvestment	479		At least 50 employe es		AT	Logit
(D'Angelo et al., 2016)	Neither family ownership and control, nor the professionalisation of management through the employment of external managers, can independently explain the international scope of family SMEs. Internationalisation can only be maximised if both the management team and the ownership structure are open to outside influence.	(-)	International diversification (entropy index)	External managers; family ownership higher than 50%; % of family ownership	Industry dummies; region dummies; membership of a business group; firm size; firm age; past profitability; innovation levels; past internationalisation	736	Manufac turing	SMEs		IT	Tobit

1.5 Entry modes: an overview

When companies invest in a foreign country, managers have to decide which is the best strategy, considering that usually are long-term strategies difficult to change, particularly when they imply long-term contracts or require a significant resource commitment. The entry mode choice affects the international success of firms and their performance (Hill, Hwang, & Kim, 1990). Thus, it is a crucial theme in international business. A review of the state of knowledge is presented below. Firstly, the main classification of entry strategies is presented. Then, the main determinants of entry mode are presented accordingly to the main theories applied in the field.

In his commentary Shaver (2013) stated that foreign entry strategies have been over-researched and that in the last few years scholars are making only marginal contributions and most of them regard methodological issues. However, the entry mode research has been mostly focused on the unilateral strategic choices of the foreign firm, but it has almost neglected to study the foreign entry strategies as a joint decision of the foreign investor and the local firm, owning the complementary assets (Hennart, 2009; Hennart & Slangen, 2015). The undervalued role of the local firm might explain the inconsistent results of prior empirical literature (Hennart, Sheng, & Pimenta, 2015). Moreover, the extant research on entry mode has failed to investigate the effect of corporate governance and in detail the effect of different ownership structure, on foreign entry strategies. Thus, the state of knowledge on the field might be further extended in these two directions. Entry mode regards the decision on how to enter a foreign market. Entering a new market means to make two important and long-term decisions. Firstly, the choice between contracts and equity and in the latter case the level of ownership. Second, the establishment mode: greenfield or acquisition. However, scholars did not follow a unique classification of entry strategies. Most of the studies disentangled the ownership from the establishment choice. Thus, they studied the contract versus equity choice, the level of equity chosen (joint venture versus wholly owned subsidiary), or the greenfield versus acquisition choice. However, few authors consider the two decisions at the same time, investigating the choice between greenfield, acquisition and joint venture. Moreover, even among studies that focused exclusively on the ownership mode, there are substantial differences. All the differences, among studies mixing establishment and ownership mode and studies focusing on ownership mode, could be summarised in the denotation that these authors give to the joint venture. Accordingly, it is possible to identify three streams of research depending on how authors connote the joint venture. First, the joint venture is defined as an intermediate entry mode between contracts and hierarchy. Second, the joint venture is a joint hierarchy entry mode. Third, the joint venture occurs only if the assets shared with another company are acquired, not it the joint venture is built from scratch.

1.6 Entry mode classifications: three different approaches

It is important to clarify how scholars classified entry mode. The oldest and most cited articles in entry mode research are Anderson and Gatignon (1986), Hennart (1988), and Kogut and Singh (1988). Thus, these three articles, using each a different classification of entry modes, had shaped the entry mode research. In what follows they are presented in details. Firstly, Anderson and Gatignon (1986) is summarised, successively Hennart (1988), and to conclude Kogut and Singh (1988). As the following detailed review of these articles will show, the key difference in these approaches is concerning the connotation of the joint venture in defining the entry mode choices.

Anderson and Gatignon state that the entry mode choice is a continuum of increasing of resource commitment, control, and risk. They consider a joint venture as an intermediate level between export and wholly owned subsidiary. On the contrary, Hennart argues that the choice is between contracts and equity. Therefore, a joint venture is not an intermediate level of hierarchy between contracts and full ownership. It is a joint hierarchy. Finally, Kogut and Singh consider the joint venture as an alternative to a greenfield and full acquisition investment.

1.6.1 Anderson and Gatignon's (1986) classification

Anderson and Gatignon (1986) ground their seminal paper in the Transaction Cost analysis as formulated by Williamson (Williamson, 1979). They stress the importance of trade-off between control and resource commitment and they provide a series of testable propositions to study the entry mode choice. They associate their control scale to the concept of integration of Williamson (1979). Indeed, control and integration are two concepts strongly related. Integrating an activity means to have complete control of it. They delineate a framework in which the choice of the entry mode is affected by the MNE's desired degree of control. Moreover, their analysis focuses on control because it is the main determinant of risk and return, crucial aspects of each investment. Choosing the level of control, the firm is choosing simultaneously, the resource commitment and the position in the trade-off risk and adjusted return associated with the investment. The seventeen entry modes identified in their seminal article are classified in a continuum of increasing control. Firms decide which entry mode is more efficient in the long run, according to the desired control they want to exert, looking at the control as the determiner of risk and return, and therefore efficiency. Firms need to choose the most efficient degree of control. The optimal choice between complete integration and complete non-integration depends on the four constructs that affect the decision to integrate an activity in the Transaction Cost theory. Thus, they state that the asset specificity, the uncertainty (external and internal), frequency, and the free riding potential affect the choice of the degree of control, and consequently, the entry mode and the associated long-term efficiency (Anderson & Gatignon, 1986). When a transaction is frequent and requires high specific assets, is more convenient for the firm integrate the activity. On the other hand, when the assets deployed are not specific and the uncertainty is high, it is better for the company do not integrate it, using arm-length transaction. The higher the specificity of the asset, the higher is the optimal level of integration and control that a firm should exert. Accordingly, they predict that businesses prefer low-control entry modes when the uncertainty of the firm's external environment is high (country risk and uncertainty of the sector) (Anderson & Gatignon, 1986). When the risk of a free ride is high, they suggest the use of entry modes characterised by high level of control. In their framework, the available options of entry mode, ranging from contracts to wholly owned subsidiaries is an increasing of commitment, with the joint venture seen as an intermediate point, between hierarchy and contracts. In accordance with Gatignon and Anderson (1988), the control of operational activities is minimum in the case of licensing and maximum with the wholly owned subsidiary (100 percent of equity) (Hill et al., 1990). Foreign market entry strategies, from export to wholly owned subsidiaries, gradually require more resource commitment. Indeed, each of these strategies requires a different level of assets, tangible or intangible, whose use cannot be changed easily without a cost (Hill et al., 1990). The higher is the resource commitment, the higher will be the exit barriers from a foreign market, reducing the flexibility of a firm and increasing risk. On the one hand, more control increases returns, facilitating coordination activities and carrying out strategies and assuring larger share of foreign profits (Anderson & Gatignon, 1986). On the other hand, increase the level of control means a higher resource commitment, and, therefore, a higher risk (Anderson & Gatignon, 1986). Thus, the joint venture is an intermediate mode between contracts and hierarchy.

1.6.2 Hennart's (1988) classification

As Anderson and Gatignon (1986), Hennart (1988) grounds on the Transaction Cost theory to explain the entry mode choice. His analysis focuses on two main points, why a firm chooses an equity mode instead of a contract and in the case of equity choice, when a shared equity option, as the joint venture, is to be preferred to a wholly owned subsidiary. Hennart states that the equity option is to be preferred in all those situations in which a market fails, and it is inefficient for the firm to complete the transaction through a contract. Therefore, equity modes are more efficient than contracts in the presence of high transaction costs (asset specificity, uncertainty, information asymmetries, high frequency) and shared hierarchy is the optimal choice when full ownership is impossible. This is the case for instance when a firm is interested in buying a complementary asset that is indivisible from the rest of another company. Hennart classified the entry mode accordingly to the remuneration method choose the input providers (Brouthers & Hennart, 2007). Thus, the key difference between equity and contracts is that using an equity mode the input providers are paid ex-post, from the profits of the venture. While contracts specified ex-ante the payments owed to the input providers (Brouthers & Hennart, 2007). Therefore, Hennart's classification has two main implications. First, joint ventures are not an intermediate form of hierarchy and contracts, but they are hierarchical investments. Second, each kind of venture where profits are shared among the inputs providers is a joint venture, independently by the fact that it is a partial acquisition or a greenfield joint venture (Brouthers & Hennart, 2007).

1.6.3 Kogut and Singh's (1988) classification

Some authors following Kogut and Singh (1988) mix the two decisions, between establishment mode and ownership mode creating a third different classification. Kogut and Singh denote the joint venture investment "as the pooling of assets in a common and separate organisation by two or more firms who share joint ownership and control over the use and fruits of these assets. … [it] is both legally and conceptually different from a minority equity participation investment, where a firm invests directly into a second firm but does not share control with a third party." (p. 412; 430; 1988). In addition, an acquisition refers exclusively to investments that allow the control over the entity. Thus, a joint venture is a shared ownership, but it cannot be a majority ownership. Moreover, Kogut and Singh (1988) recognise that greenfield investments might be either a wholly owned subsidiary or joint venture. However, they do not distinguish empirically between these kinds of investments. Hence, they consider an investment as a joint venture exclusively when the assets are acquired. If a new entity is established from scratch with a partner, is not classified as a joint venture but as a greenfield. They fail to recognise the inherent difference between build from scratch a new entity alone or with a local partner. Especially in their study, focused on the effect of cultural distance, disentangling the two effects is crucial. Indeed, the cultural distance affects joint venture choice both in the case of acquired assets from another company and in the case of establishing from scratch the pool of assets with a partner. Is not clear why the effect should be relevant exclusively when the assets are acquired. However, the main contribution of Kogut and Singh (1988) is the measure of a variable not on theory. Indeed the most important result of this research is not strictly related to the entry mode theory, but to the development of the index mentioned above to measure the cultural distance through the Hofstede's dimensions. However, Kogut and Singh (1988) is the most influential paper among those using the entry mode classification in greenfield, acquisition and joint venture.

1.6.4 A comparison of the different classification effects

Differently from what suggested by Anderson and Gatignon (1986), Hennart (1988) states that uncertainty is associated with hierarchical entry modes and not with flexible contracts. External uncertainty has not a direct effect on the formation of transaction costs, and thus on the entry mode choice, but its effect is to magnify the effect of asset specificity (Hennart, 1988). Therefore, the higher is the asset specificity, and the greater the external uncertainty, the greater is the probability that a contract will reveal its inefficiency in the long term, and thus it is better for the firm to choose a hierarchical mode of entry (Hennart, 1988). Anderson and Gatignon's interpretation of the effect of uncertainty is dissimilar to Hennart's thesis. Indeed, they suggest that the higher is the uncertainty the more efficient is a flexible contract. Thus, when investing firms perceive a high level of uncertainty they prefer a joint venture rather than a wholly owned subsidiary because through shared ownership they may reduce the uncertainty (Anderson & Gatignon, 1986; Luo, 2001).

In Anderson and Gatignon's framework, the risk increases with the level of control and return. Thus, with the hierarchical governance, the risk associated with the investment is high, but the returns are also high because the parent company owns all the profits directly. Hennart does not analyse the trade-off risk return in this way. Indeed, accordingly to the Transaction Cost framework, depending on the specific transaction, the equity mode of entry could be the one that minimises the risk. It is the case for instance of credit markets. The information asymmetries between the borrower and the lender increase the transaction costs. Thus, a joint venture reduces the risk for the lender, which becoming a partner in the investment has the right to control and monitor the decisions.

Grounding on findings of Kogut and Singh (1988), some authors (Anand & Delios, 2002; Elango, 2004; Meyer, Estrin, Bhaumik, & Peng, 2009) mixed the ownership mode with the establishment mode, without a theoretical explanation and confusing the results comparison. Thus, they classified foreign entry strategies in three typologies: greenfield, joint venture and acquisition. Meyer et al. (2009), for instance, validated this classification citing case studies (Estrin & Meyer, 2004) which demonstrated that the entry mode choice is not sequential, arguing that Hennart's classification is sequential and therefore conceptually wrong. Although, the Hennart's categorization does not imply that the ownership and establishment choice are taken in two sequential steps. What emerges from Hennart's classification is that the two options are affected by different determinants. However, independently from the fact that Hennart and authors grounding on his classification do not intend the entry mode choice as a sequential process, the reason for this classification remains unclear. Indeed a joint venture must be categorised or in a greenfield mode because the venture is created from scratch, or in an acquisition mode because assets are jointly acquired with another company or because a company is partially acquired. Thus, the joint venture is not a third separate option. However, authors following the Kogut and Singh's (1988) classification exclude a priori the possibility of establishing a joint venture from scratch with a local partner, with the numerous advantages to overcome the lack of local knowledge. This misspecification is even more surprisingly in the study of Meyer et al. (2009), which aims to investigate the effect of local institutions on the entry mode choice. Indeed, a greenfield joint venture with a local partner should mitigate the negative effect of a weak institutional context.

1.7 Entry mode determinants: the different theoretical approaches

Authors investigating the determinants of foreign entry strategies refer to various theories. The main theories are Transaction Cost analysis, Institutional theory, Resource Base view, Evolutionary process (Uppsala model), and the Real Option perspective. In the extant research, the most applied theory is the Transaction Cost analysis (Yiu & Makino, 2002). However, what emerges from the literature review is that authors increasingly use insights from different theories instead to ground their work exclusively in just one theory. To exemplify, even if Transaction Cost framework remains the most applied framework, empirical research increasingly includes variables to measure the effect of institutions (Yiu & Makino, 2002) (institutional theory) and previous experience (Resource Base view and Evolutionary process). Indeed, the determinants of entry mode are many and various. Thus one theory is not exhaustive to explain this complex decision. Moreover, different variables affecting the entry mode choice often have opposite results, thus, as suggested by Hill et al. (1990), the entry mode research needs an eclectic framework that reconciles these different theories and conflicting results.

1.7.1 Transaction Cost

Since the seminal paper of Coase in 1937, the Transaction Cost theory has been applied in wide range of studies. Williamson (1979) revisited Coase's (1937) thesis to apply it to vertical integration. Successively other scholars grounding on Williamson's work started to apply the Transaction Cost analysis to International Business (Anderson & Gatignon, 1986; Hennart, 1982; Rugman & Verbeke, 1992). The transaction costs expression encompassed all costs that do not arise from the production of goods or services but are necessary for realising the trade (Coase, 1937). Thus, they are the cost of negotiating, monitoring, and governing the transaction, as well as the cost of enforcing contracts. Depending on these costs, organisations are created because they are more efficient than the market (Coase, 1937). While Coase focuses on the exchange side of the transaction to determine whether the market is efficient or not, Williamson concentrates on the contract side of the transaction. The transaction cost approach, as formulated by Williamson (1979), refers to the comparisons of the costs of integrating an activity within the company or outsourcing that activity. Firms choose whether integrate with a hierarchical solution or use the market to stipulate contracts. The determinants of this choice are the asset specificity of the good to transact, the uncertainty (external and internal) inherent to the transaction, and frequency with which transactions occur (Williamson, 1981). The trade-off between integration and non-integration of this framework has an extensive range of application, from the analysis of market versus hierarchy in daily activities, from the decision make or buy in defining the boundaries of the firms, to the choice of the right mode to enter a foreign market. Given the multidisciplinary application of the Transaction Cost theory, after its use to determine when and whether a vertical integration is efficient, scholars applied it also to horizontal integration, to study the expansion of firms in foreign countries (Hennart, 1982). Starting from the works of Anderson and Gatignon (1986) and Hennart (1988) the Transaction Cost framework has been largely used to analyse the entry strategies. As mentioned above, the transaction cost theory is the most applied theory (Brouthers & Hennart, 2007; Zhao, Luo, & Suh, 2004) to the entry mode and a wide range of variables have been used as proxies for its key determinants.

The first determinant of transaction costs is the asset specificity. The specificity of an asset is related to the degree of which an asset is dedicated to a specific use in a specific transaction with another firm and it is not differently utilisable. Williamson (1985) describes six kinds of assets specificity related to an investment: site specificity, physical asset, dedicated assets, human asset, brand name capital, and temporal specificity (Zhao et al., 2004). However, empirical research often fails to find a proxy for all these kind of specificity (Zhao et al., 2004). The proxy most used to measure asset specificity is research and development intensity. Brouthers and Hennart (2007), in their review of empirical studies grounded in Transaction Cost theory, state that asset specificity (accordingly to the theory development of Williamson) is more appropriate in vertical integration. While, information asymmetries among the parties, rather than asset specificity, affect horizontal integrations, hence entry mode. However, empirically is difficult to maintain the same theoretical distinction between asset specificity and information asymmetries (Brouthers & Hennart, 2007). Indeed, previous studies use R&D intensity as a proxy for both, making difficult to disentangle the two different effects.

Firms prefer a wholly owned mode of entry when they perceive high transaction costs and joint ventures when the foreign market they want entering has high legal restrictions (Brouthers, 2002). The meta-analysis of Zhao et al. (2004) shows that the effect of the asset specificity is higher in studies using as the dependent variable the percentage of equity rather than the binary variable. Most of the studies regarding the choice between the joint venture and the wholly owned subsidiary, applying the transaction cost analysis, focused on the technical knowledge involved in the transaction. Thus, numerous studies included as a main independent variable the R&D intensity. They argue that firms with high R&D intensity, having more technological capabilities and thus more specific knowledge needed to be protected from partner's opportunism, prefer a wholly owned subsidiary over a joint venture (Gatignon & Anderson, 1988; Makino & Neupert, 2000). However, other important kinds of assets (knowledge and capabilities) might justify the joint venture mode. Chen and Hennart (Chen & Hennart, 2002), for instance, found that marketing resources are more important in determining the joint venture choice. According to them, some studies might have concluded that a firm decides to do a joint venture with the aim to acquire technological knowledge, while the real determinant is marketing resources. However, the recent research of Wooster et al. (2016) found that firms with high marketing intensity and investing in a risky country are more likely to choose a wholly owned subsidiary rather than a joint venture entry mode.

The frequency of the transaction, and accordingly the number of contracts needed in each of these transactions, increases the costs associated, thus is more convenient for the firm choose and equity mode. However, the frequency effect, except for few exceptions has not been properly investigated. (Klein, Frazier, & Roth, 1990) used as a proxy the channel volume, whereas Taylor et al. (1998) measured the frequency asking firms to measure it through a questionnaire.

Some empirical studies focused on the effect of another determinant, not expressively included in Coase's and Williamson's works: the free-riding risk. It is defined as the reputation damages that a firm may incur allowing another company to use its brand abroad. Indeed, the opportunistic behaviours of the overseas firm using the brand has consequences directly to the image of the brand owner. To measure the effect of this risk has been used as a proxy the advertising/marketing expenditure over sales ratio.

Finally, the last determinant of the transaction costs is the uncertainty related to the transaction. This might be internal to the company or external, concerning the environment in which the corporation invest. Uncertainty, either in the case of internal and external, has been denoted in a wide variety of ways. Thus, different concepts denote internal uncertainty, and authors have used different proxies for each concept. External uncertainty has been connoted as governance quality (Kaufmann, Kraay, & Mastruzzi, 2004); political stability (perceived or from secondary data); government effectiveness; regulatory quality; rule of law; corruption (Slangen & van Tulder, 2009); country risk; industry growth; industry concentration ratio; size of market; perceived measure of target market volatility and diversity; perceived economic stability; perceived market potential, cultural distance. Internal uncertainty has been denoted as international experience and cultural distance. Previous studies use different measures of international experience, and the effects of this variable varied significantly depending on the proxy used. Scholars use mainly these proxies: host country experience (number of years of presence in the host country; the number of country-specific ventures); transnationality index; the number of years of worldwide experience; total number of foreign investments; ratio of foreign investments to the total number of investments; percent of foreign assets. All these proxies are firm-level variables. However, entry mode choices are made by managers (and directors support them). The results on the effect of internal uncertainty are inconclusive. Thus, it is crucial begin to consider the decision makers' experience (Zhao et al., 2004).

