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Family CEO and Board Service: Turning the Tide for Export Scope in Family SMEs

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Family CEO and Board Service: Turning the Tide for Export Scope in Family SMEs

ABSTRACT
Adopting the socioemotional wealth perspective, we argue that the presence of a family CEO in family SMEs negatively affects export scope, but that such negative effect is mitigated by board service. We develop and test a model that considers the synergistic combination of family management and another important aspect of family governance in the context of family firm internationalization: the service behavior of the board of directors. The empirical evidence from a sample of 248 Belgian family SMEs shows that governance is crucial to overcoming the problems of family management: family CEOs may negatively influence export scope, but board service is able to turn the tide so that the family CEO effect becomes positive. With such novel findings, we contribute to international business and family business studies.

Keywords: Export scope, Family firms, Family CEO, Board of Directors, SMEs.
1. Introduction

International business research has long emphasized the importance of exports for the growth of small and medium-sized firms (SMEs), considering the geographic scope of exports as central to their competitiveness (Johanson & Vahlne, 1977, 2009; Knight & Cavusgil, 2004). Indeed, increasing the export scope can help SMEs create additional value through economies of scope (Aulakh, Rotte, & Teegen, 2000; Reid, 1981), also providing a means to spread risk (Patel, Criaco, & Naldi, 2018). SMEs can best leverage the knowledge they gain through internationalization by entering additional foreign markets (Johanson & Vahlne, 1977, 2009) and exposing themselves to more expansive learning opportunities (Lu & Beamish, 2004). However, selling products and services to multiple countries is challenging and requires substantial new knowledge, competences, and financial resources to cope with the entry barriers of new foreign markets (George, Wiklund, & Zahra, 2005), to coordinate a greater number of geographically dispersed downstream activities (Hashai, 2011), and to deal with the complexity of responding to local customers (Chen & Lin, 2016; Kumar, 2009).

Research findings grounded in agency theory and its behavioral extension suggest that these challenges are particularly acute for family firms whose management team is led by a family CEO. This is due to specific agency costs, including adverse selection and nepotism (Schulze, Lubatkin, Dino, & Buchholtz, 2001; Schulze, Lubatkin, & Dino, 2003), as well as resistance to change as a result of the family CEO’s preoccupation with preserving family control and wealth (Banalieva & Eddleston, 2011; Gómez-Mejía, Makri, & Larraza-Kintana, 2010). Specifically, recent research finds that having a family member at the helm makes family firms less likely to internationalize (Majocchi & Strange, 2012) and succeed outside neighboring countries (Banalieva & Eddleston, 2011), while having professional managers recruited from outside the firm spurs international diversification (D’Angelo, Majocchi, & Buck, 2016). However, these findings are at odds with real world observations showing that an increasing
number of family-led SMEs do become global players with exports across multiple foreign countries (PWC Survey, 2014). In addition, the recent study of Alessandri, Cerrato, and Eddleston (2018) reveals that among family firms, family managed firms have a lower home region orientation, and a higher degree and breadth of internationalization than non-family managed firms.

Research at the interface between internationalization and family business (see the recent review of Casillas & Moreno-Menéndez, 2017) has started to delve deeply into these mixed findings by exploring the contingency factors that alter the effects of family management, including the involvement of external owners (Arrègle, Naldi, Nordqvist, & Hitt, 2012; D’Angelo et al., 2016; Ray, Mondal, & Ramachandran, 2018). Our paper contributes to this line of research by developing and testing a model that considers the synergistic combination of family management and another important yet understudied aspect of family governance in the context of internationalizing family firms: the behavior of the board of directors. Specifically, adopting the socioemotional wealth (SEW) perspective, we propose that having a family CEO has a negative effect on the firm’s export scope owing to SEW loss aversion. Indeed, family CEOs tend to make decisions that preserve the stock of affect-related value invested in the firm, and increasing export scope, which can contribute to the firm’s competitive advantage, is a strategy that carries a higher likelihood of SEW loss (Gómez-Mejía et al., 2010). However, the family CEO’s SEW loss aversion may be mitigated by a specific corporate governance mechanism, namely, the board of directors providing advice and resources to support decision-making (i.e. board service).

Our study on a dataset of 248 Belgian family SMEs reveals that in family SMEs, the family CEO might negatively influence export scope, but board service is able to turn the tide for export scope so that the family CEO effect becomes positive. With these novel findings, we bring several contributions to the literature. First, we contribute to the international business
(IB) literature by proposing that governance factors can interact with management factors to influence important strategic objectives, such as export scope. As such, we respond to calls for more research into the effects of key governance factors on the internationalization of firms (Filatotchev & Wright, 2011). Specifically, while prior IB research explores either the board’s monitoring role or composition (e.g. the number or percentage of foreign directors) (Oxelheim, Gregorič, Randøy, & Thomsen, 2013), we point to the board of directors’ service role. Our results also contribute to the literature on the internationalization of family firms by proposing that a specific board behavior is likely to release the potential of SEW considerations on export scope, whereas SEW preservation has thus far been considered an internationalization constraint (Alessandri et al., 2018).