Cultural distance has been widely used as a measure of both internal and external uncertainty (Slangen & van Tulder, 2009). However, prior research gets opposite findings; this inconclusiveness might be explained by the difficulty to measure cultural distance. Prior research in international business, and especially on entry mode, among other control variables, has focused on the effect of the cultural distance between the home country of the investing firm and the host country. Recently, Caprar et al. (2015), provided a useful review of the value of culture in International Business and Management and of the attempts to measure it. Most of the studies rely on the Hofstede's (1980) work, taking into account the first four dimensions developed, excluding from the analysis the long-term orientation, which is not available for all countries. Since 1988, the Kogut and Singh's index based on these four dimensions became the most common proxy for cultural distance. However, Hofstede's dimensions have certain limitations, and during the years have received a lot of criticisms, exemplified by the work of Baskerville (2003) and Mcsweeney (2002) among others). During the last decade, another index to measure the psychic distance has been widely applied in the field of International Business to proxy the effect of differences between home and host country. This index, developed by Dow and Karunaratna (2006), is based on differences in language, education, industrial development, democracy and religion. Empirically testing of their index and the Kogut and Singh's index, Dow and Karunaratna (2006), found that the latter is not significant. This test is consistent with others that used the Kogut and Singh's index and found it was not significant. Another useful approach to cultural distance in International Business is the mapping cluster of cultures, made by Ronen and Shenkar (Ronen & Shenkar, 1985, 2013). They used a cluster analysis to review empirical studies on cultural distance using different parameters to measure it. Despite the reviewed studies used different constructs to define cultural distance, Ronen and Shenkar (2013) identified common clusters. Although this approach seems more comprehensive than all the others do, precisely because created on the basis of all the other studies that aimed to measure cultural distance, it does not provide a measure of the distance. The outputs of this approach are exclusively clusters of countries sharing a similar culture. Thus, we know which countries are different among them, but we do not know how wide this difference is. Therefore, the operationalization of these results cannot be an index to insert in regression analysis among the control variables, as scholars usually do with Dow's and Kogut and Singh's index. Empirical studies applying this approach, insert a dummy variable for each cluster (Barkema, Bell, & Pennings, 1996; Chang & Rosenzweig, 2001; Gatignon & Anderson, 1988). Moreover, Zaho et al. (2004) suggest considering also cultural heterogeneity across countries. Indeed, both Dow and Hofstede dimensions are developed considering each country as a source of a unique culture.

Although the vast literature, the results of the studies applying the transaction cost analysis to entry modes are mixed and inconclusive (Zhao et al., 2004). This inconclusiveness depends on the wide variety of samples used. Indeed, among the other factors, both the home and the host countries, the industry and size of the firms considered influence the effect of the main independent variables. For instance, the home country has a moderating effect both on the effect of R&D intensity, on international experience, and on cultural distance (Zhao et al., 2004). In conclusion, entry modes cannot be entirely explained through the Transaction Cost analysis (Hill et al., 1990). Other theories are necessary to explain the determinants of foreign entry choices.

1.7.2 Resource Base view

Transaction cost analysis focuses on the tacitness and appropriability characteristics of knowledge, arguing that the more the knowledge is tacit and difficult to codify and protect, the higher is the risk of opportunistic behaviour. To measure this risk, scholars used research intensity. Proponents of the resource base the theory, state that the focus of Transaction Cost on knowledge is too narrow. Indeed, organisations own different kinds of knowledge, and the technical knowledge is just one among the others. Therefore, because entry modes are vehicles to transfer resources in other countries scholars should study the effect of other kinds of knowledge. Malhotra (2003) identified three main kind of knowledge: basic technical, personal relationships and connections, and host country knowledge, each of which could be at the individual, team, and organisational level. The basic concepts of the resource base view (resources that are valuable, rare, inimitable, and non-substitutable are a source of competitive advantage), extended to include the knowledge base perspective (focused on knowledge as a resource) and the organizational capability view (focused on the capabilities owned by a firm) have been the theoretical frame for different empirical studies. Scholars using this perspective try to explain the entry mode choice based on the resources owned by the firm. According to this broad perspective, firms choosing a hierarchical governance mode are able to protect their resources, maintaining the full control of them and developing routines in the foreign subsidiaries they increase the value of their resources (Brouthers, Brouthers, & Werner, 2008). However, the results of studies grounding on Resource Based view are mixed and it is difficult to make generalised conclusions. Moreover, the advantages derived from these resources are highly context-specific (Brouthers et al., 2008). Indeed, the institutional environment moderates the effect of resources specific advantage. Therefore, this effect is country specific (Brouthers et al., 2008). Thus, is crucial to study the relevance of resources, knowledge and capabilities with the effect different institutional environment.

Some of the variables used in entry mode research in accordance with the Resource Base View are tacit know-how; international experience (Brouthers et al., 2008); proprietary technology; reputation (Ekeledo & Sivakumar, 2004); and business experience (geographic and industry experience) (Ekeledo & Sivakumar, 2004);.

1.7.3 Evolutionary process (Uppsala Model)

While Transaction Cost theory analyses entry mode choices as a governance decision, in the evolutionary approach entry mode is denoted as a sequential process in the learning experience curve of international firms (Zhao et al., 2004). In the original Uppsala Model, developed by Johanson and Vahlne (1977), firms increase their international involvement gradually, acquiring the specific knowledge through experience in the particular foreign market (Madhok, 1998). Firms begin to internationalise through export; successively they consolidate their entry with intermediaries. As sales grow, intermediaries are replaced firstly by own sales organisations and then by manufacturing units in the foreign market

(Johanson & Vahlne, 2009). Moreover, firms firstly choose to enter foreign markets with the lowest psychic distance, and then gradually enter other distant markets, in which initially they face a higher liability of foreignness. Thus, internationalisation is a gradual process of learning and commitment (Johanson & Vahlne, 2009). In 2009, Johanson and Vahlne revised their model, indeed from 1977 many things were changed in the internationalisation. They described a new internationalisation process focused on the relevance of networks. Firms are at the centre of networks. Internationalisation is denoted as a direct consequence of business relationships which allow to identify and exploit opportunities. Gradual learning and commitment are now placed inside the relationships that a firm, or more specifically the decision maker, is able to develop over time (Johanson & Vahlne, 2009). In the revised model, firms choose the market to enter on the basis of their relationships with important partners, to exploit new opportunities or to follow the partner. The choice of the entry mode depends on the knowledge, trust and commitment of the firm with its partner (Johanson & Vahlne, 2009). Firms acquire knowledge and experience of foreign markets through time. With the increasing of the experience, firms increase gradually their international commitment.

1.7.4 Institutional theory

The institutional theory holds that institutions affect firms' structure and their strategies. This theory has been applied both by international management and by strategist scholars. Nonetheless, they focused on two different aspects of this theory (Ang, Benischke, & Doh, 2015). International management scholars ground on this theory to exemplify the effect of external institutions on international strategies. They argue that different normative and regulatory environments have different effects on firms' decisions. Strategists, almost neglecting the results of international business literature, focus exclusively on the cognitive aspect of the theory. Indeed, they state that firms adopt the most implemented strategy in each institutional context, mimicking the other incumbent firms (Ang et al., 2015). In accordance with the institutional theory, choose to enter a foreign country with strong institutions moderates the costs of alternative organisational forms (Meyer, Estrin, et al., 2009; Williamson, 1985). The institutional theory alone, as the other theories, is not able to explain all the determinants of foreign entry strategies. However, it is a good complement. Thus, it should be combined with Transaction Cost analysis (North, 1991) to understand how different institutions affect the transaction costs. Moreover, it should be combined with the Resource Based view (Brouthers, 2002) to investigate how the firms' ability to exploit and enhance their competitive advantage varies in accordance with the institutional framework.

1.7.5 Real option

Most recent articles on entry mode field applied the Real Option theory (Brouthers & Dikova, 2010; Cuypers, Ertug, & Hennart, 2015; Tong, Reuer, & Peng, 2008).The key concept of this theory is that investments differ with regard to the amount of transaction cost and the benefits that they are able to generate. Thus, an investment might be the preferable to another because it minimises on transaction costs and it generates more value than another investment (Brouthers & Dikova, 2010). However, often firms are not able to know these outcomes in advance, and so the risk in internationalisation tends to be high. The higher is the surrounding uncertainty, the higher is the risk of a potential loss (Brouthers & Dikova, 2010). In the presence of high uncertainty firms might wait to enter a new market, but to delay enter has other disadvantages. Thus, the Real Option theory suggests that the best option for firms facing uncertainty is to make incremental investments (Tong et al., 2008). For instance, the greenfield investment instead of a full acquisition.

Thus, previous empirical research, in accordance with the different theories, used a wide range of operationalization of the determinants affecting the entry mode choice. Majocchi et al. (2015) classified these factors in country, industry, and firm-specific determinants. Table 1.3 summarises the concepts and variables used by each theory to study the determinants of foreign entry strategies sorting by country, industry and firm-specific dimensions.

Table 1.3 Entry mode determinants

Determinants	Variable	Theory	Measure	References
Firm-specific	Asset specificity	Resource base; Transaction cost	R&D intensity	(Chen & Hennart, 2002; Dikova & Van Witteloostuijn, 2007; Gatignon & Anderson, 1988; Lu, 2002; Yiu & Makino, 2002)
			Physical asset	(Brouthers & Brouthers, 2003; Brouthers, Brouthers, & Werner, 2003; Brouthers et al., 2008; Chen, Yang, Hsu, & Wang, 2009; Erramilli & Rao, 1993; Klein et al., 1990; Palenzuela & Bobillo, 1999)
			Technology asset specificity	(Palenzuela & Bobillo, 1999; Taylor et al., 1998)
			Human asset	(Brouthers & Brouthers, 2003; Brouthers et al., 2003; Erramilli & Rao, 1993; Klein et al., 1990; Palenzuela & Bobillo, 1999)
			Dedicated asset	(Brouthers & Brouthers, 2003; Brouthers et al., 2003)
	Free-riding potential	Transaction cost	Advertising intensity	(Chen & Hennart, 2002; Dikova & Van Witteloostuijn, 2007; Gatignon & Anderson, 1988; Gomes-Casseres, 1990; Hennart, 1991; Kogut & Singh, 1988; Lu, 2002)
	Internal uncertainty - International experience	Evolutionary; Resource base; Transaction cost	N. of years of worldwide experience	(Contractor & Kundu, 1998; Padmanabhan & Cho, 1996)
			N. of foreign investments	(Delios & Beamish, 1999; Gatignon & Anderson, 1988; Gomes-Casseres, 1989)
			N. of foreign countries	(Claver, Laura Rienda, et al., 2009b; Hennart, 1991; Hennart et al., 2015; Luo, 2001; Padmanabhan & Cho, 1996; Yiu & Makino, 2002)
			Foreign investments to total n. of investments ratio	(Contractor & Kundu, 1998)
			N. of years of presence in the host country	(Delios & Beamish, 1999; Hennart, 1991; Hennart et al., 2015; Luo, 2001; Padmanabhan & Cho, 1996; Yiu & Makino, 2002)
			International business experience (pm)	(Ekeledo & Sivakumar, 2004)
			Familiarity with the host country	(Gomes-Casseres, 1989)

Determinants	Variable	Theory	Measure	References
	Historical norm	Evolutionary	Prior presence in the host country (dummy; n. of investments)	(Luo, 2001; Slangen, 2013)
			Prior experience with the same entry mode (dummy on n. of investments)	(Dikova & Van Witteloostuijn, 2007; Slangen, 2013; Yiu & Makino, 2002)
			Proprietary technology (pm)	(Ekeledo & Sivakumar, 2004)
			Tacit know how (pm)	(Ekeledo & Sivakumar, 2004)
			Reputation firm (pm)	(Ekeledo & Sivakumar, 2004)
			Firm size	(Claver & Quer, 2005)
			Average financial performance	(Claver & Quer, 2005)
	Frequency	Transaction cost	Channel volume (pm)	(Klein et al., 1990; Taylor et al., 1998)
Industry	Complementary asset		Subsidiary operating in a resource intensive industry	(Lu, 2002)
			Technology industry	(Claver & Quer, 2005; De Beule et al., 2014)
			Subsidiary in the same sector of the investing firm	(Chen & Hennart, 2002; Dikova & Van Witteloostuijn, 2007; Hennart et al., 2015; Lu, 2002; Malhotra, Sivakumar, & Zhu, 2011)
			Concentration ratio of the target industry in the home market	(Hennart et al., 2015)
			N. of suppliers available for each investor	(Hennart et al., 2015)
			Host country industry structure	(Chen & Hennart, 2002; Somlev & Hoshino, 2005)
			Industry growth	(Brouthers & Brouthers, 2000; Dikova & Van Witteloostuijn, 2007; Hennart et al., 2015; Kim & Hwang, 1992; Luo, 2001; Makino & Neupert, 2000; Slangen, 2013)
			Industry concentration ratio	(Dikova & Van Witteloostuijn, 2007; Kim & Hwang, 1992; Makino & Neupert, 2000)
			Size of market	(Contractor & Kundu, 1998; Gomes-Casseres, 1989)
			Target market volatility and diversity (pm)	(Klein et al., 1990; Luo, 2001)
			Relative size subs/parent	(Hennart, 1991)
	Knowledge distance		Difference in patents and scientific production as determined by variation	(Gaffney, Karst, & Clampit, 2016)

Determinants	Variable	Theory	Measure	References
			in the n. of patents and n. of scientific articles per 1 million population	
	Mimetic entry		Rate of same entry mode established by competitors in the same country at the same time	(Yiu & Makino, 2002)
Country	External Uncertainty-Country risk	Evolutionary; Institutional; Transaction cost	Euromoney Country Risk Index	(Delios & Beamish, 1999)
			International country risk guide	(Blevins et al., 2016)
			Political and economic stability (pm)	(Brouthers, 2002; Brouthers & Brouthers, 2003; Brouthers et al., 2003; Kim & Hwang, 1992; Luo, 2001)
			Policy uncertainty	Henisz's POLCON index
	External Uncertainty - corruption distance	Transaction cost; Institutional	Corruption (Index of Economic Freedom from the Heritage Foundation)	Karhunen & Ledyaeva, 2012
			Corruption (Perception Index developed by Transparency International)	(Malhotra et al., 2011)
			Host country corruption	Uhlenbruck, Rodriguez, Doh, and Eden (2006)
			Regulatory dimension	(Brouthers, 2002; Lu, 2002; Meyer, 2001; Meyer & Nguyen, 2005)
	External Uncertainty-cultural distance	Evolutionary; Transaction cost	Index Kogut and Singh (1988)	(Contractor & Kundu, 1998; Erramilli & Rao, 1993; Li, 2016; Luo, 2001; Padmanabhan & Cho, 1996)
			Perceived similarity in cultures	(Brouthers, 2002; Kim & Hwang, 1992)
			GLOBE data set	(Malhotra et al., 2011)
			Religious distance using Dow and Karunaratna	(Slangen, 2013)
	Institutional advancement	Institutional	Index World Bank'develoment indicators	(Dikova & Van Witteloostuijn, 2007)
			Frost & Sullivan Country Risk Guide	(Contractor & Kundu, 1998)
			Restrictive foreign ownership	(Gomes-Casseres, 1989)
	Institutional distance	Institutional	(Index from Heritage Foundation)	(Barkema & Vermeulen, 1997; De Beule, Elia, & Piscitello, 2014; Shane, 1994)
			Global city status and population intensity in the city	(Blevins, Moschieri, Pinkham, & Ragozzino, 2016)

Determinants	Variable	Theory	Measure	References
	Economic distance	Institutional	Difference income (GDP per capita)	(Blevins et al., 2016; Gaffney et al., 2016)
			Inflation (GDP deflator), and intensity of worldwide trade (exports and imports of goods and services).	(Gaffney et al., 2016)
	Economic freedom	Institutional	Index developed by Heritage Foundation and Doing Business by World Bank	(Meyer, Wright, & Pruthi, 2009)
	Geographic distance	Evolutionary	Geobytes database	(Malhotra et al., 2011)
			Great circle distance	(Blevins et al., 2016)

1.8 Does corporate governance affect entry mode?

Corporate governance mechanisms include ownership concentration and board of directors. Both of them are able to exercise an influence on firm's strategies, as foreign entry mode decisions. A single shareholder having enough voting rights, directly or through pyramids, is able to control the firm. Thus, is of primary importance the type of the shareholder, such as individual or family, financial company, or State authority, because they have different goals and risk attitudes. Moreover, a family controlling a company through ownership magnifies its control having its members in the management team or on the board of directors. Thus, shareholders with a high percentage of equity stakes are more motivated to influence managers' decisions. It results that the goals and the risk attitude of the main shareholder affect the entry strategies. Entry modes have effects on the business and consequently on the shareholders' wealth, and more wealth the shareholder has invested in the company the more he or she will be affected. Moreover, because corporate governance mechanisms are necessary to handle the relationship between ownership and management, the fact that members of the owning family are managers in the firm affect firm strategies. In addition to ownership concentration, the owning family might influence another corporate governance mechanism, the board. The board of directors has two main functions: monitoring and advisory. Directors influence the strategies of the firm through their experience and demographic characteristics as managers do.

Despite the common acceptance that corporate governance affects firms' strategic decisions, few studies investigate the role played by different corporate governance on foreign entry strategies. In International Business some scholars studied the effect of corporate governance on the scope and intensity of firms' internationalisation. However, with few exceptions (Filatotchev et al., 2007; Musteen, Datta, & Herrmann, 2009) they failed to studies how the same governance characteristics, which empirical evidence demonstrates to affect internationalisation significantly, affect entry mode choice.

The few empirical studies on the choice between joint venture and wholly owned subsidiary obtain inconsistent results, and more research is needed. Although they agree into arguing that ownership structure affects the choice (Filatotchev et al., 2007), they direction of the effect is still not clear. To exemplify, on the one hand, Musteen et al. (2009) found that institutional owners are more likely to choose a wholly owned subsidiary rather than a joint venture. Institutional shareholders, due to their large equity ownership in the firm and difficulties to disinvest rapidly, have a long-term orientation. On the other hand, Filatotchev et al. (2007) distinguishing between foreign and domestic institutional shareholders, found that foreign shareholders are more likely to prefer a full ownership investment, while domestic institutional investors prefer low ownership commitment mode.

In addition to ownership type, another corporate determinant found to be significant is the managers' payment scheme. Indeed, incentive payments to managers significantly affect the probability of a wholly owned subsidiary rather than a joint venture. Indeed, managers with a high percentage of stakes in the firm are more likely to choose a full ownership mode rather than a shared ownership (Datta, Musteen, & Herrmann, 2009; Musteen et al., 2009). Moreover, the compensation scheme of CEO impacts the entry mode choice. Some scholars found that managers with compensations linked to long-term performance are more likely to choose a wholly owned subsidiary (Datta et al., 2009; Musteen et al., 2009). In the extant research, there are only a few attempts to investigate corporate governance effects on the establishment mode. Interesting in this sense are the results of Matta and Beamish (2008). They found that CEOs with a longer career prospect are more likely to make an acquisition. However, their study is limited to the effect on probability to make an acquisition or not. It would be interesting to study if the CEO career horizon also has an effect on the choice between acquisition and greenfield. Moreover, Datta et al. (2009) found that firms with a high percentage of outside directors prefer a full acquisition over a joint venture. Despite this study mix the ownership and the establishment mode, it is particularly relevant because focused on the directors' characteristics. Indeed, the crucial role of directors is not limited to the monitoring function. They influence managers' choice, and they provide valuable experience and knowledge. Lai et al. (2012), found that directors with previous acquisition or joint venture experience encourage managers to make an acquisition. Thus, both directors' experience have the same result. It would be interesting to repeat the study differentiating between acquisition and greenfield and joint venture and wholly owned subsidiary to disentangle the effect of different experience on different entry mode (ownership and establishment).

1.9 Family firms and foreign entry strategies

This section synthesises the main findings and definition of family firm used in entry mode research focused on these companies.

As stated above, previous research states that different ownership structures affect firms' strategic decision-making. Foreign market entry choices determine the company's resource commitment, the risk the firm will bear in the foreign market and the level of control a firm can exercise over its international activities (Laufs & Schwens, 2014). Entry mode choice is also related to firm's network relationships with customers, suppliers and competitors (Laufs & Schwens, 2014). Family firms have peculiar characteristics that are likely to affect their foreign market entry strategies. Indeed, previous research has highlighted how these businesses differ from non-family companies regarding resources, risk attitude, willingness to reduce their control over firm's activities and a longer orientation. However, only a few studies addressed the specific issue of the entry mode in foreign markets of family firms (Claver et al., 2007; Claver, Laura Rienda, et al., 2009a). The limited existing research with reference to internationalisation process of family firms indicated that this process is incremental and follows the Uppsala model (Chang et al., 2014).

Lin (2012), focusing on Taiwanese listed firms, found that family ownership (defined as the percentage of family cash-flow rights) positively affects the speed of internationalisation, while negatively influences the scope and the regularity of the foreign expansion. These findings might suggest that family firms choose an irregular rhythm of internationalisation and a narrow scope as a way to preserve the family long-term wealth. Lin (2012) states that family firms are more likely to build greenfield or implement acquisitions than their counterparts.

Claver et al. (2007) have concentrated their descriptive research on six family firms. They choose the use of case studies due to the limited number of research with reference to the foreign market entry strategies. Claver et al. (2007) define a firm as a family firm if a single family runs and holds the majority shareholdings of this firm. Firms in their sample seem to follow the Uppsala model (Johanson & Vahlne, 1977). Indeed, their findings show that companies started to internationalise through export because the resource commitment and the risk are low. As companies gain experience, choose other strategies with higher requirements than export. Family firms increase their international commitment gradually, with the growth of their international experience and starting in countries that are closer from a geographic and cultural point of view. Moreover, they found a positive relationship between international experience and commitment, and that large firms are able to reach a higher degree of international commitment. Finally, the establishment of strategic alliances is positively related to age, size and generation of the family firms. Despite the interesting propositions developed by the authors, their study has the important limitation that is based only on six companies from exclusively a small geographic area.