Second, we contribute to the family business literature by following the lead of recent research suggesting family firms are heterogeneous (e.g. D’Angelo et al., 2016; De Massis, Frattini, Majocchi, & Piscitello, 2018; Pukall & Calabrò, 2014), exploring the interplay between management and governance features within family SMEs. We consequently join the efforts of those scholars who have studied the appropriate governance arrangements for specific family firm features (Miller, Minichilli, & Corbetta, 2013; Miller, Le Breton-Miller, Minichilli, Corbetta, & Pittino, 2014). Further, family business research has largely focused on the effects of the structural characteristics of the board of directors (for a review, see Bammens, Voordeckers & Van Gils, 2011). In this study, we investigate how actual board behavior alleviates the loss aversion of family CEOs and facilitates decisions concerning the number of countries the firm should export to.

2. Hypotheses development

2.1. Export scope

Spreading export activities across multiple foreign countries is a key aspect of SME internationalization (Aulakh et al., 2000; Piercy, 1981). The literature has well documented the
determinants of international diversification decisions through the foreign direct investments of large multinational firms (Geringer, Beamish, & daCosta, 1989; Hitt, Hoskisson, & Kim, 1997; Kim & Mathur, 2008). However, less is known about the determinants of export scope decisions that do not involve foreign direct investments. This is a crucial issue for SMEs whose primary mode of foreign market participation is exporting (Sui & Baum, 2014).

Export scope can serve as a hedging mechanism against uncertainty and risk in the firm’s internationalization efforts (Patel et al., 2018). It can also help SMEs create additional value through economies of scope in operating in multiple countries (Aulakh et al., 2000; Reid, 1981). In particular, SMEs increase the sales of their products and services by targeting similar customer segments across countries. This export scope advantage is particularly strong for SMEs due to the fact these firms tend to follow niche strategies (Ebben & Johnson, 2005) targeting narrower market segments compared to their larger counterparts (Chen & Hambrick, 1995). As Aulakh et al. (2000: 349) explain, when following a niche strategy “the potential market in any one country is saturated very quickly, and the only way to expand the size of the market is to target like segments in different countries”. Further, internationalization theory holds that SMEs can best leverage the knowledge they gain through internationalization by entering into additional foreign markets (Johanson & Vahlne, 1977; 2009) and exposing themselves to more expansive learning opportunities (Lu & Beamish, 2004). Thus, export scope is important for their long-term development.

Nevertheless, export scope requires investments and commitments to overcome the entry barriers of multiple foreign markets and to coordinate a greater number of geographically dispersed activities, such as marketing, sales, and distribution (Hashai, 2011). Further, export scope requires competent and dedicated resources to meet the different demands and needs of multiple local customers (Kumar, 2009), and substantial adaptations in the firm’s operation methods, including new processes and routines for transferring existing knowledge to multiple
export markets, and learning and absorbing new knowledge from such markets (Aulakh et al., 2000; Szulanski & Jensen, 2006).

In sum, internationalization research suggests that the targeted scope of export markets is an important decision for the leaders of SMEs, requiring commitment and dedicated resources. Against this backdrop, of major importance is developing a deeper understanding of how family management and governance may influence export scope.

2.2. The socioemotional wealth (SEW) perspective

SEW refers to all non-financial endowments of the firm meeting the family’s affective needs, such as reputation, ability to exercise influence, and perpetuation of the family dynasty (Naldi, Cennamo, Corbetta, & Gomez-Mejia, 2013). We side with Gomez-Mejia, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes (2007) and Gomez-Mejia et al. (2010) in arguing that preserving SEW is the real point of reference for family decisions and behaviors. Prior research advocates that SEW preservation becomes more salient in decision-making when family influence in the firm increases (Alessandri et al., 2018; Gómez-Mejía et al., 2010), even suggesting that the appointment a family CEO is a SEW-preserving mechanism (Naldi et al., 2013). As a result, family CEOs act after evaluating how their decisions impact the family’s SEW endowment (Berrone, Cruz, Gomez-Mejia, & Larrazá-Kintana, 2010; Zellweger, Kellermanns, Chrisman, & Chua, 2012), making decisions that are not driven exclusively by the search for strategic efficiency, especially when SEW is threatened (Chrisman, Chua, Pearson, & Barnett, 2012).

SEW is a multi-dimensional concept including factors such as family control and influence over the firm, identification of family members with the firm, binding social ties, emotional attachment of family members, and renewal of family bonds through dynastic succession (Berrone, Cruz, & Gómez-Mejía, 2012). We argue that the introduction of the SEW concept may offer a new perspective to our research problem. As we will illustrate next, family CEOs
are more likely to have high SEW aspirations, turning their leadership into a detrimental factor for increasing export scope. Indeed, while export scope allows firms to enjoy potential competitive advantages, it also carries a higher likelihood of SEW loss (Gómez-Mejía et al., 2010). We thus propose board service as a key contingency factor that will make SEW less salient for family CEOs, consequently attenuating the negative effects on export scope.

2.3. Family CEOs and export scope of SMEs

It could be argued that due to their SEW preservation propensity, family CEOs provide some benefits for export scope, mostly related to the need to renew family bonds through dynastic succession. Indeed, family CEOs may want to increase the export scope of their firms to create job positions and new revenue streams for the next generation members, viewing the firm as a legacy of family efforts to manage transgenerational intentions (Miller, Le Breton-Miller, & Scholnick, 2008; Segaro, Larimo, & Jones, 2014). Family CEOs unquestionably demonstrate greater commitment (Miller et al., 2013), and work assiduously to secure the benefits of control for later generations (Lansberg, 1999), thus developing an attitude toward long-term investments (Miller & Le Breton-Miller, 2005) that could be met by spreading the firm’s export activities across multiple countries. Indeed, family CEOs may perceive the extension of the firm’s export scope as an ideal risk-diversification strategy in terms of political instability, fluctuations in exchange rates, or economic cycles to ensure the continuation of the family legacy and provide desired welfare for the next generations.

Despite these potential benefits, having a family CEO may also limit the firm’s export scope for a number of reasons related to the other dimensions of SEW. First, the need to preserve family control over ownership and management may limit export scope because exporting to multiple foreign countries would require additional external funding that might transfer more real or perceived power to outside investors, such as venture capitalists and banks (Tosi & Gómez-Mejía, 1989). Similarly, increasing information processing demands that accompany
export scope may require additional outside managerial talent (Calabrò and Mussolino, 2013), with an undesired loss of control for the business family. Thus, the greater the number of countries the firm is exporting to, the greater the need for financial resources and specialized managers is for the firm. However, family-led SMEs are less inclined to dilute family control to obtain the necessary funding and to hire talented managers with the needed international experience. Additionally, considerable adaptations in the firm’s operation methods are required to face the complexity of export activities (Johanson & Vahlne, 2009). Considering family CEOs’ strong emotional attachment to the historical foundations of the business (Miller et al. 2008), they could be particularly reluctant to proceed with these organizational changes. Family CEOs may perceive a misfit with or even a loss of the historic values of the family if they extend the firm’s export scope since it could induce drastic transformations to the business model to which the family is emotionally tied. Indeed, exporting to a larger number of foreign countries implies the adoption of more globalized and sophisticated business models that are at odds with the family’s desire to uphold the founder’s strategic focus (Alessandri et al., 2018).

Second, their strong sense of identity may induce family CEOs to divert firm resources toward family use, a practice that, in the case of financial resources, is labeled “tunneling” (Johnson et al., 2000; Bhaumik & Gregoriou, 2010). Prior literature stressed that tunneling can take the form of expropriation of cash flows, or assets, or equity, or a combination of two or more of these attributes (Atanasov et al., 2008). In the context of family SMEs, in particular, the desire of family CEOs to help other family members may lead them to cash flow tunneling, by offering secure employment, preferential treatment, perks or other privileges (Lim, Lubatkin, & Wiseman, 2010; Schulze et al., 2003). In addition to reducing the firm’s financial resources, family CEOs may deprive the organization of a potentially larger pool of non-family managers with more diverse experiences, competences, and skills (Bertrand & Schoar, 2006; Mehrotra, Morck, Shim, & Wiwattanakantang, 2013). Accordingly, family CEOs’ sense of
identity tends to reduce the amount of financial and human resources available, which impedes the ability of family SMEs to expand exports in multiple foreign markets.

Third, preserving SEW also implies binding social ties (Berrone et al., 2012), which makes family CEOs more likely to develop enduring relationships with external stakeholders. However, most family CEOs develop connections with other business leaders who are geographically close, thus benefitting from local network ties (Banalieva & Eddleston 2011). As a result, family-led firms may be better connected locally than internationally, and this in turn may inhibit export scope requiring external ties to foreign stakeholders, resources, and institutions (Aulakh et al., 2000; Filatotchev, Liu, Buck, & Wright, 2009). It would be difficult for family SMEs to extend the number of countries they are exporting to without having sufficient international connections to ensure the success of this strategic move. In sum, family CEOs may value family control, identity, and binding relationships with local partners over spreading sales across different countries to gain economies of scope, suggesting that family CEOs may perceive export scope as a potential source of SEW loss that should be absolutely avoided. For these reasons, we hypothesize the following:

*Hypothesis 1: In family SMEs, the presence of a family CEO is negatively associated with export scope.*

2.4. The moderating role of board service

In addition to the CEO, directors are important members of the corporate elite (Hambrick & Mason, 1984), and can affect whether and how CEO characteristics influence what happens in the organization. Specifically, the board of directors might pose constraints and/or support the CEO in her/his job, and through its behavior, create important boundary conditions as to how the CEO’s orientation and characteristics might influence decision-making (Hambrick, 2007).
Boards of directors in family firms are governance bodies that can perform an important monitoring role, including disciplining CEO behavior and evaluating her/his performance (Bammens et al., 2011). However, there is growing recognition that beyond the monitoring role, the board of directors might also professionalize the family firm by playing a service role, providing information, counselling, resources, and key social interactions and relationships that could support the CEO’s decision-making and the implementation of successful strategies. Such service role is much more important in family SMEs, where the high overlap between owners and managers renders the monitoring role less effective (Gabrielsson, 2007; Van den Heuvel, Van Gils, & Voordeckers, 2006). Family business literature has also emphasized relational aspects linked to the service role, with boards of directors promoting social interactions and the formation of a shared vision among the different stakeholders in family firms (Cuadrado-Ballesteros, Rodríguez-Ariza, & García-Sánchez, 2015; Mustakallio, Autio, & Zahra, 2002). These social interactions are a core feature of family firms, and an important source of family social capital (Arregle, Hitt, Sirmon, & Very, 2007). Thus, building on recent evidence of the importance of considering the internal processes and functioning of the board (Basco & Voordeckers, 2015; Tuggle, Schnatterly, & Johnson, 2010; Van Ees, Gabrielsson, & Huse, 2009), also in internationalization (Calabrò & Mussolino, 2011; Calabrò, Torchia, Pukall, & Mussolino, 2013), we propose that board service may decrease the family CEO’s SEW loss aversion and moderate the family CEO-export scope relationship. In more detail, by providing advice and counseling family CEOs, service-oriented boards can help them to better examine the different strategic options and their implications for the family business (Mustakallio et al., 2002). This, in turn, will limit the cases in which export scope decisions are postponed or not taken at all due to the family CEO’s preoccupation with preserving SEW in its multiple dimensions.
First, a service-oriented board of directors can encourage the family CEO to raise capital and make the investments needed to increase the export scope, mitigating their fear of losing or relinquishing control over ownership and management. For example, Zahra, Neubaum, and Naldi (2007) find that board members can play an important service role in SMEs by prompting investments in the resources needed for internationalization. Second, a service-oriented board brings diverse viewpoints and perspectives to decision-making (Lohe & Calabrò, 2017), and may counterbalance the family CEO’s strong identification with the firm and the fear of losing a positive family image and reputation by venturing into multiple and diverse export markets. Relatedly, a service-oriented board may also reduce the role of emotions in decision-making.