Filatotchev et al. (2007) studied FDI in China made by Taiwanese listed companies. They define a firm as a family business looking at the percentage of ownership held by shareholders with the same family name. Their findings show that high level of family ownership is associated with entry mode with low levels of equity commitment, measured by the percentage of equity stake taken by the Taiwanese parent company in its Chinese subsidiary.

Abdellatif et al. (2010)compare the international strategies of Japanese listed family businesses and non-family firms. They found that family businesses, due to their strong desire to keep the control of the firm, establish lesser joint ventures than non-family firms do. Their definition of family firms of Kurashina. This definition classifies family firms into three categories based on the role of family members. To the first category belong firms in which family members hold managerial positions or are members of the board of directors, as well as the main shareholder. The second category is composed of companies in which family members do not hold top-ranking management positions but are among the major shareholders characterise the second type of family firms. Lastly, firms in which family members hold top management positions but are not among the major shareholders compose the last category.

Kuo et al. (2012) studied the choice of publicly listed Taiwanese companies between wholly owned subsidiaries and joint ventures. They define a firm as a family business if at least 50 percent of the directors sitting on the board are family members. Their findings suggest that family firms with low international experience, compared to inexperienced non-family businesses, are more likely to choose joint ventures over wholly owned subsidiaries because they have a greater need for local partner' knowledge. Experienced family firms, compare with experienced non-family firms, are more likely to choose wholly owned subsidiaries over joint ventures.

Chang et al. (2014) demonstrated that businesses tend to choose wholly owned subsidiaries when they enter a host country with high-quality governance, and this tendency is stronger for family firms. They use a sample of Taiwanese companies and measure the degree of family control exclusively with the percentage of family members that seat in the board of directors. They highlighted the importance of the political risk and legal and institutional environment as a determinant of the entry mode. Moreover, the suggest that the impact of governance quality of the host country is not the same for all firms. Low governance quality may discourage some firms from investing in that country while other companies may exploit the market opportunities (Chang et al., 2014). High level of risk in the host country may affect the entry mode choice. How family firms deal with institutional challenges and how these differences influence their foreign market entry strategies need further investigation. Moreover, the existence of support programs in the home and host country (Laufs & Schwens, 2014) might be another determinant of entry choices.

Liang et al. (2014), using a sample of 902 Chinese firms, investigate the exporting and FDI propensity of family firms. In their empirical analysis, the authors disentangle the family ownership effect from the managerial family involvement. They found that family involvement has an inverted U-shaped relationship with FDI propensity and a positive relationship with export intensity.

Boellis et al. (2016) investigated the establishment mode (greenfield versus acquisition) of a sample of Italian firms. They found that the family involvement in ownership and management foster the propensity toward a greenfield investment.

Pongelli et al. (2016) studied the entry modes of Italian small and medium sized enterprises. Their findings suggest that firms owned by the founder family are more likely to choose an equity mode of entry rather than a cooperative solution.

The limited number of studies on the effects of corporate governance on entry mode are mainly concentrated in Taiwan. Four out of seven of the studies on foreign entry strategies of family firms used samples of Taiwanese companies. The unique study conducted in Europe is restricted to six firms from the small region of Alicante. Thus, the existing results family firms' entry mode are severely limited. Given the mixed results of previous studies, more research is needed to shed light on the entry mode choices of family businesses and the related effects on firms' post-performance.

1.10 Conclusions

Corporate governance characteristics affect firms' strategies, as demonstrated by different studies investigating the effect of ownership type on internationalisation or the CEO characteristics on entry mode. Previous research has shown that family's ownership and its involvement in managerial positions and the board of directors affect firms' strategies in different ways. Irrespective of the different definitions used family firms adopt peculiar strategies to internationalise. Accordingly, it has been reviewed the literature concerning family firms' internationalisation. To the best of my knowledge, all the studies in the field, with only one exception, found a significant relationship between family involvement and internationalisation. However, these results are contrasting. The mixed findings might be due to the characteristics of the sample used, to the context considered, but also to the definitions of family firms. Moreover, previous studies focus on the scope and intensity of family firms' internationalisation, but there is still limited research on the field of foreign entry modes. Indeed, only a few studies investigated the entry strategies of family businesses. Given the peculiar characteristics of family firms, future research might investigate whether family firms differ from non-family firms regarding foreign market entry strategies. As stated above, for family firms to maintain control of the business is crucial. At the same time, some researchers have underlined the fact that fewer resources characterise family firms than non-family firms. The high propensity to preserve the control of the company on the one hand, and on the other hand the lack of resources that characterise family firms, and therefore lower possibility to commit resources entering new markets, might affect their entry mode decisions.

Foreign entry strategies have been analysed through different theoretical backgrounds, and scholars have identified clearly some key determinants affecting them (assets specificity, host country characteristics, firm's experience and resources, cultural and institutional distances). However, among the studied entry mode determinants, the features of the main shareholder are missing. The recent and still limited stream of research that applied the Transaction Cost theory to family firms might offer important insights to the study of entry mode choices of family firms. Indeed, the peculiar characteristics of family businesses or their "familiness" might be analysed as the specific asset that is difficult to transact when a company needs to decide how to enter a foreign market. This asset might be owned by the investing firm, by the local firm, or both complicating the transactions and affecting the decision. To the best of my knowledge until now, there are no researches on foreign entry strategies of family firms based on the transaction cost analysis, even if Transaction has been largely used to understand entry mode. The recent use of the Real Option theory might offer useful insights in the family business field. Indeed, if is true that family firms are risk adverse they might prefer a Real Option investment (gradual investment). Moreover, more research is required to extend the entry mode research considering local firms assets. With this reference, it is important to draw the attention even on the assets owned by the local firm. Previous research has mostly ignored the local firm characteristics. However, the entry mode choice is not a univocal decision, especially if it regards a joint venture or an acquisition. Thus, it is important to fill this gap in the literature and investigate how being a family firm affects the entry mode strategies.

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2 Family firms and entry mode: joint venture versus wholly owned subsidiary

2.1 Introduction

So far, previous studies have shown that firm's ownership and governance characteristics affect company's strategies (Baysinger & Hoskisson, 1990; Fernández & Nieto, 2005; Filatotchev, Strange, Piesse, & Lien, 2007; Hoskisson, Hitt, Johnson, & Grossman, 2002; Oesterle, Richta, & Fisch, 2013). When firm's ownership is concentrated, the main shareholder (financial institution, governmental authority, family) has the power to affect firm's strategies, in order to achieve his objectives that change accordingly to ownership characteristics. This influence is evident in the case of family businesses, in which a family owns and controls firm's operations. Family business literature has demonstrated that family firms have different strategies in comparison to non-family firms. For instance, the family effect has been studied with reference to the internationalisation level, investigating whether family firms internationalise more or less than non-family firms. When firms decide to internationalise their operations, an important strategy they have to implement concerns the entry mode. Although International Business scholars have shown that family firms international strategies differ from those of non-family firms, they have not dealt with the how question: how family firms enter a foreign market? Do family firms' characteristics affect their entry mode strategies? Entry mode research has identified numerous determinants (firm, country, and institutional level), but it almost neglected the effect of firm's ownership and governance. Only a few studies investigated the entry mode choice taking into consideration the key role played by a family that owns and control the firm entering a new foreign market. Foreign entry modes continue to be a noteworthy topic in academic research because they are long-term strategies with noteworthy consequences on firm performance (Brouthers, 2002; Woodcock, Beamish, & Makino, 1994). It is crucial that companies evaluate all the factors that might affect the entry mode choice and decide to enter into new markets with the most suitable mode. Indeed, as Chen and Hu (2002) demonstrated, firms choosing the entry mode prescribed by the theories have higher performance than companies that do not select the right entry strategy. This topic is even more crucial in relation to family firms. Indeed, they are the most widespread type of companies around the world (Faccio & Lang, 2002; La Porta, Lopez-De-Silanes, & Shleifer, 1999) and the first contributor to the global GDP

(European Family Businesses, 2012). Thus, the effect of their entry modes might have consequences for the worldwide economy.

On the one hand, previous literature has shown that corporate governance and ownership type, and in particular family ownership and management, affect firm's strategic choices. On the other hand, scholars studying the entry mode choice identified a broad range of determinants, but the ownership structure. Very few studies have investigated the impact of family ownership and governance characteristics on entry modes. The present paper intends to address this specific research gap i.e. how family firm's characteristics affect entry mode strategies.

When firms decide to enter a new market, they have a wide variety of alternative modes of entry, ranging from export to contractual agreements (franchising, licensing), joint ventures, and wholly owned subsidiary (Kuo, Kao, Chang, & Chiu, 2012). Previous studies identified many different determinants of the entry mode choice. Brouthers et al.(2008) argue that not only different determinants affect the establishment and ownership modes, but different factors determine even the choices between joint venture (JV) versus wholly owned subsidiary (WOS) and equity versus non-equity mode. A review of the extant literature suggests that among the ownership mode (equity and non-equity choice), the most investigated choice is between JV and WOS (Canabal & White, 2008). We decide to focus on this choice and to enrich the theory of entry mode, and in particular the literature on JV versus WOS, studying the effect of firm's ownership structure and corporate governance.

The aim of this paper is to investigate whether and how the family firms' characteristics might affect the choice between JV and WOS. Moreover, previous literature on entry mode focused on the entry mode choice as a univocal decision made by the MNE. However, the entry mode choice should consider even the preferences of the local company (Hennart, 2009). Using a sample of 898 deals between MNEs from 42 countries investing in Italy, this research also aims to investigate the family effect of both the MNE and the local company on the entry mode choice. To identify the family effect, we ascertain the ultimate owner of each firm involved in the deal. We ground on the transaction cost theory (Anderson & Gatignon, 1986; Hennart, 1982), widely used in entry mode research, to demonstrate that family assets affect the entry mode choice. Thus, we make two contributions to the international business and family business literature. First, the paper extends our understanding of the determinants of entry mode choice, including in the analysis the effect of family ownership and family involvement. Moreover, in doing so, this is the first study that investigates the effect of family firms on entry mode defining a firm as a family business using data on ultimate ownership. Second, it contributes to entry mode literature investigating the effect of ownership type of both the MNEs and the local company.

This paper is organised as follow. The first section provides an overview of the transaction cost theory applied to entry modes and family firms, and it unifies these two interpretations. On the ground of this first theoretical analysis, in the second section, we formulated the hypothesis. The third section moves on to describe in detail the sample, the data collection and the methodology used in the empirical analysis. The fourth section presents the results. The last section presents the discussion and conclusions of the research.

2.2 Theoretical framework

Scholars studying the foreign entry strategies argue that it exists an important distinction between entry mode (based on the ownership decision) and establishment mode (greenfield versus acquisition). This research focuses exclusively on entry modes. Prior research on entry modes has focused on "wholly owned (variously defined as 80%, 95%, and 100% equity), equity joint venture, non–equity joint venture, level of equity ownership, contract, license, agent, majority joint venture, minority joint venture, export, equity, non-equity, management contract, franchise, cooperative (non-equity) ventures, and distributor." (Brouthers & Hennart, 2007: 420). The extensive literature on entry mode has identified many determinants, from the host and home country characteristics to the quality of institutions in the countries of origin, from the size and R&D intensity of the MNE to the sector of the local firm. However, only a few studies have investigated the effect of firm's ownership and corporate governance characteristics on foreign entry strategies. Table 2.1 reports, to the best of our knowledge, all studies that have included in their empirical analysis one of these effects. This table includes only empirical studies that have used as dependent variable an ownership-based entry mode alternative (Zhao, Luo, & Suh, 2004). As Table 2.1 shows three out of five studies investigating the entry mode of family firms are based on samples of Taiwanese listed companies (Filatotchev et al., 2007; Kao, Kuo, & Chang, 2013; Kuo et al., 2012). Results from the emerging market Taiwan are difficult to generalise to other non-emerging countries. Moreover, most of the studies in Table 2.1 ground on the Agency theory. However, the extant research on entry modes has been grounded on different theories: Transaction Cost analysis, Institutional theory, Resource Base view, Evolutionary process (Uppsala model), and the Real Option perspective. The Transaction Cost theory is definitely the most applied theory to study the determinants of entry modes. Thus, it is surprising that studies on entry mode and corporate governance did not apply Transaction Cost theory. According to this theory, firms choose the entry mode that minimises the transaction costs, i.e.

the costs of negotiating, monitoring, and governing the transaction, as well as the cost of enforcing contracts. These costs are affected by the asset specificity, the frequency of the transaction, and the internal and external uncertainty experienced by the firm. For instance, firms owning high specific assets will prefer a full control entry mode, while firms interested in buying specific assets of a local firm is likely they will make a JV (Yiu & Makino, 2002). Moreover, studies on entry modes, including or not firm's ownership and governance characteristics, focused exclusively on the MNE's perspective.

Grounding on the Transaction Cost analysis, Gomes-Cassares (1989) and more formally Hennart (2009) argue that entry mode studies should take into account the characteristics of the local firm. Indeed, foreign entry strategies involving a local company, can not be studied as a unilateral decision.

The MNE's entry mode is indeed a bilateral decision depending on the assets owned by the MNE and by the local firm (Hennart, 2009). If both firms own complementary assets that are difficult to transact, and thus the MNE cannot acquire the necessary complementary assets from the local firm, the JV is the only alternative. While if the complementary asset owned by the local firm is not difficult to acquire, the foreign company sets up a WOS in the host country, acquiring the full ownership of the local firm. Finally, Hennart suggests that in the case in which only the local firm owns assets difficult to transact, the local company establishes a WOS licensing the necessary assets from the MNE. Hennart's (2009) model, unlike other studies focusing exclusively on the asset specificity of the MNE, considers both the MNE's assets and the local firm's assets. According to this model, the entry mode selection depends on how easy to transact are the assets of the MNE and the local firm. Indeed, the MNE's need of complementary assets owned by the local firm determines the type of foreign entry. Thus, empirical models aiming to identify entry mode determinants should include both MNE's and local firm's assets characteristics (Hennart, Sheng, & Pimenta, 2015).

Table 2.1 Entry modes and firm's ownership and corporate governance characteristics

Study	Research question	Theory	Dependent variables: Entry mode	Independent variables: Ownership or corporate governance	Results	Sample
(Filatotchev et al., 2007)	How ownership structure (family, non-family and institutional investor) of the parent company affects its FDI strategies.	AT	% of equity stake	Ownership: family, insider ownership non-family, foreign and domestic financial institutions	The share ownership by foreign financial institutions in parent firms is associated with a high-commitment FDI strategy; while high levels of family ownership and domestic institutional investors are associated with low-commitment FDI strategy.	FDI investments of Taiwanese listed companies in China. Time period: 1999
(Musteen, Datta, & Herrmann, 2009)	How (1) institutional investor and insider ownership, and (2) CEO compensation mix influence the foreign entry choices.	AT	full control versus shared control	Institutional ownership; inside director ownership; CEO compensation	High level of institutional ownership and insiders' ownership determine a greater use of full control modes. Full-control modes are more likely when a higher proportion of the CEO compensation is linked to firm long-term performance.	432 entries by 118 US manufacturing firms. Time period: 1991-1992; 1994-1995; 1997-1998
(Datta, Musteen, & Herrmann, 2009)	How board characteristics (outside director and board leadership structure) and insiders' equity ownership and their compensation structures affect the choice between full acquisitions and joint ventures.	AT	acquisitions and joint ventures	Outside directors; CEO duality in board of directors; inside directors' equity ownership; insiders' compensation structure	Firms with a high proportion of outside directors and characterised by the separation between the CEO and Chairman positions are more likely to enter through an acquisition. Equity ownership incentives can significantly influence the choice between acquisitions and joint ventures.	554 entries by US-listed firms in 54 countries. Time period: 1991-1993; 1994-1996; 1997-1999

Study	Research question	Theory	Dependent variables: Entry mode	Independent variables: Ownership or corporate governance	Results	Sample
(Claver, Rienda, & Quer, 2009)	How family-specific characteristics influence the entry mode choice?	U	export; contractual agreement; JV; WOS	Number of the family generations; managers' long-term vision; family members in other countries; non-family managers	Family firms' long-term vision and the presence of non-family managers positively affect the international commitment.	Entries by 92 Spanish family firms
(Lai, Chen, & Chang, 2012)	How the board of directors influences the entry mode?	AT; RBV	acquisition versus JV	Outside director ratio; director ownership; director international experience; director host country experience	Directors' experience in one of the two entry modes encourages the firm to choose the same entry mode.	660 entries by US firms in 45countries. Time period: 2001-2007
(Chang, Kao, Kuo, & Chiu, 2012)	How the governance quality affects the entry mode choice of firms with different degrees of family control in the board?		WOS versus JV	Governance quality; family board presence	Family-controlled firms entering host country with high governance quality are more likely to choose a WOS rather than a JV	1237 entries by 428 Taiwanese listed firms in 13 countries. Time period: 1998-2007
(Kuo et al., 2012)	How international experience influence the entry mode of family and non-family firms?	TC	WOS versus JV	Family member sitting on the board of directors	Family firms with low international experience are more likely to choose a JV than non-family firms with the same experience. Family firms with high international experience are more likely to choose a WOS than non-family firms with the same experience.	1550 entries by 492 Taiwanese listed firms in China. Time period: 1996-2006

Study	Research question	Theory	Dependent variables: Entry mode	Independent variables: Ownership or corporate governance	Results	Sample
(Kao et al., 2013)	Which entry mode do family firms choose in host countries high environmental uncertainty?		WOS versus JV	Family member sitting on the board of directors	Firms with higher family control are more likely to choose a JV when they perceive environmental uncertainty.	1644 entries by 505 Taiwanese listed companies in 13 countries. Time period: 1999-2008
(Cho, Huang, & Padmanabhan, 2014)	How institutional ownership affect the entry mode choice between JV and WOS?	AT	WOS versus JV	Institutional ownership; insider ownership; state ownership	Firms with high institutional ownership are more likely to choose a JV over a WOS.	281 entries by Taiwanese listed companies in China, Hon Kong, and Singapore. Time period: 2001-2009
(Pongelli, Caroli, & Cucculelli, 2016)	How do different family ownership structures influence the foreign market entry mode decisions of family firms?	SEW	WOS, JV, contractual agreement, export	Founder ownership, family members' ownership, other families' ownership, external manager	Founder ownership prefers WOS rather than JV and non-equity modes.	368 entries from 204 Italian firms Time period 1998-2012

Note: AT Agency Theory; RBV Resource Base View; U Uppsala model; TC Transaction Cost; SEW Socioemotional wealth;

This research investigates the entry modes of family firms using the Hennart's model, which is grounded in the Transaction Cost theory. Entry mode literature widely demonstrated that this theory prescribes which are the main determinants of the entry strategies. Moreover, besides foreign entries, the Transaction Cost theory has many implications, and recently scholars started to apply it to study family firms. Hence, this theory not only has been tested and empirically validated many times in entry mode research but also allow us to include family firms' characteristics. Indeed, family firms' specific assets are typically assets difficult to transact. Some scholars (Gedajlovic & Carney, 2010; Pollak, 1985; Verbeke & Kano, 2010, 2012), focusing on different aspects of the Transaction Cost analysis, highlighted how this theory might be applied to family firms. Williamson (1985) distinguished between specific and generic assets, arguing that the latter are easy to transact and therefore are generally traded through markets. Specific assets need to be managed through hierarchy or markets accordingly to their degree of specificity to the investment. Gedajlovic and Carney (2010) grounding on Williamson's work added that even generic assets might be difficult to transact. Thus, there are generic non-tradable assets, which have a broad range of applications but are sticky to the company (Gedajlovic & Carney, 2010). Gedajlovic and Carney (2010) identified as generic non-tradable assets some of the family firm's idiosyncratic assets, as the social capital, the reputation, and their tacit knowledge. Moreover, family firms have a peculiar governance structure facilitating their capabilities to develop, sustain and appropriate value from these assets (Gedajlovic & Carney, 2010; Verbeke & Kano, 2010). Thus, family firms own specific assets and have specific capabilities able to sustain and increase the value and the specificity of these assets. Moreover, the bounded rationality of family managers affects their decisions because, in the attempt to achieve family objectives, they make decisions that might be non-optimal in an economic logic. Family members, because of the emotional value that they attribute to the company, govern these specific assets in a different way than other assets that are not closely related to the family (Verbeke & Kano, 2012). This different treatment defined by Verbeke and Kano (2012) "bifurcation bias" affects all kind of family firms' assets (human and physical), and consequently the decision making of these companies. Their behaviours are thus affected by family-specific assets and from the bounded rationality of the family members. Thus, family firms, because of their bias on specific assets with a high concentration of family value, make different choices from non-family firms in many cases. The entry mode decision, e.g. the choice between JV and WOS, is one of them.