In the words of Goel, Voordeickers, Van Gils, and van den Heuvel, (2013: 117), board members “[…] are likely to frown upon family-oriented goals that may be based on emotions (e.g. nepotistic employment policies) that increase socioemotional wealth of the current family but may be incompatible with business and ownership goals”. This is important for increasing export scope. Earlier research shows that emotions (especially if personally-related) may trigger search and prevent CEOs from undertaking investments in international markets (Van de Laar & De Neubourg, 2006). Last, a highly service-oriented board may stimulate the family CEO to extend the outlook of binding ties beyond geographic proximity. In other words, a service-oriented board may provide family CEOs with access to those external resources that are critical for export scope (Calabrò, Mussolino, & Huse, 2009; Corbetta & Salvato, 2004; Hillman, Withers & Collins, 2009), such as international networks and competences (Cesinger, Hughes, Mensching, Bouncken, Fredrich, & Kraus, 2016; Francioni, Vissak, & Musso, 2017; Kontinen & Ojala, 2011; Zaefarian, Eng, & Tasavori, 2016), often constrained by the need and preoccupation to preserve local connections. For these reasons, we hypothesize the following:

**Hypothesis 2:** In family SMEs, the level of board service mitigates the negative relationship between the presence of a family CEO and export scope.
3. Method

3.1. Data collection

We collected the data used in this study via a survey among family SMEs based in Belgium. Investigating the export scope of family SMEs in this context is particularly relevant not only because over 50% of Belgian SMEs are family firms (Crutzen & Pirnay, 2014), but also because Belgium is the 13th largest exporting country (World Trade Organization, 2015) and one of the most open economies in the world (Coucke & Sleuwaegen, 2008). We conducted the survey in two waves (i.e. 2015 and 2017). The first wave in 2015 was aimed at collecting information on the governance structure of family SMEs, while the second wave in 2017 was aimed at obtaining information on the export activities of family SMEs in 2016.

To build our sample, we relied on BEL-FIRST, a publicly available financial database supplied by Bureau Van Dijk that collects information from the annual reports of Belgian firms. In 2015, we identified Belgian SMEs by adopting the European Commission’s definition, according to which (a) the number of employees must be under 250, and (b) the annual turnover may not exceed 50 million euro, or the annual balance sheet total may not exceed 43 million euro. Based on this definition, we identified 315,421 SMEs. In addition, we used other criteria to define our survey target. First, we excluded companies from the financial, social, and education sectors. Second, we excluded firms pertaining to a group to avoid selecting subsidiaries of multinationals, which benefit from considerable cost advantages for export activities (Gaur & Delios, 2015). Third, we excluded micro-firms with fewer than 5 full-time employees since these companies tend to adopt informal governance structures (Gray & Mabey, 2005) and are characterized by unstable objectives that can skew the outcomes of the study (Martin & Javalgi, 2015). Then, given the need for information on board behaviors, we only selected limited liability companies since they are legally obliged to have a board with at least three directors (or two directors when the firm is owned by two shareholders only).
Following this selection, the number of firms identified decreased to 13,457 SMEs. Then, we selected potential family firms using additional criteria. We explored whether the company had the name of one of its directors or whether two or more directors had the same family name to detect possible family involvement in these firms. Based on these criteria, we obtained a group of 4,467 potential family SMEs (our population). Subsequently, we randomly selected a sample of 2,500 companies from this population and sent a questionnaire to the CEOs. After two rounds, we collected 264 questionnaires, corresponding to a response rate of 10.56%. In this research, we identified firms as family businesses if they met two criteria: (a) at least 50% of shares are owned by multiple members of a single family and a family CEO is responsible for managing the business, or (b) at least 50% of shares are owned by multiple members of a single family and the company is not family led but the non-family CEO perceives the firm as a family business (Michiels, Voordeckers, Lybaert, & Steijvers, 2015). Finally, we retained 248 companies due to eliminating 5 non-family firms and 11 incomplete cases.