2.3 Hypothesis development

A consistent literature (Brouthers & Hennart, 2007; Gomes-Casseres, 1989) regarding the choice between JV and WOS demonstrates that this choice is determined, among other factors, by the assets object of the foreign investment. MNEs owning high proprietary knowledge would prefer a WOS rather than a JV to protect their capabilities from the potential opportunistic behaviour of local partners (Anderson & Gatignon, 1986; Chen & Hennart, 2002). On the other hand, MNEs choose a JV over a WOS when they face high entry barriers in the foreign country (Chen & Hennart, 2002). Hence in case of high cultural distance with the host country, legal restrictions, institutions characteristics or impossibility to acquire the necessary local assets the MNE would prefer a shared ownership venture rather than WOS. According to Hennart (2009) firms should choose the entry mode on the basis of the ease to transact the assets involved in the foreign activity. If the MNE needs local complementary assets to enter the foreign market, it has two possibilities: fully acquire the necessary assets or make a JV with the local firm, in which both companies contribute with complementary assets. In the first case, the MNE can acquire the assets from the local company or acquire the local firm. However, it could happen that the assets are not tradable, because they are indivisible from the rest of the company, or because the local firm does not want to sell them (Hennart, 2009; Hennart & Reddy, 1997). Human assets and firm's capabilities, for instance, are not divisible and tradable separate from the rest of the business, and an MNE might be interested into acquire the know of a local firm, its relationship in the local context, or exploit its reputation. In these cases, the MNE could make a JV with the local firm (partially acquiring it or creating a new venture from scratch with it). Thus, a firm chooses the JV mode instead of a WOS when it is not able to overcome the market failures without the combination of its assets with those of another company (Gomes-Casseres, 1989; Hennart, 2009). The choice between JV over WOS depends, among other determinants, on the characteristics of the transaction, and in particular, the key factor is whether the assets involved are easy to transact or not. The assets to be considered could be owned both by the MNE and by the local company. Accordingly, scholars should consider both the asset specificity of the MNE and the local firm. In our model, adapted from Hennart's (2009) theoretical model, we argue that the *familiness* of family firms is a specific asset that is difficult to transact. According to a definition provided by Habbershon and Williamson(Habbershon & Williams, 1999), *familiness* is the "unique bundle of resources a particular firm has because of the systems interaction between the family, its individual members, and the business". Therefore, a non-family firm faces high transaction costs with a family firm, due to the specific asset *familiness*. While family firms, which own *familiness* specific asset and understand each other asset composition, when they transact this asset with other family firms face fewer difficulties than non-family firms do.

We focus our analysis on the choice between JV and WOS considering the level of stakes acquired by the MNE in a foreign investment. Both the local firm and the MNE can be family or non-family companies. The combination of their family status, and hence their possession of the asset familiness difficult to transact, generates four possible combinations with an associated entry mode (JV or WOS). According to the model, presented in Table 2.2, we have four quadrants identifying the four possible combinations.

Table 2.2 Theoretical model

		MNE	
	Asset familiness	**Family Firm assets difficult to transact**	**Non-Family Firm assets easy to transact**
Local	**Family Firm assets difficult to transact**	1. JV	2. JV
	Non-Family Firm assets easy to transact	4. WOS	3. Indeterminate

Model adapted from Hennart (2009)

Cell 1 illustrates the case in which both the MNE and the local firm are family businesses. In this case, since both of them owns the asset *familiness* that is difficult to transact, we expect a JV determined by the partnership of the two family firms. Cell 2 shows what happens when the MNE is a non-family firm and the local is a family business. In this case, since the local firm owns the asset *familiness* that is hard to transact, we expect a JV. Cell 4 shows what happens when the MNE is a family business and the local company is a non-family firm. In this case, since only the MNE owns the asset that is difficult to transact, we expect a WOS derived from the family MNEs that opts for a full acquisition of a local non-family firm. Cell 3 shows the case in which both the MNE and the local firm are non-family businesses. The fourth case (cell 3) is when both the MNE and the local firm are non-family businesses. In this case, since neither the MNE or the local firm owns the asset *familiness*, on which the present analysis focuses, there is not a hypothesis concerning the effect of ownership on entry mode. Firms will behave according to economic principles, and the standard theory of entry modes will apply.

In the case of two family firms (Cell 1), family MNEs are more likely to make a JV with the local firm than non-family MNEs. On the one hand, family firms face difficulties in transacting the specific asset *familiness* that make difficult a full acquisition. On the other hand, family firms, even if not all identical, they share the same long-term orientation and attention to the prominence of family values. *Familiness* simplifies relationships between family MNE and local family firms because they share the same long-term orientation, the desire to preserve the control over the company, the involvement of family members in both ownership and management. The sharing of this similar *modus operandi* facilitates a JV between two family firms. Accordingly, we formulated our first hypothesis:

Hypothesis 1. If both the MNE and the local firm are family firms, the MNE is more likely to make a JV rather than a WOS.

In the second case (cell 2) the MNE is a non-family firm and the local is a family business. Even in this case, the MNE is not able to fully acquire from the local firm the needed complementary asset. Since the local firm owns the asset *familiness* that is difficult to transact, is more likely a JV. Therefore, the second hypothesis is:

Hypothesis 2. If the MNE is a non-family company and the local firm is a family business, the MNE is more likely to make a JV, rather than to fully acquire the local firm.

In the third case (cell 4), the MNE is a family firm and the local company is a non-family firm. In this case, since only the MNE owns the asset that is hard to transact, is more likely a WOS derived from the family MNE that opts for a full acquisition of a local non-family firm. In this case, the MNE can fully acquire the complementary assets by the local non-family firm because given that are not affected by the *familiness* they are easy to transact. A family MNE, owning a high specific asset, would prefer to completely acquire a non-family local company, in so doing guarantees the *familiness* of the firm. Thus, the third hypothesis is:

Hypothesis 3. If the MNE is a family business and the local firm is not, the MNE is more likely to fully acquire the local firm, rather than to make a JV.

2.4 Data and Methodology

The aim of the research is to study whether entry mode choice depends on the asset specificity of both the MNE and the local firm, and in detail if the *familiness* is a specific asset that affects entry modes. We study the choice between WOS and JV considering full acquisitions, greenfield JVs and JVs derived from a partial acquisition. Our first step has been to define exactly the different typology of entry modes. An investment is a WOS if the MNE owns at least 95 percent of shares of the local subsidiary. Otherwise, it is a JV (Gomes-Casseres, 1989; Hennart, 1991; Yiu & Makino, 2002). We consider the investments (acquisitions, greenfield JVs) made by foreign MNEs in Italy, involving an Italian company as the target of the acquisition or partner in the JV. The empirical analysis involves the characteristics of both the MNE and the local firm. Most of the previous (Dikova & Van Witteloostuijn, 2007; Gomes-Casseres, 1989; Somlev & Hoshino, 2005) studies investigate the entry mode choice of MNE based in one home country investing in one or more host countries. Thus, they include in the analysis variables that explain which country characteristics increase the probability of an entry mode rather than another one. We choose to study entry modes made by firms from a wide range home countries in a unique host country (Caves & Mehra, 1986), Italy. In this way, country characteristics do not change, and we could focus on firm-level characteristics. Thus, the host country environment does not affect the different choices made by the MNEs. Moreover, the choice to consider the investments made by MNEs from all over the world, allow for generalizable results on MNE family firms for all countries. Indeed, having MNEs from different countries of origin makes it possible to investigate whether family firms' entry strategies are stable across different countries. The local company is an Italian family firm. We choose as host country Italy because of its strong tradition of family firms. Indeed, in this country, the 71% of companies are family firms(Bianco, Golinelli, & Parigi, 2008).

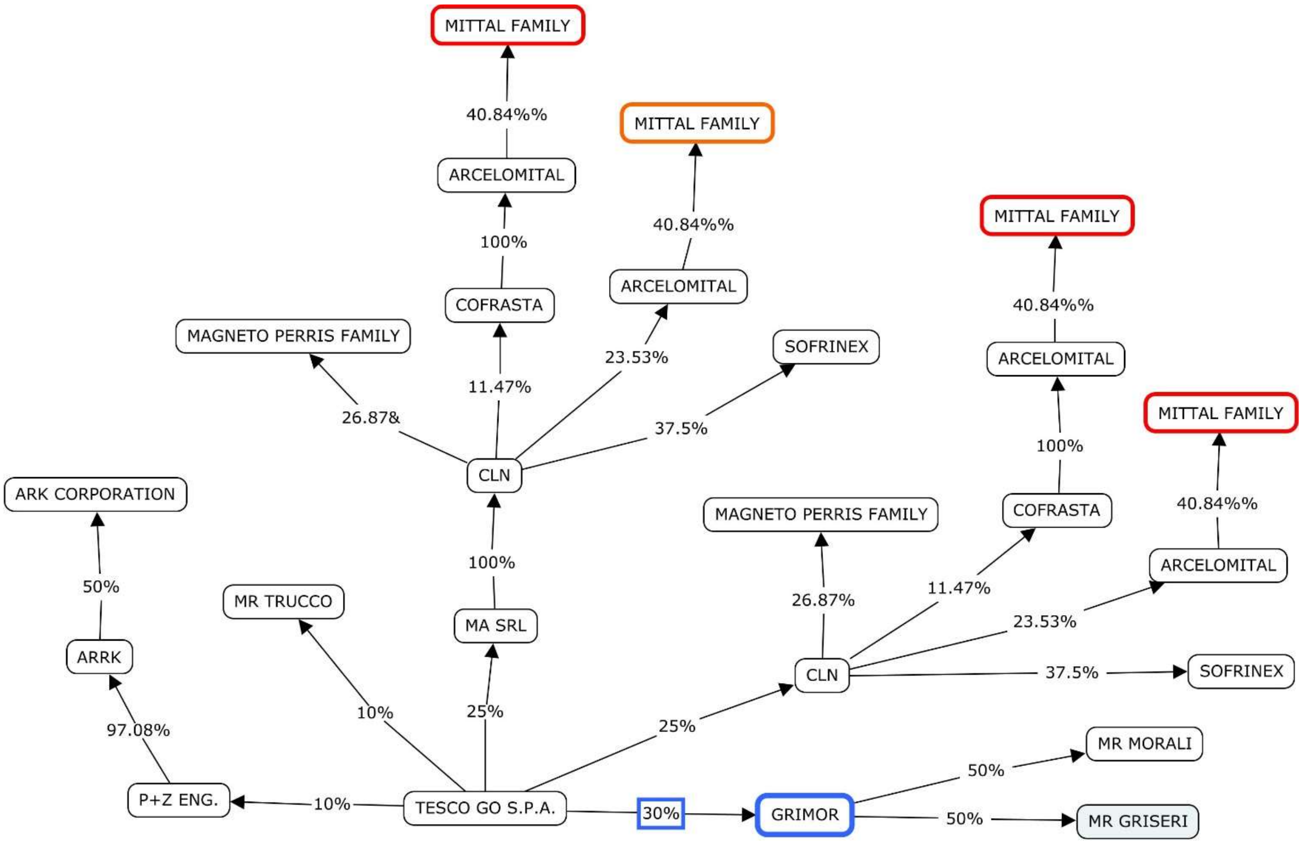
We collect data by Bureau van Dijk databases Zephyr for deals data and Orbis for firm-specific data. We select from Zephyr all deals made by a company with the headquarter based in a country other than Italy and an Italian partner between 01/01/2005 and 12/31/2015. Appendix 1 reports the complete list of MNEs' home countries and their distribution. We selected the deals according to two criteria: the foreign company should have no initial stake in the Italian company, and the selected deals should allow the MNE to take control of at least 10% of the stake (Cuypers, Ertug, & Hennart, 2015). In this way, we obtained 1710 deals comprising 919 wholly owned subsidiaries and 491 JVs. We collected data on ultimate ownership for each of the companies involved in these deals.

Our second step has been to define family firms. Most of the studies in family business literature define a family firms on the basis of the first shareholder type (Arregle, Naldi, Nordqvist, & Hitt, 2012; Bhaumik, Driffield, & Pal, 2010; Gomez-Mejia, Makri, & Kintana, 2010), and on other requirements inherent the management and the vision of the family. Only a few studies used the ultimate owner information (Bertrand, Johnson, Samphantharak, & Schoar, 2008; Ellul, Pagano, & Panunzi, 2010), even if using data on ultimate owner offers a more accurate definition of family firms. Indeed, considering the first shareholder type could lead to misleading results. The use of mechanisms as pyramiding, multi-control chains, cross-holding, and dual class of shares has a huge impact on the discrepancy between first shareholder and the ultimate owner. "*Pyramiding occurs when the controlling shareholder owns one corporation through another which he does not totally own. Firm Y is held through "multiple control chains" if it has an ultimate owner who controls it via a multitude of control chains, each of which includes at least 5% of the voting rights at each link. Cross-holdings means company Y directly or indirectly controls its own stocks.*" (Faccio & Lang, 2002: 366). Through these mechanisms, an individual or an entity might have more power over a firm than the control exerted by the first shareholder exclusively through the shares that it owns directly. Thus, the first shareholder might not coincide with the ultimate owner of the company, the actual owner of the firm which has the control over it and the power to affect its strategies. The use of the ultimate owner requires making another important methodological choice. It is important to distinguish between the ultimate owner defined regarding ownership rights or control power. The control power is calculated summing the weakest links of each control chain. The ownership rights are calculated multiplying all the percentages of voting rights in each chain and summing up the value of all chains. Our definition of ultimate owner is the entity with the highest percentage of controlling power along with all the chain of shareholders (Faccio & Lang, 2002). To identify the ultimate owner, following Faccio and Lang (2002), we took account of pyramids, cross-holdings, and multiple control chains. We took into consideration only links with at least 5% of ownership rights (Faccio & Lang, 2002). A practical example will clarify the discrepancy between first shareholder and ultimate owner and the importance to define a family firm using the ultimate owner instead of the first shareholder. In Figure 1 we reported the complete map of the shareholders of Tesco Go S.p.A. at the date 12/01/2012.

Each link between the shareholder and the company that owns reports the percentage of his/her shares. At the first level, the shareholders of Tesco Go S.p.A. are: P+Z Eng. owning 10%, Mr Trucco owning

10% of Tesco Go S.p.A., Ma S.r.l. owning 25%, CLN owning 25%, and Grimor owning 30% of the stakes. Thus, the first shareholder of Tesco Go S.p.A. at 12/01/2012 is Grimor.

Figure 1 Shareholders of Tesco Go S.p.A.



However, as we can see from the map, all the shareholders of the first level (with the exception of Mr Trucco which is an individual) are owned by other shareholders. By calculating the percentage of control of all shareholders in the map, it is possible to find that the ultimate owner is the Mittal family. In this example of Tesco Go S.p.A. the Mittal family has four links to Tesco Go S.p.A.: two links from Mittal Family to CLN, and CLN is linked to Tesco Go S.p.A. directly owning 25% and through MA S.r.l.. The ownership rights of Mittal family are: (40.84%*100*11.47%*100%*25%)+(40.84%*23.53%*100%*25%)+(40.84%*100*11.47%*25%)+(40.84%*23.53%*25%)=0.0117+0.0240+0.0117+0.0240=7.14%. The controlling power of the Mittal family over Tesco Go S.p.A. is: 11.47%+23.53%+11.47%+23.53%=70%. The Mittal family exerts a control of 70 percent through pyramids and multiple control chains, which is higher than the 50 percent of control exerted directly from the first shareholder Grimor. Thus, the first shareholder is different from the ultimate owner. Hence, it is important that studies investigating the role of ownership type on firm's strategies use the information on the ultimate owner instead of the first shareholder.

We collected information of the ultimate owner of each company involved in the deal, both targets and acquirers. We collected data on both ownership rights and control power. Following Faccio and Lang (2002), we define the ultimate owner regarding controlling power. We carefully define for each acquirer and target the full chain of control using the mentioned methodology. We are confident that we obtained more precise and accurate data through this method. The empirical analysis uses the ultimate owner defined in terms of control power.

The unit of analysis is the couple ultimate owners of the MNE and the local firm. In our sample, each observation is made of a pair of acquirer ultimate owner and target ultimate owner. A deal composed by multiple acquirer or multiple targets it results in multiple observation, one for each ultimate owner involved. Moreover, a firm (acquirer or target) might have two or more ultimate owners because they hold the same percentage of controlling power. Thus, even in this case, we have one observation for each ultimate owner.

Data on the ultimate owner have been collected from Orbis database using as reference date one month before the date of the first rumour about the deal, as indicated by Zephyr. If information on ownership were not available for this date, we search backwards until three years before the date of the first rumour. If information were still missing, we would search until one month before the date in which the deal has been completed. The final sample is composed of 898 deals and 1157 observations. The number of observations differs from the number of deals because, in some deals, two or more MNEs make the investment with a local company. In this case, we considered the deal as two different observations. Furthermore, if an MNE makes a deal with two or more local firms, we considered them as different observations.

2.4.1 Variables

Dependent variable. Scholars have typically used two different dependent variables to study the ownership entry mode: the percentage of equity acquired (Brouthers & Hennart, 2007; Chari & Chang, 2009; Chen & Hennart, 2004; Gaffney, Karst, & Clampit, 2016; Malhotra, Sivakumar, & Zhu, 2011) or a binary choice (WOS versus JV) (Zhao et al., 2004). When scholars operationalize their dependent variable as a binary variable, they use different cut-off point of equity percentage. The widest accepted definition uses the threshold of 95 percent of the equity stake to differentiate between the two choices

(Gomes-Casseres, 1989; Hennart, 1991). Thus, an investment is denoted as JV if a company holds an equity share ranging from 10 percent to 95 percent of a subsidiary (Chen & Hennart, 2002; Hennart & Reddy, 1997; Makino & Neupert, 2000). However, some authors consider a WOS exclusively if it is 100 percent owned by a single parent firm (Gatignon & Anderson, 1988), others if a parent owns at least 80 percent (Makino & Beamish, 1998; Makino & Neupert, 2000). In this study, the dependent variable identifying the entry mode is a dummy variable (JV) which takes the value "1" if the MNE acquires with the considered investment a percentage of stakes lower than 95 percent.

Independent variables. A company is defined as a family business if the ultimate owner is an individual or a family, and at least one member of this family is a CEO, a CFO, a Chairman, from boards and committees[1], from an executive department[2]. The main independent variables are three dummies which identify each possible combination of a couple of firms involved in a deal. Thus, the combinations are the following. First, both the acquirer and the target are family firms (*Family_Family*). Second, the acquirer is a non-family business and the target is a family firm *(NonFamily_Family*). Third, the acquirer is a family business and the target is a non-family firm (*Family_NonFamily*). These variables correspond respectively to Cell 1, Cell 2, and Cell 3 of Table 2. Table 2.3 presents the frequency of each of these variables. In our sample, we have 43 cases of JVs made by two family firms: both the MNE and the local firm are family businesses. The case of a JV between a non-family MNE and a local family firm occurs in 119 cases. The case in which a family MNE makes a JV with a local non-family firms takes place in 36 cases. The most frequent occurrence of JV is between two non-family firms: it happens in 148 cases out of 346. We excluded this dummy from the regression.

Table 2.3 Frequency of JV and WOS by family status of MNE and local firm

Variable	WOS	JV	Total obs.
Family_Family	70	43	113
NonFamily_Family	178	119	297
Family_NonFamily	143	36	179
NonFamily_ NonFamily	382	148	530
Total obs.	**773**	**346**	**1119**

[1] A family member is from the following board and committees: board of directors, supervisory board, executive board, executive committee, advisory board, all committees.
[2] A family member is from one of the following departments: Senior management, Product/Project/Market Management, Finance and Accounting, Operations and Production, Administration department, Quality Assurance, Human Resources, Purchasing and Procurement, Sales & Retail, IT and IS, Marketing and Advertising, Health and Safety, Customer Service, Legal/Compliance department, Branch Office, R&D / Engineering.

Control variables. Most of the studies regarding the choice between JV and WOS, applying the Transaction Cost analysis, focused on the technical knowledge involved in the transaction. Thus, numerous studies included as a main independent variable the MNE's R&D intensity (Gatignon & Anderson, 1988; Makino & Neupert, 2000). The core assumption behind this variable is that firms with high R&D intensity, having more technological capabilities and thus more specific knowledge needed to be protected from partner's opportunism, prefer a WOS over a JV. However, other important kinds of assets (knowledge and capabilities) might justify the JV choice. Chen and Hennart (Chen & Hennart, 2002), for instance, found that marketing resources are more important in determining the JV choice. According to them, some studies might have concluded that a firm decides to do a JV with the aim to acquire technological knowledge, while the real determinant is marketing resources. However, the recent research of Wooster et al. (2016) found that firms with high marketing intensity and investing in a risky country are more likely to choose a WOS rather than a JV entry mode. We control for the effect of technical knowledge using the Research and Development intensity of the MNE (*MNE's_RDintensity*).

Kogut and Singh (1988) state that cultural distance is of particular importance for a full acquisition, due to the difficulties that firms face in integrating another company. However, they do not take into account that also in a JV investment the cultural distance is crucial. Indeed, working with a highly different partner, it would be harder than collaborate with a partner with a closer culture. Thus, cultural distance might have opposite effect on both investments. Indeed, it complicates the relationships whether an organisation with distant practices is fully acquired or it is a partner to work with. It is a source of uncertainty in both investments (Slangen & van Tulder, 2009). Accordingly, previous studies investigating this choice found that inconsistent results concerning the effect of cultural distance. Thus, some scholars argue that firms investing in host countries culturally distant from them choose a JV mode (Barkema & Vermeulen, 1997; Chang & Rosenzweig, 2001; Erramilli & Rao, 1993; Tihanyi, Griffith, & Russell, 2005). Contrary, other studies found that companies facing high cultural distance prefer to enter the host country through a WOS (Delios & Beamish, 1999; Henisz, 2000; Puck, Holtbruegge, Mohr, Holtbrugge, & Mohr, 2009). During the last decade, another index to measure the psychic distance has been widely applied in International Business to proxy the effect of differences between home and host country. This index, developed by Dow and Karunaratna (2006), is based on differences in language, education, industrial development, democracy, and religion. In the empirically testing of their index and the Kogut and Singh's index, Dow and Karunaratna (2006), found that the latter is not significant. This test is consistent with other international business studies in which the cultural distance measured as

Kogut and Singh's index was not significant. We measured the psychic distance between the home and host country with the Dow and Karunaratna index (*Psychic_Distance*).

Firms with a high international experience tend to prefer a WOS over a JV (Yiu & Makino, 2002). Indeed, their need for a partner to face the liability of foreignness continuously decreases with experience. However, the experience might be interpreted in different ways. For instance, the experience in terms of the number of foreign investment around the world allows the firms to gain international capabilities. Whereas the specific country experience that overcomes the difficulties in that specific context with a peculiar culture, norms, regulations, and so on. Moreover, experience denotes also the experience with a particular kind of investment, and, thus, it might be possible that firms choose an entry mode because they already used it previously. More research is needed to investigate experiential effect (Brouthers, 2002). Depending on the connotation that experience assumes in the empirical research it affects the choice between JV and WOS differently. We measured the previous experience of the MNE in Italy (*Experience*) as a binary variable coded which "1" if the MNE made a previous investment in Italy.

Big firms and listed companies are more likely to make JVs rather than to be the target of a full acquisition. We control for these effects using the natural logarithm of the number of employees of the local firm (*Local's Size*) and a dummy variable (*Local_Listed*) which take the value "1" if the local firm is listed. Contrary, the bigger is the size of the MNE the higher is the probability that it enters the foreign market through a full acquisition (Chiao, Lo, & Yu, 2010; Mutinelli & Piscitello, 1998). We measured this effect through the natural logarithm of the number of the employees of the MNE (*MNE's_Size*).

According to previous studies (Dikova & Van Witteloostuijn, 2007; Makino & Neupert, 2000) we control for the effect of the relative size of the local firm in comparison to the MNE regarding total sales (*Relative_Size*). We expect a positive effect of this variable on the choice of a JV entry mode.

Previous studies found opposite effect of the industry growth of the host country on the JV versus WOS choice. To control for this effect, we include a variable (*Industry_Growth*) measured as the percentage growth of the gross value added by NACE industry 2-digit.

Firms entering new industries prefer a JV over a WOS (Hennart, Kim, & Zeng, 1998; Makino & Neupert, 2000). Thus, we include a dummy variable which takes the value "1" if the local and the MNE are active in the same macro industry (*Same_Industry*).

A manufacturing company is more likely to be fully acquired by an MNE rather than to be a partner in a JV (Dikova & Van Witteloostuijn, 2007; Yiu & Makino, 2002). We enter a dummy variable (*Local_Manufacturing*) which takes the value "1" if the target is a manufacturing firm.

Finally, we control for the year effect and for the influence of the geographical area in which is located the home country, using as dummy variables *Europe*, *America*, and *Rest of the World*. The final model that we estimated is the following:

$$Pr\ (JV_{ijt}=1) = a_0 + \beta_{1ijt-x}\ Family\_Family + \beta_{2ijt-x}\ NonFamily\_Family + \beta_{3ijt-x}\ Family\_NoNFamily + \beta_{4jt-1}\ Industry\ growth + \beta_{5ijt-1}\ Relative\ size + \beta_{6ij}\ Psychic\ distance + \beta_{7jt}\ Local\_Listed + \beta_{8it-1}\ Foreign\_RDintensity + \beta_{9it}\ Experience + \beta_{10jt-1}\ Local\_Size + \beta_{11it}\ Foreign\_Size + \beta_{12jt}\ Local\_Manufacturing + \beta_{13ijt}\ Same\_Industry + Geogr\ area\ dummies + Year\ effect + \varepsilon_{ijt}$$

Where *JV* is a binary variable which is coded "1" if the entry mode, deriving from the combination at time *t* of firm *i* (MNE) and *j* (Local), is a JV. The β are the parameters to estimate and ε_{ijt} is the error term.

Table 2.4 provides the description of each variable and its expected effect on the JV entry mode.

Table 2.4 Variables description and expected effect

Name Variable	Description	Expected sign (+ = positive effect on JV)
Family_Family	The MNE and the local company are both family firms	+
NonFamily_Family	The MNE is a family firm and the local company is a non-family firm	-
Family_NonFamily	The MNE is a non-family firm and the local company is a family firm	-
Local_Listed	Dummy variable which takes the value "1" if the local is a listed company	+
Industry_Growth	Local: Annual % growth of the gross value added by Nace industry 2digit. (Source Eurostat)	+/-
Relative_Size	Natural Logarithm of the relative size of the Local in comparison to the MNE, measured in terms of total sales	-
Psychic_Distance	Psychic Distance between MNE's and local's countries, calculated as the Dow and Karunaratna (2006) index	+
MNE's RDintensity	MNE's Research & Development intensity	+/-
Experience	Previous Experience of the MNE in the host country: dummy variable which takes the value "1" if the MNE made previous deals in Italy	+
Local's Size	Local size: natural logarithm of the number of employees	+
MNE's_Size	MNE size: natural logarithm of the number of employees	+/-
Local_Manufacturing	The local is a manufacturing company: SIC code 3-digit is between 200 and 399	-
Same_Industry	Dummy variable which takes the value "1" if the local and the MNE are active in the same macro industry	-
Europe	Dummy variable which takes the value "1" if the MNE has the headquarter in the European continent	+/-
America	Dummy variable which takes the value "1" if the MNE has the headquarter in the American continent	+/-
Rest of the World	Dummy variable which takes the value "1" if the MNE has the headquarter in the Asia, Africa, or Ocean continent	+/-
Pre-crisis	Dummy variable which takes the value "1" if the deal has been concluded in the time period 2005-2007	+/-
Crisis	Dummy variable which takes the value "1" if the deal has been concluded in the time period 2008-2009	+/-
Post-crisis	Dummy variable which takes the value "1" if the deal has been concluded in the time period 2010-2015	+/-

2.5 Results

Table 2.5 presents descriptive statistics for the continuous variables included in the model. Table 2.6 reports the frequencies of the binary variables. Table 2.7 presents the correlation matrix among the variables. The very low values of correlation do not suggest that multicollinearity might be an issue in this study. The Variance Inflation Factors (VIF) among variables confirms that multicollinearity is not a problem. Indeed, all VIFs, with the exception of the regional dummy *Europe*, were all less than 10 (Wooldridge, 2015). The results of the VIFs are reported in Appendix 2.

Table 2.5 Descriptive statistics of the continuous variables

Variable	Mean	S.D.	Min	Max
Industry_Growth	0.006	0.062	-0.6	0.48
Relative_Size	2.73	2.618	0	12.25
Psychic_Distance	1.162	1.106	0.45	7.79
MNE's RDintensity	0.617	10.855	0	282.871
Local's Size	4.171	2.212	0	11.904
MNE's Size	6.078	3.487	0	12.993

Table 2.6 Sample mean for the binary variables

Variable	Frequency
JV	357
Family_Family	113
NonFamily_Family	301
Family_NonFamily	187
Local_Listed	47
Experience	325
Local_Manufacturing	510
Same_Industry	527
America	137
Rest of the World	70
Pre_crisis	261
Post_crisis	551

Table 2.7 Correlation matrix

Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1. JV	1																	
2. FF	0.050	1																
3. FNF	-0.100**	-0.150**	1															
4. NFF	0.120**	-0.200**	-0.260**	1														
5. Industry_Growth	0.090**	-0.020	0.010	-0.100**	1													
6. Relative_Size	-0.020	0.060	-0.020	-0.020	0.060	1												
7. Local_Listed	0.220**	-0.030	0.020	0.030	0.010	-0.110**	1											
8. Psychic_Distance	0.140**	-0.010	-0.010	0.080*	0.030	0.020	-0.050	1										
9. MNE's_RDintensity	-0.030	-0.010	-0.020	-0.020	0.020	0.060*	0	0	1									
10. Experience	0.020	0	-0.020	-0.140**	0.060*	0.200**	0.040	0.040	-0.030	1								
11. Local_Size	0.120**	0	-0.050	0.030	0.020	-0.280**	0.420**	-0.020	0.030	0.030	1							
12. MNE's Size	0.030	0.080*	-0.050	-0.020	0.070*	0.760**	0.090**	0.010	0.080*	0.210**	0.230**	1						
13. Local_Manufacturing	-0.150**	0.010	-0.020	0.080*	-0.070*	-0.09**	-0.060	0.110**	0.050	-0.080*	0.250**	0.070*	1					
14. Same_Industry	0	0.090**	-0.060*	0.020	0.030	0.230**	0	0.060	0.040	0.030	0.040	0.290**	0.130**	1				
15. America	0	-0.020	-0.030	0.050	0.020	0.120**	-0.040	0.280**	-0.020	0	-0.030	0.120**	0.020	0.020	1			
16. Rest of the World	0.110**	-0.020	-0.030	0.100**	-0.010	0.050	0	0.530**	-0.010	-0.080*	0	0.060*	0.080*	0.060*	-0.100**	1		
17. Pre_crisis	0.100**	-0.130**	0	-0.160**	0.190**	0.080*	0.050	-0.050	-0.030	0.060	0.070*	0.070*	-0.070*	0.020	-0.040	-0.040	1	
18. Post_crisis	-0.140**	0.110**	-0.020	0.200**	-0.200**	-0.070*	-0.100**	0.030	0	-0.070*	-0.090**	-0.090**	0.040	0.060	0.050	0.080**	-0.510**	1

Note: FF Family_Family; NFF NonFamily_Family; FNF Family_NonFamily

Since our dependent variable JV is binary, to estimate our models we used the logistic methodology. We estimated five models which are reported in Table 2.8. In Model 1 we included only the control variables. Model 2, Model 3 and Model 4 add respectively the three dummy variables defining the jointly family status of the MNE and the local firm. Hence, Model 4 shows our full model with all independent variables. Hypothesis 1 argues that two family firms (an MNE and a local firm) are more likely to make a JV. The coefficient of *Family_Family* is positive and significant ($p<0.001$), supporting our first hypothesis. As reported in the last column of Table 2.8, the marginal effect of this variable is equal to 0.1628. If a deal involves two family firms, the probability that it will a JV is higher than 16 percent. Model 4 shows a positive and significant coefficient for *NonFamily_Family* ($p<0.001$), predicting an increase of 15.88% in the probability of a JV in the case in which the MNE is non-family and the local is a family firm. Our second hypothesis is supported. The Hypothesis 3, argues that a family MNE is more likely to establish a WOS rather than a JV if the local is a non-family firm. The coefficient the variable *Family_NonFamily* testing this Hypothesis is negative and significant ($p<0.005$), meaning that it has a negative effect on the probability of a JV, decreasing it by 7.8 percent. Thus, our third Hypothesis is supported. A family MNE is more likely to make a WOS acquiring more than 95% of the local non-family firm rather than make a JV with it. According to with previous literature, the *Industry_Growth* of the host country has a positive and significant effect ($p<0.005$) on the probability of a JV entry mode (Hennart, 1991). The sign of *MNE's_R&Dintensity* is negative and significant ($p<0.005$) confirming the results of previous studies (Chiao et al., 2010; Makino & Neupert, 2000; Yiu & Makino, 2002). This result, according to the Transaction Cost theory, suggests that an MNE with strong technological capabilities prefers a WOS rather than a JV to protect these valuable assets from partner opportunistic behaviours. The coefficient of *Psychic_Distance* is positive and significant ($p<0.005$). The higher the Psychic Distance between the home and the host country, the higher is the probability of a JV, because the MNE attempts to mitigate the perceived distance with the host country collaborating with a local partner. This result confirms previous studies on entry mode that used the Kogut and Sing's index and found the positive and significant effect (Hennart et al., 1998; Yiu & Makino, 2002), and offers a new test of the Psychic Distance measure developed by Dow and Karunaratna (2006). As expected (Dikova & Van Witteloostuijn, 2007; Yiu & Makino, 2002) if the local firm is active in the manufacturing sector is less likely to make a JV, the coefficient is negative and significant ($p<0.001$). A listed local company is more likely to make a JV rather than to be fully acquired by a foreign company. The bigger is the local company the higher is the probability of a JV with an MNE. This result is in line with the positive and significant effect ($p<0.001$) of the coefficient of *Local_Listed*. The variables measuring *Relative_Size*, *MNE's Size*, and *Same_Industry* effect are not significant in all models. The size of the local company has a positive and significant effect in all models but in the complete Model 4. With the exception of this variable and the Pre-crisis coefficient, the signs and significance of all variables are stable across all models.

Table 2.8 Logistic regression results

	Dependent Variable JV=1				
	Model (1)	**Model (2)**	**Model (3)**	**Model (4)**	**Marginal effects Model (4)**
Family_Family		**0.642***** (0.00536)	**1.016***** (3.54e-05)	**0.915***** (0.000253)	**0.1628**
NonFamily_Family			**0.987***** (1.17e-08)	**0.884***** (8.80e-07)	**0.1588**
Family_NonFamily				**-0.426*** (0.0675)	**-0.0762**
Industry_Growth	**1.893*** (0.0911)	**1.944*** (0.0890)	**2.369**** (0.0445)	**2.325**** (0.0460)	**0.4043**
Relative_Size	**-0.0395** (0.350)	**-0.0394** (0.361)	**-0.0522** (0.243)	**-0.0531** (0.231)	**-0.0089**
Local_Listed	**1.910***** (3.95e-07)	**1.954***** (3.09e-07)	**1.935***** (1.22e-06)	**1.983***** (8.29e-07)	**0.3545**
PsychicDistance	**0.237***** (0.00650)	**0.235***** (0.00743)	**0.221***** (0.00875)	**0.226***** (0.00731)	**0.0505**
MNE's_RDintensity	**-0.275**** (0.0156)	**-0.297***** (0.00991)	**-0.304**** (0.0123)	**-0.298**** (0.0136)	**-0.0532**
Experience	**-0.0322** (0.840)	**-0.0288** (0.859)	**0.0954** (0.565)	**0.0705** (0.674)	**0.009**
Local's Size	**0.0765**** (0.0444)	**0.0773**** (0.0433)	**0.0663*** (0.0934)	**0.0617** (0.116)	**0.0108**
MNE's Size	**0.00855** (0.753)	**0.00426** (0.877)	**0.00498** (0.862)	**0.00528** (0.853)	**0.0131**
Local_Manufacturing	**-0.842***** (3.17e-08)	**-0.839***** (3.32e-08)	**-0.880***** (8.50e-09)	**-0.876***** (9.93e-09)	**-0.1577**
Same_Industry	**0.0735** (0.619)	**0.0398** (0.789)	**0.0349** (0.819)	**0.0290** (0.849)	**0.0052**
America	**-0.0434** (0.858)	**-0.0157** (0.949)	**-0.0129** (0.959)	**-0.0258** (0.918)	**-0.0198**
Rest of the World	**0.757**** (0.0378)	**0.804**** (0.0317)	**0.788**** (0.0350)	**0.781**** (0.0355)	**0.0812**
Pre_crisis	**0.163** (0.377)	**0.225** (0.226)	**0.345*** (0.0705)	**0.325*** (0.0870)	**0.0559**
Post_crisis	**-0.460***** (0.00604)	**-0.484***** (0.00402)	**-0.636***** (0.000284)	**-0.638***** (0.000274)	**-0.1134**
Constant	**-1.005***** (9.63e-06)	**-1.046***** (4.98e-06)	**-1.264***** (6.99e-08)	**-1.138***** (2.01e-06)	
Observations	1,115	1,115	1,115	1,115	
Pseudo R-squared	0.101	0.106	0.131	0.133	

Robust standard errors in parentheses * significant at 10%; ** significant at 5%; *** significant at 1%

We test the goodness of fit of the model using the Hosmer-Lemeshow statistic (Hosmer & Lemeshow, 2004). The value of the Chi 2 statistic with 8 degrees of freedom is equal to 7.23, with a p-value equal to 0.512. Thus, we can say that the model fit. Moreover, all expected frequencies are greater than 5 (Hosmer & Lemeshow, 2004), supporting the conclusion that the model fits well. We test the ability of the model to correctly classify the observations with the classification table. Table 2.9 shows that Model 4 correctly classified 73.81% of the observations. The sensitivity and the specificity are respectively 31.88% and 92.88%. This unbalanced result is mainly affected by the number of observations in each group. Indeed, the classification test favours the largest group (Hosmer & Lemeshow, 2004), in our case the WOS event.

Table 2.9 Classification table

	True		
Classified	**D**	**~D**	**Total**
+	110	57	167
-	235	718	948
Total	345	770	1115

Classified + if predicted Pr(D) >= .5
True D defined as JV != 0

Sensitivity	Pr(+| D)	31.88%
Specificity	Pr(-|~D)	92.60%
Positive predictive value	Pr(D| +)	65.87%
Negative predictive value	Pr(~D| -)	75.21%
False + rate for true ~D	Pr(+|~D)	7.40%
False - rate for true D	Pr(-| D)	68.12%
False + rate for classified +	Pr(~D| +)	34.13%
False - rate for classified -	Pr(D| -)	24.79%

Correctly classified 73.81%

2.5.1 Endogeneity and robustness check

To test the validity of our results we perform some robustness check for Model 4. The results do not change if we measure the variable *Relative_Size* regarding the total number of employees instead of total sales. The results are consistent if we substitute the macro industry with the SIC code 3-digit or 4-digit to measure the variable *Same_Industry*. As a robustness check, we also estimated all the Models with the dependent variable JV=1 if the stake acquired by the MNE is lower than 100% and lower than 80% (Yiu & Makino, 2002). The hypotheses are supported even with these different thresholds. The results are reported in Appendix 3.

The final robustness check addresses the endogeneity issue. Some factors affecting the entry mode choice might be not included among the independent variables. It is possible that some unknown factors influencing the probability to be a family firm also affect the foreign entry strategy. In other words, it is possible that some factors explaining the entry mode choice might also explain the family status of a firm. Thus, in our model, the variables jointly defining the family status of the MNE and the local firm might be endogenous. Thus the results presented in Model 4 may be biased for endogenous issues. We perform a two-stages logistic regression to correct for this potential endogeneity. Our complete Model 4 has three variables (*Family_Family*, *NonFamily_Family*, *NonFamily_Family*) which identify the jointly family status of the MNE and the local firm. The potentially endogenous variables are: the variable *Family_Family* coded "1" when both the MNE and the local are family firms, the variable *Family_NonFamily* which is equal "1" when the MNE is a family firm and the local is a non-family business, and the variable *NonFamily_Family* coded "1" when the MNE is a non-family firm and the local is a family business. These variables are the combination of the two binary variables MNE_Family and Local_Family. The probability to be a family firm, for both the MNE and the local firm may be endogenous. To address this endogeneity issue, it is necessary to identify at least two exogenous variables (at least one for each endogenous variables) that affect the probability to be a family firm and not the entry mode. As there are two endogenous variables, we have to estimate two first stages, A and B, one for each potential endogenous variable (Angrist & Pischke, 2009).

We use as instruments to estimate the probability to be a family firm, for both the MNE and the local firm, the Amenity potential and the Regulation binary variables (Demsetz & Lehn, 1985; Villalonga & Amit, 2010), the firm size (Demsetz & Lehn, 1985), the age of the company, and the geographical area where the firm is located (the Italian Region for the local company and the macro area as indicated in Appendix 1 for the MNE). Demsetz et al. (1985) argue that some firms attributes affect the ownership concentration.