To complete the dataset with financial information, we used BEL-FIRST. The use of two different data sources (i.e. survey and BEL-FIRST) alleviated common method bias concerns (Podsakoff, MacKenzie, & Podsakoff, 2012). When some financial information was missing in the BEL-FIRST database, we directly referred to the financial statements published by the National Bank of Belgium. Additionally, we controlled for differences between sample firms and respondents, as well as between first and second round respondents, and did not find significant differences in terms of age, industry, and number of employees (Sax, Gilmartin, & Bryant, 2003). The average firm in our dataset has been in business for about 26 years and has about 42 employees. The firms belong to a variety of industries, i.e. manufacturing (33.47%), construction (12.50%), wholesale (20.56%), retail (10.48%), and services (22.99%).

In 2017, we gathered information on internationalization by sending an email questionnaire to the CEOs of our 248 family SMEs. None experienced bankruptcy or acquisitions between
2014 and 2017. After two rounds, we obtained 167 exploitable responses. Then, we conducted phone interviews with the CEOs of the 81 remaining cases to complete our dataset. The high availability of our sample firms is the result of frequent interactions with the university over the years. Thanks to these strong connections, we had the opportunity to collect information on all. Again, we controlled for potential differences between first and second round respondents, without finding any significant differences in terms of age, industry, and number of employees. We also double-checked that the 248 companies could still be defined as family SMEs.

3.2. Variables

Our dependent variable refers to 2016, while the independent and control variables refer to 2015. Prior research frequently employs this type of lagged model to deal with potential endogeneity concerns related to reverse causality (D’Angelo et al., 2016; Zahra, 2003).

**Dependent variable.** To measure Export scope, we employed an entropy index, which over the last decade has become one of the most popular measures of firms’ export efforts (Gómez-Mejía et al., 2010; Majocchi & Strange, 2012; Muñoz-Bullón & Sánchez-Bueno, 2012; Sanchez-Bueno & Usero, 2014; Wieserma & Bowen, 2008). Compared to a single count measure of export destinations, the entropy measure has the advantage of providing a fine-grained measure of export scope by accounting for the number of geographic segments in which a firm operates and the relative importance of each segment over the firm’s total sales (D’Angelo et al., 2016). As such, this indicator accounts for both the difference between the overall extent of sales from outside the firm’s home country and the distribution of such sales between host countries (Sanchez-Bueno & Usero, 2014), allowing us to capture the multidimensional nature of export scope. Although export scope is traditionally measured by the number of countries to which a firm exports its products, international business literature suggests that regions rather than countries are increasingly relevant units of analysis (Rugman
Indeed, current debates on internationalization have progressively shifted from the country level to the regional level (Cerrato et al., 2016), focusing more on how interregional foreignness caused by compounded distance affects the extent of export scope. For these reasons, we followed Majocchi and Strange’s (2012) method and built the entropy measure based on the self-reported geographic distribution of the firm’s sales to six different regions: domestic (i.e. Belgium), the expanded European Union, Asia, North America, Latin America, and a residual region labelled “Rest of the World”. Using this procedure, we calculated the entropy measure of export scope as follows:

\[ Entropy \ measure = \sum_{i=1}^{6} P_i \ln \left( \frac{1}{P_i} \right) \]

where \( P_i \) is the share of the i-th geographic segment in the firm’s total sales. In our sample, the average value of the entropy index is 0.67, with a minimum value of zero and a maximum value of 0.98.

**Independent variables.** The variable Family CEO is a dummy variable coded 1 if the CEO is a member of the owning family, 0 otherwise. The measure for Board service is based on Van den Heuvel et al.’s (2006) 5-item scale (reported in the Appendix), which is found to be internally consistent with a Cronbach’s \( \alpha \) equal to 0.87.

**Control variables.** Since internationalization may be affected by Firm age and Firm size, we controlled for the number of years since foundation and the number of employees (Arrègle et al., 2012; D’Angelo et al., 2016). Given that international activities require financial resources (Gómez-Mejía et al., 2010), we included two variables to control for the firm’s indebtedness and short-term liquidity: Leverage is calculated as the ratio of total debt to total assets, and Liquidity as the ratio of cash and cash equivalents to total assets (Nam & An, 2017). We also included a variable considering the crucial role of productivity for internationalization.
(Golovko & Valentini, 2011). **Productivity** is measured as the value added per worker (full-time equivalent employees) (Onkelinx, Manolova, & Edelman, 2016). Since it is argued that the generation in charge of the company influences the internationalization process of family businesses (Okoroafo & Koh, 2010; Arrègle et al., 2012), we controlled for intergenerational differences by including **Generational stage**, a metric variable corresponding to the generation controlling and managing the business (Sciascia, Mazzola, & Kellermanns, 2014). In our sample, 25.40% of SMEs are at the first generation stage, 49.60% at the second, 16.13% at the third, 7.26% at the fourth, and 1.61% at the fifth. We also included as control variables three individual CEO characteristics that are likely to affect the degree of internationalization: **CEO ownership** (Calabrò et al., 2013), **CEO tenure** (Sanders & Carpenter, 1998), and **CEO duality** (Zahra, 2003). **CEO ownership** is measured as the percentage of shares owned by the CEO. **CEO tenure** corresponds to the CEO’s number of years in the current position. **CEO duality** is a dummy variable equal to 1 if the CEO and chairperson of the board is the same person, 0 otherwise. In addition, we also controlled for the influence of the firm’s governance by including **Board size** (Calabrò et al., 2013) and **Non-family involvement in the board** (Arrègle et al., 2012). **Board size** is measured as the number of board members. **Non-family involvement in the board**, which may also serve as a proxy for board monitoring, corresponds to the percentage of non-family members on the board (Basco & Voordeckers, 2015). Since the presence of foreign investors in ownership is shown to influence internationalization (Calabrò et al., 2013), we controlled for **Foreign ownership** by including the percentage of the firm’s equity held by foreign investors. Finally, we also controlled for industry by including manufacturing (33%), retail (19%), services (18%), high-tech (17%), and wholesale (13%) as dummy variables. For kurtosis considerations, we transformed **Firm age**, **Firm size**, and **Productivity** into their logarithms for the regression analyses. All the independent variables are mean-centered to avoid multicollinearity concerns (Cohen, Cohen, West, & Aiken, 2003).
4. Results