The first category of instruments refers to the sector in which the firm is active. For instance, there are some sectors that foster ownership concentration (sport, media) and other, i.e. regulated sectors, which have low levels of ownership concentration. More specifically Villalonga and Amit (2010) added that these industries are characterised respectively by a high and low level of family ownership concentration. The family might gain benefits (Amenity potential) owning a firm because it is able to influence the goods produced (Demsetz & Lehn, 1985) and because the ownership of a firm active in a specific sector increases the family reputation (Gomez-Mejia, Campbell, Martin, Hoskisson, Makri, & Sirmon, 2014). This is true for sectors as food, fashion, sports clubs, and mass media. Thus we expect that given the amenity potential of these industries, a firm active in one of them is more likely to be a family business. Thus we use as a first instrument the *Amenity* binary variable which takes the value “1” if the firm is active in one of the above sectors. Sectors as telecommunications, utilities, finance are regulated by law, lowering the need for monitoring managers and also the benefits for the shareholders. Thus, in these regulated sectors, we expect a low family ownership (Demsetz & Lehn, 1985; Villalonga & Amit, 2010). Hence, the second instrument is the *Regulation* dummy which takes the value 1 if the target is active in one of the following sectors: telecommunications, utilities, finance.

Moreover, Demsetz et al. (1985) argue that the higher is the optimal size of the firm more costly is to own a portion of it, and thus the lower is the associated ownership concentration. Similarly to the sector effect Villalonga and Amit (2010) state that the efficient size correlates negatively to the family ownership concentration. We use as an instrument the *Size* of the company measured in terms of the number of employees.

We include as instrument also the *Age* of the firm. We expect that family firms are more likely to be old firms because to be defined as a family firm we require the presence of the family in management positions and it might require time and more than one generation.

Finally, in our first stages, we include a series of dummies to control for the geographic area effect. We used the Italian *Region*s for the local firm and the macro area (*Europe*, *America*, *Rest of the World*) also included in the second stage for the MNE. We expect that in areas with an advanced financial is less likely the presence of family firms.

We used these instruments for both the MNE and the local company. The estimated model in the first stage is the following:

$$Y_i = a_0 + \beta_1 Regulation + \beta_2 Amenity + \beta_3 LogEmployees + \beta_4 LogAge + \beta_5 Geographical\_Area + \varepsilon$$

Where Y_i is the dummy variable, which takes the value “1” if the firm (Local in Stage A and MNE in Stage B) is a family business. The two first stages are reported in Table 2.10. We test the joint significance of the instruments in both equations through the F-statistics.

In the second stage we substituted the actual values (*Family_Family, NonFamily_Family, Family_NonFamily*) with the predicted probabilities that both the local and the MNE are family firms (calculated multiplying the predicted probabilities of the two first stages), the predicted probability that the MNE is non-family and the local is a family firm (calculated as the predicted probability of the first stage A multiplied by 1-the predicted probability of the first stage B), and the predicted probability that the MNE is family and the local is not family (calculated as the predicted probability of first stage B multiplied by 1-the predicted probability of the first stage A).

We test for the instrument relevance using the F-test. The literature (Stock & Yogo, 2005) states that a significant F-test higher than 10 reject the null hypothesis that the instruments are jointly equal to zero. The value of the F-Test, both in the Stage A and Stage B, is higher than 10 and its p-value is lower than 1%. Thus, the instruments used to estimate the probability of the local firm is family, and the MNE is family are respectively valid, and we can reject the null hypothesis of weak instruments. The instruments used in the first stages are significant and able to predict the probability of a firm to be family.

Table 2.10 First stages

	Dependent variable Local_Family	**Dependent variable MNE_Family**
	Stage A	**Stage B**
Regulation	-1.016*** (0.195)	-0.582*** (0.161)
Amenity	0.529* (0.289)	0.598* (0.307)
LogEmployees	8.14e-05 (0.0308)	0.0157 (0.0224)
LogAge	0.168*** (0.0572)	-0.0966 (0.0789)
Constant	-0.666** (0.261)	-1.406* (0.735)
Geographic Effect	YES	YES
Observations	1,119	1,119
F-test	85.10***	30.07***
Robust standard errors in parentheses * significant at 10%; ** significant at 5%; *** significant at 1%		

We estimated the completed model with all variables, controlling for endogeneity issues, in Model 6. Table 2.11 presents the results. The main independent variables, jointly defining the family status of the MNE and the local firm are significant and we the expected signs. The predicted probability that both firms are family business (*Pr_FF*) has a positive and significant effect ($p<0.005$). Thus, a family MNE is more likely to make a JV with a local family firm rather than a WOS (Hypothesis 1 is supported). Our second hypothesis argues that a non-family MNE is more likely to make a WOS rather than a JV if the local firm is family. The predicted probability of the variables (*Pr_NFF*) testing this hypothesis is negative and significant ($p<0.005$). Thus, our second hypothesis, which in Model 4 was supported, after addressing the endogeneity issue is not supported anymore. As expected the predicted probability that a family MNE and a local non-family firm (*Pr_FNF*) negatively ($p<0.005$)

affects the likelihood of a JV (Hypothesis 3 is supported). The control variables have the same sign and significance of Model 4 presented above.

Table 2.11 Model 5

Dependent Variable JV=1	
	Model (5)
Pr_FF	**7.683**** (0.0102)
Pr_FNF	**-6.991**** (0.0160)
Pr_NFF	**-4.270**** (0.0411)
Industry_Growth	**2.215*** (0.0552)
Relaive_Size	**0.0173** (0.796)
Local_Listed	**2.010***** (3.26e-07)
Psychic_Distance	**0.216**** (0.0139)
MNE_RDintensity	**-0.254**** (0.0293)
Experience	**-0.101** (0.539)
Local_Size	**0.103*** (0.0689)
MNE_Size	**-0.0202** (0.685)
Local_Manufacturing	**-0.877***** (3.34e-08)
Same_Industry	**-0.0339** (0.823)
Geographic Area	YES
Time effect	YES
Constant	**2.529**** (0.0198)
Observations	1,119
Pseudo R-squared	0.111

Robust standard errors in parentheses * significant at 10%; ** significant at 5%; *** significant at 1%

2.6 Discussion and Conclusions

Most of the studies on entry mode do not control for the effect of corporate governance and specifically of ownership concentration. The few studies (Datta et al., 2009; Filatotchev et al., 2007; Musteen et al., 2009) that investigated the role of corporate governance on entry mode obtain significant results, opening a promising new stream of research to study these effects deeply. Specifically, the effect of ownership concentration has been almost neglected in entry mode research. While numerous studies (D'Angelo et al., 2016; Fernández & Nieto, 2006; Majocchi & Strange, 2012; Zahra, 2003) demonstrated that ownership type and in particular family ownership significantly affect the firm's strategies (e.g. internationalisation). Family firms are characterised by peculiar characteristics that affect their strategies. A family that is the base both for the ownership and for the management of a company is able to determine the firm's strategy, pursuing family goals together with economic performance. We argue that family firms have different foreign entry mode than non-family firms and that this difference also depends on the characteristics of the local company. Thus, with this paper, we want to demonstrate that the *familiness,* that characterised family firms, is a key factor among the others transaction costs. The *familiness* is the most important asset defining the family firm itself, and it is non-tradable, and also the family prefers to maintain the ownership and the control over the management. Moreover, even if not all family firms are identical, they share the same vision and the strong relationship between family values and benefits and firm. Therefore, as demonstrated by our empirical analysis, two family firms prefer to make a JV rather than one of the two acquire the other. We also demonstrated that the partnership between a family and a non-family firm is difficult. Indeed, the non-family company might not accept the different managerial practice of the family firm, which is biased toward the family members. Thus, in the case of a family and a non-family firm, is more likely that the MNE enters the foreign country through a WOS rather than a JV.

Among other limits, it should be noticed that we use only one home country. Thus, our results are not generalizable. Moreover, our database is not a random sample but the reduced sample utilised for the analysis is given from the availability of ownership data on Orbis database.

This paper makes several significant contributions to the entry mode research and family business literature. First, this research pays more attention to the characteristics of the local company. Entry mode research usually investigates the entry mode choice from the point of view of the investing company, neglecting that entry mode strategies are not unilaterally decisions but are also affected by the target preferences (Hennart, 2009). In our analysis, we take into consideration the potential effect of ownership and corporate governance of both MNE and local company. On the basis of our results, we argue that the ownership type of both the MNE and the local firm affect the entry mode decision of the MNE. Another important contribution is to investigate the effect of the ownership and governance characteristics on entry choices. Indeed, previous literature demonstrated that ownership type and corporate governance affect firms' strategies, but there is a lack of knowledge of their effect on foreign entry modes. We investigated the choice between JV and WOS using a large sample with data on ownership, management and board of directors, of both the MNE and the local firm.

Second, this paper investigates the family firms' entry strategies on the basis of Transaction Cost theory. It has been largely used to study entry modes, but rarely applied to family firms. It offers an empirical demonstration of the few theoretical papers that attempt to explain family firms' characteristics through the transaction cost lens. Testing our hypothesis arguing that family firms have different behaviours depending on which assets (family or non-family assets) are involved we confirm that family firms' behaviours are affected by the bifurcation bias (Verbeke & Kano, 2012).

Third, this research makes a significant improvement regarding the accuracy of family firms' definition. It identifies the family status on the basis of the ultimate owner, and not using the first shareholder as most of the literature on internationalisation of family firms. Moreover, the ultimate owner has been identified through the control power and not using ownership rights. Indeed, shareholders might have control power in excess of their ownership rights because of the use of pyramiding, multiple control chains, cross-holding, and dual class of shares.

The main implications of our study are that ownership type and corporate governance affects entry mode strategies. These factors should be investigated both at the level of the investing firm that the local firm in the host country. Since previous studies have demonstrated that companies choosing the entry mode predicted by the theory outperform the other businesses, our results also have important managerial implications. Indeed, we argue that the transaction cost theory, largely applied to the study of entry modes, should be enriched with the inclusion of ownership type of the firms (both the investing and the local) involved in the deal. Thus, to choose the right entry mode according to the theory, it should also be considered the family status of the firms.

2.7 Appendix 1

Home country code	Home Country	Geographical area	Freq.	Percent	Cum.
AE	United Arab Emirates	Asia-Ocean	3	0.26	0.26
AT	Austria	Europe	20	1.73	1.99
AU	Australia	Asia-Ocean	4	0.35	2.33
BE	Belgium	Europe	22	1.90	4.24
BR	Brazil	America	2	0.17	4.41
CA	Canada	America	9	0.78	5.19
CH	Switzerland	Europe	62	5.36	10.54
CN	China	Asia-Ocean	10	0.86	11.41
CY	Cyprus	Europe	1	0.09	11.50
DE	Germany	Europe	108	9.33	20.83
DK	Denmark	Europe	40	3.46	24.29
EE	Estonia	Europe	1	0.09	24.37
ES	Spain	Europe	340	29.39	53.76
FI	Finland	Europe	8	0.69	54.45
FR	France	Europe	138	11.93	66.38
GB	United Kingdom	Europe	85	7.35	73.73
GR	Greece	Europe	6	0.52	74.24
HU	Hungary	Europe	1	0.09	74.33
IE	Ireland	Europe	10	0.86	75.19
IL	Israel	Asia-Ocean	6	0.52	75.71
IN	India	Asia-Ocean	14	1.21	76.92
JP	Japan	Asia-Ocean	17	1.47	78.39
KR	South Korea	Asia-Ocean	2	0.17	78.57
KW	Kuwait	Asia-Ocean	1	0.09	78.65
KY	Cayman Islands	America	4	0.35	79.00
LU	Luxembourg	Europe	29	2.51	81.50
MT	Malta	Europe	1	0.09	81.59
MY	Malaysia	Asia-Ocean	1	0.09	81.68
NL	Netherlands	Europe	39	3.37	85.05
NO	Norway	Europe	3	0.26	85.31
PT	Portugal	Europe	2	0.17	85.48
QA	Qatar	Asia-Ocean	3	0.26	85.74
RO	Romania	Europe	1	0.09	85.83
RU	Russia	Europe	9	0.78	86.60
SE	Sweden	Europe	20	1.73	88.33
SG	Singapore	Asia-Ocean	3	0.26	88.59
SI	Slovenia	Europe	4	0.35	88.94
TN	Tunisia	Africa	1	0.09	89.02
TR	Turkey	Europe	4	0.35	89.37
TW	Taiwan	Asia-Ocean	1	0.09	89.46
US	United Stated	America	121	10.46	99.91
VG	Virgin Islands	America	1	0.09	100.00
Total			**1,157**	**100.00**	

2.8 Appendix 2

Variable	**VIF**
JV	1.18
Family_Family	1.17
Family_NonFamily	1.15
NonFamily_Family	1.31
Industry_Growth	1.07
Relative_Size	1.65
Local_Listed	1.30
Psychic_Distance	1.15
MNE's_RDintensity	1.03
Experience	1.10
Local's_Size	1.54
MNE's_Size	1.71
Local_Manufacturing	1.19
Same_Industry	1.15
America	1.28
Rest of the World	1.63
Pre_crisis	1.41
Post_crisis	1.45
Mean VIF	1.34

2.9 Appendix 3

Variables	JV=1 if equity<=95%	JV=1 if equity<=80	JV=1 if equity<100
Family_Family	**0.915***** (0.000253)	**0.915***** (0.000336)	**0.824***** (0.000846)
NonFamily_Family	**0.884***** (8.80e-07)	**0.922***** (4.77e-07)	**0.851***** (1.72e-06)
Family_NonFamily	**-0.426*** (0.0675)	**-0.594**** (0.0143)	**-0.487**** (0.0349)
Industry_Growth	**2.325**** (0.0460)	**1.583** (0.165)	**1.955*** (0.0827)
Relative_Size	**-0.0531** (0.231)	**-0.0567** (0.221)	**-0.0536** (0.219)
Local_Listed	**1.983***** (8.29e-07)	**1.935***** (9.11e-07)	**1.918***** (1.86e-06)
Psychic_Distance	**0.226***** (0.00731)	**0.225***** (0.00771)	**0.223***** (0.00736)
MNE's RDintensity	**-0.298**** (0.0136)	**-0.270**** (0.0195)	**-0.289**** (0.0119)
Experience	**0.0705** (0.674)	**0.125** (0.463)	**0.0153** (0.927)
Local's Size	**0.0617** (0.116)	**0.0616** (0.121)	**0.0630** (0.105)
MNE's Size	**0.00528** (0.853)	**0.00613** (0.835)	**0.00680** (0.808)
Local_Manufacturing	**-0.876***** (9.93e-09)	**-0.873***** (1.93e-08)	**-0.841***** (3.08e-08)
Same_Industry	**0.0290** (0.849)	**-0.00918** (0.953)	**0.0592** (0.694)
America	**-0.0258** (0.918)	**0.0133** (0.959)	**-0.0808** (0.746)
Rest of the World	**0.781**** (0.0355)	**0.647*** (0.0924)	**0.710*** (0.0530)
Pre_crisis	**0.325*** (0.0870)	**0.357*** (0.0607)	**0.251** (0.184)
Post_crisis	**-0.638***** (0.000274)	**-0.759***** (2.43e-05)	**-0.659***** (0.000136)
Constant	**-1.138***** (2.01e-06)	**-1.189***** (1.16e-06)	**-1.048***** (1.06e-05)
Observations	1,115	1,115	1,115
Pseudo R-squared	0.133	0.139	0.127

Robust pval in parentheses *** p<0.01, ** p<0.05, * p<0.1

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3 Family firms and establishment mode: greenfield versus acquisition

3.1 Introduction

The entry mode and the related establishment mode of entry (greenfield or acquisition), are long term strategies difficult to change and with important effects on firm's performance. This strategic decision will determine the success or the failure of the company in the new market. Thus, the company must consider carefully all the factors influencing the choice. Entering a foreign market requires that the firm makes a strategic choice between different entry modes, ranging from export to contractual agreement, from non-equity joint venture to equity joint venture and wholly owned subsidiary. If the selected entry mode is an equity mode (joint venture or wholly owned subsidiary), the firm should also choose between to set up a new subsidiary creating it from scratch, or acquiring an existing company. Grounding on the Transaction Cost theory this paper contributes to the literature on foreign entry strategies shedding light on the factors determining the choice between greenfield joint venture and partial acquisition. We focus especially on the scarcely investigated effect of family control and industrial cluster location.

Most of the previous literature on establishment modes considered this choice as a unilateral strategy implemented by the MNE. However, as claimed by Hennart (2009), this is a bilateral choice in which the characteristics of the local firm's assets determine the most suitable mode. The aim of this paper is to investigate how the local firm's assets affect the choice between greenfield joint venture and partial acquisition. We do this in two ways. First, we study how the family control of the local company affects the choice between greenfield and acquisition. Second, we study how the knowledge specific and relationships of a local firm located in an industrial cluster affect the decision between greenfield and acquisition. In both cases, the local firm owns a high specific asset that affects all the other firm's assets, the complex system of interactions between family and business in the first case, and the specific knowledge of the cluster and the connections with the other incumbent firms in the latter case.

The study focuses exclusively on the joint venture entry mode: greenfield or acquisition (Brouthers & Dikova, 2010; Chang & Rosenzweig, 2001; Chen, 2008; Dikova & Brouthers, 2016; Hennart, 1988). In the present work, we adopted the exhaustive definition provided by Hennart: "JVs arise whenever two or more sponsors bring given assets to an independent legal entity and are paid for some or all of their contribution from the profits earned by the entity, or when a firm acquires partial ownership of another firm."(Hennart, 1988). We study the family and the cluster location effects on the choice between a greenfield joint venture or a partial acquisition. The topic is noteworthy for three reasons. First, because of the economic consequences regarding performance and success in the foreign market of the investing company (Shaver, 1998). Second, family businesses are the most common type of firms around the world. Third, industrial clusters play a fundamental role in the formation of synergies between companies and development of the economy.

Since we focus exclusively on establishment modes which involve a partner, then the partner's strategic decision is equally important as the investor preferences. Therefore, we analyse how the partner's ownership structure might affect the establishment mode selected by the investing company. So far, previous literature demonstrated that ownership and corporate governance characteristics affect firms' strategic decisions (Filatotchev, Stephan, & Jindra, 2008). Thus, one of the factors influencing the establishment strategy is the ownership structure of both the investing company and the potential partner in the host country. Among the various ownership structures around the world, the family type is the most frequent. Thus, a family business looking to enter a new market will be influenced, among other factors, in its decisions by the family's long-term orientation, the family vision, and family members' relationships. The investing firm, among other factors, should also consider the ownership structure of the local company. Indeed, if the potential partner is a family firm, this will affect the relationships with the investing company. Family firms represent the backbone of the world economy. They represent more than two-third of businesses in the world, and they provide about 70% of the total employment (EY, 2015). Often they are undervalued and relegated to the category of small firms. However, even the giant firms around the globe can be family controlled. For instance, Ford, Koch Industries, Wal-Mart, LVMH, and Roche are family businesses. Moreover, family firms represent the most common ownership structure among the medium and small enterprises, which in turn belong to the most common company size. During the past few decades, given their contribution to the world economy, the academic research started to focus on their characteristics and their strategies that differ from those of non-family firms. Despite the prediction of Chandler, according to which the future should be characterised by the separation between management and ownership, family firms still prosper, and an increasing number of them survived across centuries. Thomson Reuters Corporation founded in 1799 and William Prym Holding Gmbh established in 1530 are only two of many other examples. Despite the relevance of the topic, previous literature, with few exceptions (Boellis, Mariotti, Minichilli, & Piscitello, 2016), has almost neglected the family effect on establishment mode choices, i.e. greenfield versus acquisition.

In addition, when a company decides to enter a foreign market the choice of the location is crucial. If the firm chooses to locate its business into an industrial cluster, it will have some advantages from being located near to other companies active in the same or related industries. Indeed, businesses in an industrial cluster benefit from the proximity to customers and suppliers and even to competitors because of the knowledge transfer with them. One of the strengths of the industrial clusters are the relationships established between firms. As the industrial literature shown this asset is internal to the cluster but external to the firms (Shaver & Flyer, 2000). However, a firm entering the cluster to have full access to this cluster specific is facilitated by the intermediation of an incumbent firm. The local firm is the instrument through which the investing company can exploit the benefits deriving from to be located in a cluster. Indeed, if a company enters the foreign market with a partner that is already in the cluster it will benefit from its existing relationships. The investing foreign firm will have full benefits if it partially acquires a firm well established in the district. On the other hand, entering the cluster with a greenfield investment reduces the benefits deriving from the presence in a cluster because the new entity needs to establish from scratch its position into the cluster. Moreover, the other incumbent firms may be averse to the creation of a new competitor.

Previous studies on establishment mode have identified numerous determinants of this choice (Dikova & Brouthers, 2016) but the family control and industrial cluster location structure have been overlooked. This is the first study that investigates the determinants of the choice between a greenfield joint venture and a partial acquisition, studying the effect of local family ownership and industrial cluster location. Hypotheses were tested using a sample of 357 foreign entries made by firms from 31 different countries in Italy, over a ten-year period (2005-2015). The sample is composed by 121 greenfield joint ventures and 236 partial acquisitions. Focusing on one single host country excludes from the analysis the influence of all country-level characteristics and it allows to investigate the effect of firm's characteristics deeply. Moreover, focusing on one single host country we can inspect the existing differences between regions in the same country, for instance, the effect to be located in an industrial district or not.

The paper is divided into four main sections. The first section provides an outline of the literature on establishment choice. The second section develops the theoretical framework on which grounds the hypothesis, focusing on the effect of family firms and industrial clusters. The third section describes the methodology used in the empirical analysis and the data. The fourth section presents the findings of the research. The final section of this paper presents the conclusions drawn from the empirical section, the related discussion and the limits of this study.

3.2 Theoretical background

In this paper, we investigate the effects of family ownership and industrial cluster location on the establishment mode choice. We consider family characteristics and cluster-specific knowledge as specific assets affecting the outcome of the transaction. Therefore, the transaction cost theory offers a comprehensive theoretical framework able to explain both the establishment mode. This theory has been used in previous studies on greenfield versus acquisition choices (Larimo, 2003) and it has been recently applied also to family firms (Verbeke & Kano, 2010). Thus, this paper adopts the transaction cost theory.

Both greenfield joint venture and partial acquisition represent a form of hierarchical control over the firm in which the hierarchy is shared with a partner (Hennart, 1988). The key difference between greenfield and acquisition is that whereas a greenfield investment consists of establishing a new subsidiary from scratch, the acquisition implies to acquire an existing entity. Thus, in the latter case, the investing company is immediately operative, while in the case of greenfield, the establishment of a new subsidiary requires a long time before to be completely functioning. However, even if the acquisition represents a faster establishment mode, it has two significant disadvantages: the integration with the acquired company and the high premium that the acquiring company has to pay because of the information asymmetries between acquiring and target firm (Krishnan, Hitt, & Park, 2007). Moreover, acquiring firms pay a premium for the target that often is negatively related to the post-acquisition returns (Krishnan et al., 2007). Through a greenfield investment the company does not pay a premium, and it has the opportunity to increase the investment gradually. The greenfield investment allows firms to acquire the necessary assets gradually. Thus, greenfield investments are characterised by lower initial sunk costs in comparison to acquisitions, where to be operational the firm has to pay the overall takeover amount (Slangen, 2013). The gradual increasing investment that characterises greenfield investments thus might be advantageous allowing temporally firms to exit the market with limited losses (Brouthers & Dikova, 2010; Slangen, 2013). Through a greenfield investment, the MNE may replicate its competitive advantage, but the long time required for the establishment of the new venture may determine the loss of business opportunities (Dikova & Brouthers, 2016), this is true especially in high-velocity markets. The empirical research on the choice between greenfield and acquisition investigates which are the determinants that make more advantageous one investment rather than its alternative. However, Slangen and Hennart (2007) state that findings of the empirical literature on the field are often inconsistent, not only because of methodological issues but also because scholars failed to identify significant determinants of the establishment mode choice. The acquisition investment entails the costs of searching a suitable target, of gather information about the target situation and the negotiation costs (Cheng, 2006). Thus, the higher the transaction costs related to an acquisition the more efficient is the greenfield investment and vice versa. As argued by Williamson the characteristics that affect any transaction costs are the "uncertainty, the frequency with which transactions recur, and the degree to which investments are idiosyncratic" (Williamson, 1979). Often the uncertainty in entry mode research has been identified in various ways: cultural distance or lack of the necessary international experience. Some authors state that the acquisition entails high costs regarding integration, which increase with the cultural distance of the host and home markets but also with the organisational culture distance. Thus, these authors claim that the higher the integration costs, the more likely is a greenfield investment (Anderson & Gatignon, 1986). However, all else constant, a firm choosing a greenfield joint venture will encounter the same difficulties in terms of collaboration with a cultural distant partner. For instance, a family firm has an organisation culture extremely different and distant from that of a financial firm and the conflicts between partners will persist both in partial acquisition and greenfield joint venture. In accordance with the Transaction Cost theory, empirical articles investigating the ex-ante determinants of the choice between greenfield and acquisition focuses on the knowledge of the investing firm and the cultural distance between host and home countries. The knowledge might be technical (industry, product) and experiential (country specific, international experience). Firms owning abundant technical knowledge are more likely to choose greenfield investments because it is less costly and more efficient to exploit the existing knowledge in a new entity rather than acquire another company to transfer the knowledge (Slangen & Hennart, 2007). On the contrary, firms lacking technical knowledge are more likely to choose an acquisition investment because for them the optimal solution is to acquire knowledge rather than generate it from scratch, which requires a long time (Slangen & Hennart, 2007). The second kind of knowledge affecting the establishment mode is the experiential knowledge. Previous studies state that international experience facilitates greenfield investments. Thus, firms with previous international experience are more likely to choose greenfield, while non-experienced firms are more likely to choose acquisitions. The term "experience" connotes both general international experience in other countries, irrespectively of the entry mode used and the experience of a specific establishment mode. Acquisition experience or greenfield experience positively affect the subsequent decision to use respectively the same investment (Dikova & Van Witteloostuijn, 2007). Thus, firms that previously used acquisition (greenfield) are more likely to use it again (Padmanabhan & Cho, 1999). Another factor determining the transaction costs related to the choice between greenfield and acquisition is the asset specificity. Whenever the investing firm is entering a foreign market because it needs a complementary asset (or for another reason but the complementary asset is necessary to be successful in the new market) and this is bundled in another firm, it will be more likely an acquisition (Cheng, 2006).

Hennart (2009) in its theoretical model distinguished between four different establishment modes: greenfield joint venture, partial acquisition, complete acquisition and wholly owned greenfield. According to his model the choice between greenfield and acquisition depends on the efficiency of the market for complementary assets and services. If the market is not efficient, the firm is not able to enter the market through a full owned greenfield since the local asset is not available for acquisition. Thus, it will choose between greenfield JV, full acquisition, and partial acquisition. The greenfield joint venture will be chosen when the market for firms is not efficient. If the market for firms is efficient and the integration with the target is efficient, then the investing firm will acquire the target completely. However, if the integration is not efficient, the firm will choose a partial acquisition. Therefore, according to his model a greenfield joint venture is likely to be selected in all cases in which the market for complementary assets and the market for firms are inefficient. Partial acquisition it will be chosen when markets for complementary assets and businesses are inefficient, and in addition, the integration with the local firm owning the complementary assets cannot be efficient. Hennart (2009) identifies as a common characteristic of these two types of joint venture the fact that they are chosen when the desired complementary assets cannot be separated from the other assets. Thus, whenever the investing firm needs complementary assets that are embedded to the local firm and are not separable from the other non-needed assets it will be chosen a joint venture: a greenfield joint venture if the local firm is able to replicate the assets in a greenfield joint venture and a partial acquisition otherwise. Therefore, two important factors affect the choice between greenfield joint venture and partial acquisition: the possibility to acquire the local company partially and the replicability of the complementary assets.

Previous studies often investigate the cost and benefits of greenfield and acquisition comparing wholly owned greenfield to full acquisition (Brouthers & Brouthers, 2000; Slangen & Hennart, 2008), or wholly owned greenfield, JV(only greenfield) and acquisition (complete or at least sufficient to have the control) (Herrmann & Datta, 2006; Kogut & Singh, 1988) and not considering the analysis the partial acquisitions. Some scholars (Hennart & Reddy, 1997; Somlev & Hoshino, 2005) included partial acquisitions in their analysis differentiating between wholly owned greenfield subsidiary, wholly owned acquisition and joint venture (greenfield and partial acquisition). Another consistent group of studies included the partial acquisitions but without disentangle its effect from that of full acquisition (Chen, 2008). These authors (Brouthers & Dikova, 2010; Dow & Larimo, 2011; Drogendijk & Slangen, 2006) studied the choice between greenfield (joint venture and wholly owned subsidiary) and acquisition (full and partial), treating the entry mode (shared vs full ownership) as completely independent from the establishment mode (greenfield versus acquisition) (Brouthers & Hennart, 2007). However even recognising that the entry and the establishment mode are distinct choices determined by different factors (Brouthers & Hennart, 2007), there is a general lack of knowledge concerning the specific choice between greenfield joint venture and partial acquisition. Thus, some of the conclusions drawn from these studies are difficult to apply to the choice between greenfield joint venture and partial acquisition. Chen (Chen, 2008) made the first attempt in shed light on this important topic. While some of the previous studies included a dummy variable to control for the effect of full versus partial ownership capturing the effect on the intercept (Barkema & Vermeulen, 1998; Hennart & Park, 1993), Chen (Chen, 2008) split the sample into two sub-regimes obtaining the overall effect of the ownership structure in the coefficients of all variables. The results of Chen are extremely interesting because the same exogenous variables have a completely different effect depending on the sub-sample used (above or below 95 percent of ownership). Interestingly using the most used threshold of the 95 percent of equity stake to distinguish between full and partial ownership, only the industry concentration and industry growth were significant in the model testing greenfield joint venture versus partial acquisition. Whereas in the model investigating the choice between wholly owned greenfield and full acquisition the usual exogenous variables (i.e. parent's R&D intensity, industry's R&D intensity, parents' advertising intensity, industry's advertising intensity, parents' host market experience, parent's industry knowledge, industry growth, and industry concentration) used in previous literature are significant and with the expected signs. Therefore, it is necessary to study more deeply which are the determinants of the choice between greenfield joint venture and partial acquisition.

This paper focuses on the case in which the complementary assets needed by the investing firms are not available into the market for assets and they are embedded into the local firm or the cluster. Moreover, in the latter case, the investing company needs the local firm as the means to get the needed complementary asset. Thus, these assets are impossible to replicate or share in a greenfield joint venture without affecting their competitive advantage in the original firm. In this case, the partial acquisition is more likely to be chosen. The next section will analyse two cases: the local partner is a family business, and the investment location is an industrial cluster, and it will develop the hypotheses.

3.3 Hypothesis development

3.3.1 Family businesses

As mentioned above the foreign entry strategy is not a unilateral choice (Hennart, 2009), especially when the investing company enters the foreign country with a local partner as in the case of greenfield joint venture and partial acquisition, the subject of this research. Thus, partner's characteristics affect this important strategic decision (Hennart, Sheng, & Pimenta, 2015). For instance, the smaller is the local firm in comparison to the investing company, the more likely the local will be acquired. If the local is active in a different sector than the investing firm, it is more likely a greenfield investment. Another important factor that must be considered is the ownership structure of the local partner. If for instance, the local partner is a family company, the family business features will affect the partnership. Indeed, the involvement of a partner requires that the strategy is co-determined by both firms.

As recognised by previous literature, family involvement affects firm's strategies (Lien, Piesse, Strange, & Filatotchev, 2005). Previous scholars have studied family firms' strategies from the point of view of the investing firm. They mainly focused on their international level, measured in various ways as the ratio of foreign sales to total sales (Fernández & Nieto, 2005; Sciascia, Mazzola, Astrachan, & Pieper, 2012), international diversification (D'Angelo et al., 2016; Gomez-Mejia, Makri, & Kintana, 2010; Majocchi & Strange, 2012), number of foreign countries (Zahra, 2003), founding opposite results. Research on establishment mode has almost neglected the effect of family involvement in the investing firm (Boellis et al., 2016), but, to the best of our knowledge, the family status of the local firm has never been considered. Thus, the first aim of this paper is to fill this gap in the research and to investigate how the choice between a greenfield joint venture and a partial acquisition is affected by the family status of the local partner. We focus on the choice between to establish a greenfield joint venture with a local partner or to acquire a portion of stakes of the local partner. The investing firm has decided to have a local partner, and, other factors being equal, the fact that the partner is a family firm may affect this decision.

Transaction Cost theory predicts when it is more convenient to internalise the activity or to use the market depending on the characteristics of the transaction, among which the asset specificity. In investments involving family firms, the asset determining the transaction costs is the *familiness*, which is "the unique bundle of resources a particular firm has because of the systems interaction between the family, its individual members, and the business" (Habbershon and Williams, p. 11, 1999). Hennart and Reddy (1997) state that a greenfield joint venture is to be preferred in the situations in which the desired assets of the local company are not separable from the rest of the firm.

Thus, if the investing foreign company acquires the local "it would also be buying many assets which are not needed" (Hennart & Reddy, 1997: 2). The local firm cannot sell the desired assets because are not separable, but it may share them in a greenfield joint venture because are clearly identifiable. Hennart (2009) specifies that whenever the assets are bounded to the firm and not separable, the JV (greenfield and partial acquisition) is to be preferred over the acquisition. When a local family business owns the complementary assets needed by the MNE, the market for firms is inefficient because the controlling family is hostile toward the acquisition, preferring to maintain the control of the company. The local controlling family hampers the acquisition. This specific asset familiness has a wide range of applications inside the company (relationships, networks, reputation, organisational capabilities) but is not tradeable (Gedajlovic & Carney, 2010) and it cannot exist outside the family firm. Not only the family assets are not tradeable and not separable from the rest of the company, but it also impossible to clearly identify this asset and share it in a greenfield JV. The *familiness* is deeply connected both to the family and the firm. Thus, the only way for the foreign investing firm to get some benefits from this asset is to acquire the family company partially and to integrate its assets with the assets of the local family firm. Hennart and Reddy (1997) consider the case in which the desired assets are not separable from the local company but still clearly identifiable, as in the example made in their paper of the sales force. Through a greenfield, joint venture, the local firm shares its sales force and the MNE does not need to acquire all the other unnecessary assets of the local firm (Hennart & Reddy, 1997). However, there are cases in which the desired assets are not separable but also difficult to share in a separate entity. The family firm works well in that specific context because of the company culture, the networks, and the relationships that often have been built across generations. This is also the reason why often the first step of a full acquisition is the partial acquisition maintaining the family management of the target company. Indeed, the investing firm needs time to integrate the family firm completely, and to understand how to retain the competitive advantage of the family culture and continue to build on it. It is the case for example of LVMH acquiring the 80% of Rimowa, or when acquired the 80% of LoroPiana, in both cases the original families maintain an important role in the management.

The partial acquisition of a family firm allows the investing firm to acquire a share in the complex system of interactions between the family and the business that characterises the partner. The foreign company is interested in this system and considers it as a strength of the local company. Otherwise, it would opt to acquire completely it and change the management structure. While some scholars highlighted the negative aspects of family firms (Bloom & Van Reenen, 2007), they have also many strengths (Miller, Le Breton-Miller, & Lester, 2010; Miller, Minichilli, & Corbetta, 2013). Indeed, the involvement of family members in the firm since the childhood generates an emotional attachment to the businesses and encourage family managers to act as loyal stewards. Moreover, family members own a specific knowledge of the business that in some aspects overcome the disadvantage arising from the potential lack of professional managers (Miller et al., 2013). Furthermore, family members are more able to establish a system of relationships that endure across generations. Family firms usually have a strong reputation built across generations, and the family name is often linked to the firm's brand. The foreign company aims to be part of the family firm to leverage on these strengths. Through a partial acquisition, the foreign company is able to enter the market exploiting the competitive advantages deriving from the *familiness* of the local firm more efficiently than through a greenfield joint venture. The business in which the foreign company is interested is the product of the *familiness*, the reputation linked to the family name, the related family networks, the managerial practices of family members acting as loyal stewards. Thus, the *familiness* could represent an issue of integration but also a strength on which leverage and the best way to do that is through a partial ownership of the firm. Because of its wide range of implications, the familiness affects all the assets owned by the family firm, which is valuable also because of the familiness. Thus, a company interested in an asset owned by a family firm it will be not able to gain advantage from this asset out of the *familiness* influence. The family firm cannot share its assets eliminating the effect of the familiness without decreasing their value.

Hypothesis 1: MNEs that decided to invest in a foreign country with a family firm as a local partner are more likely to make a partial acquisition of the partner rather than a greenfield joint venture with it.

3.3.2 Industrial clusters

The relevance of industrial clusters has been well documented in previous research as well as establishment strategies. However, previous studies fail to focus on the interaction of these two relevant topics. An industrial cluster is an agglomeration in a restricted area of firms active in related industries that have accumulated competencies, long-term relationships and mutual trust (Majocchi & Presutti, 2009). The key characteristic of districts is the system of interactions between firms located in proximity, from which numerous advantages derive. Firms benefit from the cooperative external environment because each firm is functional to the activity of the others (Belussi & Caldari, 2009). Because of these advantages, industrial clusters attract foreign direct investments because MNEs entering a foreign market prefer to locate near to incumbent firms in related industries (Majocchi & Presutti, 2009). However, research on establishment mode has overlooked the potential effect of an industrial cluster.

Previous studies exploring the effect of experience on establishment mode, obtain opposite results. This mainly because they did not distinguish properly between general international experience and expertise in the specific country (Dow & Larimo, 2011). Dow and Larimo (Dow & Larimo, 2011) recognise the importance to disentangle the effect of these two different types of knowledge because given that countries can be strongly different one from the other, a specific knowledge of one country has a different effect. This significant contribution can be extended across the same countries. Indeed, even across the same country exist important differences. For instance, the conditions in an industrial cluster are completely different from an area in the same country out of the cluster.

If a firm is entering an industrial cluster, the specific knowledge of the country is not enough to overcome the liabilities of foreignness. Indeed, to take full advantage of the location in an industrial cluster, it needs to be part of the network. Thus, in addition to the two levels of knowledge identified by Dow and Larimo (2011) (general international knowledge and country specific knowledge), there is a third level more region specific, the cluster specific knowledge. The local partner active in the industrial cluster, have a set of experience, knowledge, a reputation on which it bases networks with the other firms in the cluster. A business that decides to localise in an industrial cluster may benefit from the set of externalities (skilled labour force, availability of complementary services and intermediate products, knowledge transfers) deriving from the agglomeration of related firms (Roberto, 2004). The investing firm aiming to exploit these benefits is more likely to acquire the local firm partially. Even in the case in which the MNE is interested in other local's asset, not necessary the specific knowledge or networks, all the assets of the local firm in the district are affected by its specific asset. Companies in the cluster are based on that, and more important, all the assets gain value from this knowledge and set of relationships. The local firm is not able to share these assets disentangling them from the asset composed of the mix of specific knowledge and relationships. It cannot sell its knowledge and set of connections, and it cannot share this asset in a greenfield joint venture without decreasing the value in the original firm. Moreover, a greenfield partnership means to create a new competitor in the cluster, and this may complicate the relationships with the other incumbent firms. Acquiring partially an existing firm enables the investing company to take advantage of its tacit knowledge, existing relationships, and established networks. The partial acquisition is to be preferred to a greenfield joint venture because partially acquiring the local partner the investing firm is able to acquire the presence into the district without the necessity to replicate the assets of the local firm.

Hypothesis 2: If the foreign investing firm aims to enter an industrial cluster is more likely that it will opt for a partial acquisition rather than a greenfield joint venture.

3.4 Data and Methodology

3.4.1 Sample

The sample has been drawn from Zephyr, a database of Bureau van Dijk containing information on 1,300,000 deals. We collected data on all partial acquisitions and greenfield joint ventures made in Italy from a foreign firm and a local target/partner. The investing firms are located in 31 different countries. Thus, we decided to focus on investments made in a single host market by companies from various home countries (Caves and Mehra, 1986). The deals were completed in the period ranging from 01/01/2005 to 12/31/2015. The investment to be selected should satisfy two requirements. First, the MNE should not have an initial stake in the local firm in case of a partial acquisition. Second, with the investment the MNE should acquire at least 10 percent of stakes. The initial sample was composed of 473 investments, 155 greenfield joint ventures and 318 partial acquisitions. The final sample is composed of 357 foreign entries, of 121 greenfield joint ventures and 236 partial acquisitions. The reduction of the number of observation is mainly due to missing values in the independent variable concerning the family status of the local firm. Indeed, each time was not possible to identify with accuracy the ultimate owner of the firm, the observation was dropped.

3.4.2 Variables

Dependent variable. The establishment mode is identified by a binary variable coded "1" if the foreign entry is a greenfield joint venture with a local partner and "0" if it is a partial acquisition of the local firm. The threshold used to define a joint venture is the 95 percent of equity (Chen, 2008; Padmanabhan & Cho, 1999).

Independent variables.

Local family firm. To capture the effect of the family status of the local partner we used a dichotomous variable which takes the value "1" if the local firm is a family business. A firm is defined as a family business if the ultimate owner is an individual or a family, and at least one member of this family is a CEO, a CFO, a Chairman, from boards and committees[3], from an executive department[4].