4.1. Descriptive statistics

The correlation coefficients and descriptive statistics are reported in Table 1. We observe a family CEO in 84% of cases: although the sample may appear unbalanced in this respect, we may say that such a percentage mirrors the abundance of family-led firms, as reported by other published studies run in the Belgian context (e.g. Lardon, Deloof and Jorissen, 2017) and beyond (Calabrò & Mussolino, 2013). A robustness test reported at the end of section 4.2. (“Regression analysis”) will confirm that such a presumed unbalanced nature of the sample is not problematic.

The correlation matrix indicates that family CEOs are longer tenured ($p < 0.10$) and own a higher percentage of shares ($p < 0.01$) than non-family CEOs. Moreover, the presence of a family CEO ($p < 0.05$) and CEO duality ($p < 0.05$) appear to be negatively correlated with export scope, whereas a positive correlation is observed between export scope and leverage ($p < 0.05$), liquidity ($p < 0.10$), and productivity ($p < 0.05$). To also note is that non-family involvement in the board is positively correlated with board service ($p < 0.05$). Unsurprisingly, the likelihood of having a family CEO at the helm is negatively correlated with non-family involvement in the board ($p < 0.05$). However, some nuance is added to this point in Table 2, which indicates that non-family involvement in the board is significantly higher in family SMEs led by a non-family CEO compared to family SMEs led by a family CEO ($p < 0.05$).
### Table 1
Mean, standard deviation, and correlations.

| Variable                        | Mean | Median | Min | Max | S.D. | 1      | 2      | 3      | 4      | 5      | 6      | 7      | 8      | 9      | 10     | 11     | 12     | 13     | 14     | 15     |
|---------------------------------|------|--------|-----|-----|------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1. Export scope                 | 0.67 | 0.63   | 0.00| 0.98| 0.25 | 1.00   |        |        |        |        |        |        |        |        |        |        |        |        |        |
| 2. Family CEO                   | 0.84 | 1.00   | 0.00| 1.00| 0.41 | -0.16* | 1.00   |        |        |        |        |        |        |        |        |        |        |        |        |
| 3. Board service                | 16.42| 15.64  | 5.00| 22.00| 6.65 | 0.08   | 0.06   | 1.00   |        |        |        |        |        |        |        |        |        |        |        |
| 4. Firm age                     | 26.05| 24.78  | 4.00| 94.00| 9.30 | 0.04   | 0.08   | 0.07   | 1.00   |        |        |        |        |        |        |        |        |        |        |
| 5. Firm size                    | 46.99| 45.60  | 12.00| 84.00| 11.25| 0.03   | 0.06   | 0.10   | 0.16*  | 1.00   |        |        |        |        |        |        |        |        |        |
| 6. Leverage                     | 0.34 | 0.32   | 0.14| 0.42| 0.29 | 0.15*  | -0.16* | 0.07   | 0.10   | 0.13†  | 1.00   |        |        |        |        |        |        |        |        |
| 7. Liquidity                    | 0.05 | 0.04   | 0.01| 0.27| 0.09 | 0.13†  | 0.13†  | 0.06   | 0.05   | 0.06   | -0.14† | 1.00   |        |        |        |        |        |        |        |
| 8. Productivity                 | 87.213| 85.419| 218.42| 99.418| 2.738| 0.18*  | 0.10   | 0.06   | -0.08  | -0.07  | 0.06   | 0.09   | 1.00   |        |        |        |        |        |        |
| 9. Generational stage           | 2.10 | 2.07   | 1.00| 5.00| 0.47 | 0.04   | -0.12† | 0.08   | 0.11†  | 0.08   | 0.08   | -0.06  | 0.03   | 1.00   |        |        |        |        |        |        |
| 10. CEO ownership               | 0.66 | 0.63   | 0.06| 0.92| 0.41 | -0.09  | 0.23** | -0.08  | -0.05  | -0.08  | -0.04  | -0.08  | -0.07  | -0.07  | 1.00   |        |        |        |        |        |
| 11. CEO tenure                  | 15.14| 13.23  | 2.00| 27.00| 6.31 | -0.13† | 0.11†  | -0.08  | -0.04  | -0.09  | -0.07  | -0.10  | -0.13† | 0.10   | 0.14†  | 1.00   |        |        |        |        |
| 12. CEO duality                 | 0.67 | 1.00   | 0.00| 1.00| 0.48 | -0.17* | 0.15*  | -0.04  | 0.06   | -0.04  | -0.09  | -0.08  | -0.12† | -0.08  | 0.13†  | 0.08   | 1.00   |        |        |        |
| 13. Board size                  | 5.17 | 4.00   | 3.00| 12.00| 3.12 | 0.10   | -0.10  | 0.15*  | 0.10   | 0.13†  | 0.12†  | 0.07   | 0.08   | 0.09   | -0.08  | -0.07  | -0.06  | 1.00   |        |        |
| 14. Non-family involvement in the board | 0.45 | 0.42   | 0.00| 0.80| 0.51 | 0.09   | -0.15* | 0.19*  | 0.09   | 0.09   | 0.10   | 0.09   | 0.15*  | -0.06  | -0.07  | 0.06   | -0.08  | 1.00   |        |
| 15. Foreign ownership           | 0.08 | 0.07   | 0.00| 0.32| 0.05 | 0.16*  | -0.09  | 0.10   | 0.09   | 0.10   | 0.13†  | 0.08   | 0.09   | 0.10   | -0.13† | -0.06  | -0.04  | 0.10   | 0.12†  | 1.00   |

**Notes:** †p < .10; *p < .05; **p < .01; ***p < .001. Untransformed values are reported for the mean, median, minimum, maximum and standard deviation of each variable.
### Table 2
Descriptive comparison between family SMEs led by a family CEO and a non-family CEO.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Family CEO (n = 208)</th>
<th>Non-family CEO (n = 40)</th>
<th>Mean comparison t-test</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Median</td>
<td>Min</td>
</tr>
<tr>
<td>Export scope</td>
<td>0.65</td>
<td>0.61</td>
<td>0.00</td>
</tr>
<tr>
<td>Board service</td>
<td>16.40</td>
<td>15.63</td>
<td>5.00</td>
</tr>
<tr>
<td>Firm age</td>
<td>26.31</td>
<td>25.00</td>
<td>8.00</td>
</tr>
<tr>
<td>Firm size</td>
<td>47.47</td>
<td>46.00</td>
<td>12.00</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.33</td>
<td>0.31</td>
<td>0.14</td>
</tr>
<tr>
<td>Liquidity</td>
<td>0.05</td>
<td>0.04</td>
<td>0.01</td>
</tr>
<tr>
<td>Productivity</td>
<td>87,508</td>
<td>85,428</td>
<td>218.42</td>
</tr>
<tr>
<td>Generational stage</td>
<td>2.07</td>
<td>2.05</td>
<td>1.00</td>
</tr>
<tr>
<td>CEO ownership</td>
<td>0.75</td>
<td>0.72</td>
<td>0.19</td>
</tr>
<tr>
<td>CEO tenure</td>
<td>15.62</td>
<td>13.75</td>
<td>4.00</td>
</tr>
<tr>
<td>CEO duality</td>
<td>0.69</td>
<td>1.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Board size</td>
<td>5.21</td>
<td>4.00</td>
<td>3.00</td>
</tr>
<tr>
<td>Non-family involvement in the board</td>
<td>0.42</td>
<td>0.39</td>
<td>0.00</td>
</tr>
<tr>
<td>Foreign ownership</td>
<td>0.08</td>
<td>0.07</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Notes: † p < .10; * p < .05; **p < .01; ***p < .001. Untransformed values are reported for the mean, median, minimum, maximum and standard deviation of each variable.

### 4.2. Regression analysis

We tested our hypotheses with a Tobit regression procedure (Greene, 2003) due to the high percentage of observations (26%) with an entropy measure of export scope equal to zero (i.e. international sales concentrated in only one country). Such method is frequently employed in similar research contexts to take into account the censored nature of the dependent variable (Sanchez-Bueno & Usero, 2014; Wieserma & Bowen, 2008).

To check for potential multicollinearity problems in our regression models, we calculated the variance inflation factors (VIFs) and condition indexes. All VIF coefficients are lower than 5 and all condition indexes are lower than 10, thereby confirming that multicollinearity is not a concern (Bryman & Cramer, 2001; Wheeler, 2007). Furthermore, to check for
heteroskedasticity, we screened the data with the help of the Breusch-Pagan/Cook-Weisberg test and the White test. While the former determines whether the estimated variance of the residuals from a regression is dependent on the values of the independent variables, the latter tests whether the residual variance of a variable in a regression model is constant. In Model 3, both the Breusch-Pagan/Cook-Weisberg test ($\chi^2(1) = 2.75; p(\chi^2) = 0.6789$) and the White test ($\chi^2= 87.94; p =0.7547$) show that heteroscedasticity is not a concern (Hamilton, 2013).

Table 3 reports the results of the regressions. Model 1 is the baseline model with only the control variables. Interestingly, leverage ($\beta = 0.21; p < 0.05$), liquidity ($\beta = 0.34; p < 0.10$), productivity ($\beta = 0.25; p < 0.05$), foreign ownership ($\beta = 0.41; p < 0.05$), and export intensity ($\beta = 0.34; p < 0.001$) are positively related to export scope, whereas CEO duality ($\beta = -0.37; p < 0.05$) has a negative effect. Model 2 includes the independent variables related to the family nature of the CEO and board behavior. This model reveals that family CEO is negatively related to export scope ($\beta = -0.19; p < 0.05$), supporting Hypothesis 1. In Model 3, the moderating effect of board service on the relationship between family CEO and export scope is explored. The interaction between family CEO and board service is positive and significant ($\beta = 0.38; p < 0.001$), providing strong support to Hypothesis 2.
Table 3
Tobit regressions (dependent variable = export scope, measured by the entropy index).