The main requirements to define a firm as a family business are the percentage of ownership held by an individual or a family and on other requirements inherent the management and the vision of the family. Most of the studies in the field to accomplish the first requirement use data on the first

[3] A family member is from the following board and committees: board of directors, supervisory board, executive board, executive committee, advisory board, all committees.

[4] A family member is from one of the following departments: Senior management, Product/Project/Market Management, Finance and Accounting, Operations and Production, Administration department, Quality Assurance, Human Resources, Purchasing and Procurement, Sales & Retail, IT and IS, Marketing and Advertising, Health and Safety, Customer Service, Legal/Compliance department, Branch Office, R&D / Engineering.

shareholder (Arregle, Naldi, Nordqvist, & Hitt, 2012; Bhaumik, Driffield, & Pal, 2010; Gomez-Mejia et al., 2010). However, the first shareholder often does not coincide with the ultimate owner, i.e. the shareholder with the highest percentage of controlling power over the firm. This discrepancy is due to frequent use, in most of the countries, of pyramidal structures, multiple-control chains, cross-holding, and dual class of shares. Thus, considering the first shareholder type could lead to misleading results. However, only a few studies employed the ultimate owner data to define a family firm (Bertrand et al., 2008; Ellul et al., 2010). "Pyramiding occurs when the controlling shareholder owns one corporation through another which he does not totally own. Firm Y is held through "multiple control chains" if it has an ultimate owner who controls it via a multitude of control chains, each of which includes at least 5 percent of the voting rights at each link. Cross-holdings means company Y directly or indirectly controls its own stocks.*"* (Faccio & Lang, 2002: 366). Through these mechanisms, an individual or an entity might actually exert more control over a firm than the first shareholder through its shares directly owned[5]. Thus, it is important to identify accurately who is the actual owner of the company which has the control over it and the power to affect its strategies. We distinguished between ownership rights and control power. The ownership rights are calculated multiplying all the percentages of voting rights in each chain and summing up the value of all chains. The control power is calculated summing the weakest links of each control chain. Thus, the ultimate owner is the entity with the highest percentage of controlling power along with all the chain of shareholders (Faccio & Lang, 2002). To identify the ultimate owner, following Faccio and Lang (2002), we took account of pyramids, cross-holdings, and multiple control chains. We took into consideration only links with at least 5% of ownership rights (Faccio & Lang, 2002). Studying the effect of ownership type on firm's strategies is preferable to use the information on the ultimate owner instead of the first shareholder. We are confident that through this methodology we obtained more precise and accurate data to define a firm's family status.

Data on the ultimate owner have been collected from Orbis database using as reference date one month before the date of the first rumour about the deal, as indicated by Zephyr. If information on ownership were not available for this date, we search backwards until three years before the date of the rumour. If information were still missing, we would search until one month before the date in which the deal has been completed.

Industrial cluster. To test the second hypothesis, we construct a binary variable *Cluster*. Data on the cities belonging to an industrial cluster in 2001 and 2011 have been collected from the Italian National

[5] A practical example showing the difference between ultimate owner and first shareholder is reported in the second chapter "Entry mode strategies and family firms: joint venture versus wholly owned subsidiary".

Institute of Statistics (ISTAT), for 2001 and 2011. To build the variable Cluster the city of the local partner has been compared merging the information about the two years. The variable *Cluster* is coded “1” if the city of the local partner is located in an industrial cluster in 2001 and/or 2011.

Control variables. According to the different theoretical frameworks, previous studies have identified determinants at the firm, country, industry, and subsidiary level (Dikova & Brouthers, 2016). However, for the reasons explained above and in the light of the study of Chen (2008) it is difficult to extrapolate general conclusions from previous studies and to infer the choice between greenfield joint venture and partial acquisition from them. We included some of the most used variables in previous studies as per the transaction cost theory to control for their effect on the establishment choice.

Related investment. Previous studies state that an MNE investing in a different industry is likely to incur in high transaction costs because of its lack of specific knowledge of that industry (Brouthers & Dikova, 2010; Hennart & Park, 1993). This knowledge is embodied into the local partner and it is difficult to acquire in disembodied form, thus is more likely that the MNE will opt for an acquisition (Drogendijk & Slangen, 2006; Larimo, 2003). However, these studies tested this hypothesis comparing greenfield and acquisition without distinguishing on the level of ownership. Thus, the results are difficult to compare. Indeed, the MNE investing in a different industry may benefit from the specific knowledge of the partner through a greenfield joint venture. For instance, the greenfield joint venture established between De Beers (mining sector) and LVMH (fashion) to create jewellery. De Beers through this greenfield joint venture could enter the market of luxury goods in which the experience of LVMH has been crucial. Thus, having a partner the MNE can overcome the high transaction costs arising from the lack of specific knowledge. The variable has been measured by a binary which takes the value 1 if the investing company and the local partner are active in the same 3-digit SIC industry.

Product-specific knowledge. The specific knowledge of the industry might have a different impact on the establishment choice if the investing company is going abroad to manufacture a product that does not produce elsewhere. In this case, the MNE lacks the product-specific knowledge and to acquire this tacit knowledge in disembodied forms through the greenfield is difficult and costly (Slangen & Hennart, 2007). MNEs that are entering a foreign market to manufacture a product unrelated to their business are more likely to choose a partial acquisition investment. To measure the effect of the product specific knowledge we build a binary variable equal to “1” if the local partner is a manufacturing firm active in a different 3-digit SIC industry from the investing firm (Hennart & Park, 1993)

MNE's Size and *MNE's Resources.* Previous studies found opposite results concerning the effect of the size if the investing company (Dikova & Brouthers, 2016). Yip (Yip, 1982) states that greater size allows overcoming entry barriers so better greenfield. Some authors state that larger firms have more resources to make an acquisition. However, as suggested by Dikova and Brouthers (2016), it is better to measure the resources of the investing company with the assets and not with the number of employees. Thus, we adopted two different measure. The natural logarithm of the number of employees as a proxy for the size and the natural logarithm of the total assets as a proxy of the resources. Both variables are measured one year prior the investment.

PartnerSize. We include the size of the local partner has been included as a control variable because the higher is its size, the more difficult will be to acquire it for the MNE. It has been measured as the natural logarithm of the number of employees of the partner one year before the investment.

CountryExperience. Uncertainty increases the costs of integration. Thus, is more likely that firms with limited experience prefer acquisition than greenfield to exploit partner's country-specific knowledge and to overcome the liability of foreignness (Larimo, 2003). Previous experience in the host country allows the investing firm to have a specific knowledge of the host country reducing the transaction costs. Thus, previous experience in the host country is likely to affect positively the probability to make a greenfield joint venture. We measure the variable *CountryExperience* with a binary variable coded "1" if the MNE made previous investments in Italy.

Diversification. Diversified firms are able to reduce the transaction costs related to new acquisition investments because through diversification they have developed management control system capabilities (Drogendijk & Slangen, 2006; Slangen & Hennart, 2008). We measure the diversification with the number of 3-digit SIC industries in which the investing firm is active.

IndustryGrowth. In industries growing at a fast rate the entry barriers deriving from the incumbent firms are likely to be more severe than in industries with a low growth rate. Thus, a high industry growth is likely to affect positively the likelihood of a greenfield rather than an acquisition (Brouthers & Brouthers, 2000; Somlev & Hoshino, 2005). We collected data on the industry growth rate in the year before the investment have been collected from Eurostat website.

Psychic Distance. Psychic distance is likely to positively affects the probability of greenfield investments because it makes difficult to transfer MNE's practices in the acquired firm. While, in a new subsidiary established from scratch, the employees are more likely to accept the practices. Thus, the transaction costs are lower with a greenfield investment. We measure the psychic distance with the composite index of Dow and Karunaratna (2006) (Dow & Larimo, 2011).

Time. Because the sample contains investments made over a ten-year period, ranging from 2005 to 2015, we control for the time fixed effect. We use three dummy variables dividing the period into three clusters: prior the financial crisis (2005-2007), during the crisis (2008-2009), and post-crisis (2012-2015). We use the years during the financial crisis as a baseline.

Table 3.1 describes each variable and the expected sign of its effect on the likelihood of the establishment mode.

Table 3.1 Independent variables and expected sign

Name Variable	Description (Source)	Expected sign (+ = positive effect on GreenfJV)
PartnerFamily	The Local company is a family firm (Orbis)	-
Cluster	The investment is made in an industrial cluster (Istat)	-
RelatedInvestment	Binary variable coded "1" if the MNE and the local partner are active in the same 3-digit SIC industry (Orbis)	-
Diversification	Natural logarithm of the number of MNE's SIC industries	-
Industry_Growth	Local: Annual % growth of the gross value added by NACE industry 2digit (Eurostat)	+
PsychicDistance	Psychic Distance between MNE's and local's countries, calculated as the Dow and Karunaratna (2006) index	+
CountryExperience	MNE's previous experience in the host country: dummy variable coded "1" if the MNE made previous deals in Italy (Zephyr)	+
Local's Size	Natural logarithm of the number of employees of the local partner (Orbis)	+
MNE's Size	Natural logarithm of MNE's number of employees (Orbis)	+
MNE's Resources	Natural logarithm of MNE's total assets (Orbis)	+/-
MNE Manufacturing	The local is a manufacturing company: SIC code 3-digit is between 200 and 399 (Orbis)	-
SameIndustry	Dummy variable which takes the value "1" if the local and the MNE are active in the same macro industry (Orbis)	-
Product Knowledge	MNE and Local partner are in two different industries and the MNE is a manufacturing firm (Orbis)	-
Time	3 dummies identifying the period (before, during, or after the crisis) during which the deal has been concluded: 2005-2007, 2008-2009, 2010-2015 (Zephyr)	+/-

Table 3.2 and Table 3.3 show respectively the descriptive statistics of the continuous variables and the frequency of the binary variables.

Table 3.2 Descriptive statistics continuous variables

Variable	Obs.	Mean	Std. Dev.	Min	Max
MNE's Size	357	6.1968	3.6365	0.6931	12.8551
Partner's Size	357	4.4587	2.6096	0	11.5976
MNE's Resources	357	12.1675	6.2289	-52.5195	37.9605
Industry_Growth	357	0.0134	0.0621	-0.23	0.48
Diversification	357	0.4296	0.5768	0	2.0794
Psychic_Distance	357	1.3706	1.4781	0.48	7.79

Table 3.3 Frequencies binary variables

Variable	Frequency
Greenfield JV	121
PartnerFamily	164
Cluster	42
Country_Exp	106
MNE Manufacturing	94
Related_Investment	63
Product_Knowledge	97
Pre-crisis	102
Crisis	120
Post-crisis	135

To assess the issue of multicollinearity, we performed a correlation analysis; the results are reported in Table 3.4. From the correlation matrix does not appear that the multicollinearity is a problem. As an additional test, we also compute the variance inflation factor (VIF). The highest value is 1.68. Thus, we can conclude that the multicollinearity is not an issue. In the next section that follows, we will present the results of the empirical analysis.

Table 3.4 Correlation matrix

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Greenf_JV	1														
FamilyPartner	-0.173*	1													
Cluster	-0.151*	0.099	1												
RelatedInvestment	-0.021	-0.043	-0.032	1											
Diversification	0.008	-0.058	-0.107*	0.005	1										
ProductKnowledg	-0.144*	0.207*	0.206*	-0.282*	-0.185*	1									
IndustryGrowth	0.108*	-0.236*	-0.055	0.024	0.033	-0.058	1								
PsychicDistance	-0.003	0.111*	0.234*	0.053	-0.039	0.149*	0.033	1							
CountryExp	-0.012	-0.131*	-0.028	0.053	-0.003	-0.093	0.128*	0.023	1						
Partner’s Size	0.269*	0.010	0.003	-0.016	-0.007	0.206*	0.087	-0.005	0.042	1					
MNE’s Size	0.153*	-0.084	0.089	0.163*	-0.285*	0.023	0.154*	0.010	0.286*	0.180*	1				
MNE’s Resources	0.021	-0.034	-0.074	0.107*	-0.111*	0.052	0.149*	-0.090	0.134*	0.125*	0.410*	1			
Manufacturing	-0.025	0.163*	0.097	0.123*	-0.232*	0.192*	-0.016	0.241*	-0.096	0.097	0.293*	0.047	1		
Pre_crisis	0.149*	-0.346*	-0.096	0.211*	0.014	-0.093	0.158*	-0.112*	0.091	0.131*	0.152*	0.127*	-0.054	1	
Post_crisis	-0.289*	0.266*	0.163*	-0.027	-0.064	0.173*	-0.279*	0.102	-0.114*	-0.017	-0.107*	-0.086	0.097	-0.493*	1

3.5 Results

Given the binary nature of our dependent variable, we tested the hypotheses by using a binomial logistic regression. We estimated three models and the results are reported in Table 3.5. The Model 1 is a parsimonious model in which are included only the control variables, in Model 2 we add the independent variable testing the first hypothesis and in Model 3, the complete model we also added the independent variable testing the second hypothesis. The sign and significance of all variables, except for the *PsychichDistance*, are consistent across all the three models, while the explanatory power of the model increases. A positive sign of the estimated coefficient denotes an increase in the probability of a greenfield joint venture.

As predicted by Hypothesis 1 if the local partner is a family business, is more likely that the investing firm will opt for a partial acquisition rather than a greenfield joint venture. The coefficient of the variable capturing the *familiness* effect of the local partner (coded "1" if the local firm is a family firm) is negative and significant ($p<0.1$), supporting our first hypothesis. As reported in the fifth column of Table 3.5, the familiness of the partner decreases by 9 percent the probability of a greenfield joint venture. The coefficient of the variable exploring the effect to invest in an industrial cluster is negative and significant ($p<0.01$), as predicted by Hypothesis 2. If the investing company is entering an industrial cluster, it is more likely that it will do through a partial acquisition rather than a greenfield joint venture. The marginal effect shows a decrease by 22 percent of the probability. Thus, both our hypothesis are supported, and the results confirm that when the local partner owns a specific asset that affects all the other assets of the company, the investing firm is not able to obtain access to the desired complementary assets through a greenfield joint venture, but it will choose a partial acquisition. According to the transaction cost theory firms having previous experience in Italy are more likely to choose a partial acquisition, rather than a greenfield joint venture. The coefficient measuring the host country experience is negative and significant ($p<0.01$). Both the coefficients measuring the size of the investing and the local firm are positive and significant ($p<0.01$), as we expected according to the theory. Larger firms are more likely to opt for a greenfield joint venture. While the diversification of the MNE is not significant, the product-specific knowledge has a significant negative effect ($p<0.01$) on the choice of the establishment mode. Firms entering a foreign market to manufacture a product that they do not manufacture elsewhere, and thus they lack this specific knowledge owned by the local partner, are more likely to choose a partial acquisition investment. The coefficient of the variable measuring the psychic distance between the host and the home country is positive and significant ($p<0.01$). Thus, firms entering a highly psychic distant market are more likely to choose a greenfield joint venture to overcome the difficulties arising from the integration in a partial acquisition.

The percentage of correctly classified observation is 74.51%. Thus the model performs well. As robustness checks, we construct the variable Cluster using only data on 2011 or 2001. Results do not change. We control for the geographic effect grouping the home countries in 3 geographic macro areas: Europe, America (North and South) and rest of the world. The two hypotheses are still supported but the Psychic Distance and the variable measuring the resources of the MNE are not more significant.

Table 3.5 Logistic regression models greenfield joint venture versus partial acquisition

Dependent variable Greenfield JV= 1 if the establishment mode is a greenfield joint venture, 0 if it is a partial acquisition				
Variables	**Model (1)**	**Model (2)**	**Model (3)**	**Marginal effects Model (3)**
FamilyPartner		**-0.509*** (0.0791)	**-0.557*** (0.0567)	**-0.0946**
Cluster			**-1.351***** (0.00609)	**-0.2293**
Related_Investment	**-0.625** (0.140)	**-0.563** (0.178)	**-0.536** (0.196)	**-0.0908**
Diversification	**-0.0338** (0.886)	**-0.0437** (0.858)	**-0.0549** (0.819)	**-0.0093**
ProductKnowlegde	**-1.200***** (0.000341)	**-1.153***** (0.000676)	**-1.084***** (0.00196)	**-0.1839**
IndustryGrowth	**-0.223** (0.911)	**-0.835** (0.679)	**-1.054** (0.607)	**-0.1789**
Psychic_Distance	**0.126** (0.130)	**0.135** (0.120)	**0.189**** (0.0393)	**.0320**
Country_Experience	**-0.725**** (0.0189)	**-0.754**** (0.0134)	**-0.820***** (0.00847)	**-0.1391**
Local's Size	**0.278***** (5.01e-08)	**0.282***** (3.50e-08)	**0.282***** (1.03e-07)	**0.0479**
MNE's Size	**0.122***** (0.00561)	**0.114***** (0.00992)	**0.134***** (0.00273)	**0.0227**
MNE's Resources	**-0.0255** (0.182)	**-0.0232** (0.233)	**-0.0317** (0.109)	**-0.0054**
Manufacturing	**-0.356** (0.260)	**-0.315** (0.326)	**-0.301** (0.348)	**-0.0510**
Pre_crisis	**-0.109** (0.722)	**-0.287** (0.371)	**-0.332** (0.307)	**-0.0564**
Post_crisis	**-1.498***** (8.54e-06)	**-1.515***** (8.45e-06)	**-1.478***** (1.68e-05)	**-0.2508**
Constant	**-1.355***** (0.00138)	**-1.095**** (0.0143)	**-1.042**** (0.0199)	
Observations	357	357	357	
Pseudo R-squared	0.181	0.188	0.204	

Robust standard errors in parentheses * significant at 10%; ** significant at 5%; *** significant at 1%

3.6 Discussion and Conclusions

This paper makes several important contributions. First, we contribute to the entry mode literature because grounding on the Transaction Cost theory. We demonstrated that assets embedded into a local firm, or external to the local firm but internal to the district, with a wide range of applications inside the firm, but not tradeable in a disembodied form and not replicable in a greenfield joint venture without affecting the value in the original firm, affect the establishment mode choice. Our empirical analysis shows that this is the case of the *familiness* asset and the mix of knowledge and connections of firms in an industrial cluster. When an MNE decides to enter a foreign market with a local partner, because it is interested in some asset owned by the local partner, the partner's ownership structure and its corporate governance play a key role. If the partner is a family business, its *familiness* affects all the assets owned by the firm. The assets in which is interested the MNE are valuable only in combination with the *familiness*. Family business assets are impossible to disentangle from the *familiness*. Thus, the family partner cannot share its assets in a greenfield joint venture without the effect of the *familiness*. The only way for the MNE to exploit the partner's assets without losing their original value is through a partial acquisition. The cluster location is a completely different context with many similarities. In the case in which an MNE enters an industrial cluster with an incumbent firm as a partner because it aims to exploit the competitive advantage of the partner to be in the cluster. All the assets of the local partner are affected by a generic asset specific knowledge and connections with the other firms in the cluster. Whether the MNE is interested in the generic asset but not replicable in a greenfield joint venture. Indeed, the local partner cannot share its knowledge and networks in a greenfield joint venture without affecting its competitive advantage and its other assets.

Second, we contribute to the family business literature because we demonstrated that the family ownership and its involvement in the corporate governance affect foreign entry strategies. Confirming the theoretical model of Hennart (2009), stating that entry strategies are bilateral choices, we demonstrated that the partner family control affects the establishment mode choice. Our results demonstrate that family firms own a specific asset that affects their transaction costs. Thus, the Transaction Cost theory, that only recently has been started to be applied to family firms (Gedajlovic & Carney, 2010; Verbeke & Kano, 2010) is a theoretical framework to explain also the family firms strategies.

Third, we contribute to the entry mode research focusing on the effect of the location in an industrial cluster. Previous studies on entry modes focused more on the location at the country level. Using a single host country we were able to study more deeply the different location in one single country, demonstrating that the cluster location is an important determinant of transaction costs and therefore of the establishment mode decision.

Fourth, regarding the methodology and the empirical analysis, we use a more accurate definition of family firms, defining them in term of the ultimate owner and management control of the family members.

Finally, because the choice between greenfield joint venture and partial acquisition has been overlooked in previous studies, with the only exception of Chen (2008), we contribute to the literature shedding light on this specific choice. Even if the establishment and entry mode decisions are determined by a different set of factors, the choice between greenfield and acquisition should be studied taking into consideration also the presence or not of a partner. Indeed, if a firm decided to have a partner, it is important to know which are the discriminants in the decision to establish a greenfield joint venture with it or to partially acquire it. According to our results, we state that the family ownership and the cluster location are two significant factors.

The most important limitation of this research is that we focused on only one host market, Italy. Thus, generalisation is not possible. Future studies could extend the study to more host countries. Second, an issue that was not assessed in this study is the effect of the ownership of the investing company. Future research could study how the family control of the MNE affects its establishment mode decision if the local partner is a family firm.

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Tables