<table>
<thead>
<tr>
<th></th>
<th>Model 1 (control variables)</th>
<th>Model 2 (independent variables)</th>
<th>Model 3 (interaction)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>1.02***</td>
<td>1.06***</td>
<td>1.11***</td>
</tr>
<tr>
<td>(0.06)</td>
<td>(0.07)</td>
<td>(0.09)</td>
<td></td>
</tr>
<tr>
<td>Firm age (Ln)</td>
<td>0.35</td>
<td>0.39</td>
<td>0.45</td>
</tr>
<tr>
<td>(0.31)</td>
<td>(0.34)</td>
<td>(0.41)</td>
<td></td>
</tr>
<tr>
<td>Firm size (Ln)</td>
<td>0.12</td>
<td>0.18</td>
<td>0.24</td>
</tr>
<tr>
<td>(0.10)</td>
<td>(0.16)</td>
<td>(0.21)</td>
<td></td>
</tr>
<tr>
<td>Leverage</td>
<td>0.19*</td>
<td>0.21*</td>
<td>0.23*</td>
</tr>
<tr>
<td>(0.06)</td>
<td>(0.08)</td>
<td>(0.08)</td>
<td></td>
</tr>
<tr>
<td>Liquidity</td>
<td>0.29†</td>
<td>0.22†</td>
<td>0.25†</td>
</tr>
<tr>
<td>(0.13)</td>
<td>(0.10)</td>
<td>(0.12)</td>
<td></td>
</tr>
<tr>
<td>Productivity (Ln)</td>
<td>0.21*</td>
<td>0.27*</td>
<td>0.29*</td>
</tr>
<tr>
<td>(0.06)</td>
<td>(0.09)</td>
<td>(0.09)</td>
<td></td>
</tr>
<tr>
<td>Generational stage</td>
<td>0.11</td>
<td>0.14</td>
<td>0.09</td>
</tr>
<tr>
<td>(0.10)</td>
<td>(0.12)</td>
<td>(0.08)</td>
<td></td>
</tr>
<tr>
<td>CEO ownership</td>
<td>-0.14</td>
<td>-0.10</td>
<td>-0.22</td>
</tr>
<tr>
<td>(0.12)</td>
<td>(0.08)</td>
<td>(0.19)</td>
<td></td>
</tr>
<tr>
<td>CEO tenure</td>
<td>-0.10</td>
<td>-0.15</td>
<td>-0.12</td>
</tr>
<tr>
<td>(0.07)</td>
<td>(0.11)</td>
<td>(0.08)</td>
<td></td>
</tr>
<tr>
<td>CEO duality</td>
<td>-0.31*</td>
<td>-0.28*</td>
<td>-0.26*</td>
</tr>
<tr>
<td>(0.08)</td>
<td>(0.08)</td>
<td>(0.07)</td>
<td></td>
</tr>
<tr>
<td>Board size</td>
<td>0.14</td>
<td>0.12</td>
<td>0.17</td>
</tr>
<tr>
<td>(0.11)</td>
<td>(0.10)</td>
<td>(0.14)</td>
<td></td>
</tr>
<tr>
<td>Non-family involvement in the board</td>
<td>0.19</td>
<td>0.14</td>
<td>0.20</td>
</tr>
<tr>
<td>(0.12)</td>
<td>(0.08)</td>
<td>(0.14)</td>
<td></td>
</tr>
<tr>
<td>Foreign ownership</td>
<td>0.37*</td>
<td>0.39*</td>
<td>0.34*</td>
</tr>
<tr>
<td>(0.12)</td>
<td>(0.13)</td>
<td>(0.10)</td>
<td></td>
</tr>
<tr>
<td>Family CEO</td>
<td>-0.16*</td>
<td>-0.19*</td>
<td>(0.03)</td>
</tr>
<tr>
<td>(0.03)</td>
<td>(0.04)</td>
<td>(0.03)</td>
<td></td>
</tr>
<tr>
<td>Board service</td>
<td>0.28</td>
<td>0.26</td>
<td>(0.19)</td>
</tr>
<tr>
<td>(0.28)</td>
<td>(0.26)</td>
<td>(0.17)</td>
<td></td>
</tr>
<tr>
<td>Family CEO*Board service</td>
<td>0.32***</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>(0.03)</td>
<td>(0.03)</td>
<td>(0.03)</td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Pseudo $R^2$</th>
<th>Log Likelihood</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.10</td>
<td>-243.21</td>
</tr>
<tr>
<td></td>
<td>0.13</td>
<td>-259.67</td>
</tr>
<tr>
<td></td>
<td>0.17</td>
<td>-294.69</td>
</tr>
</tbody>
</table>

Notes: n = 248; † p < .10; * p < .05; **p < .01; ***p < .001. Standard errors are reported within brackets.

To better interpret the results obtained in Model 3, we plotted the interaction effects in Fig. 1. To build the interaction plot, we employed an ordinary least squares (OLS) model to avoid the problems associated with the interpretation of interaction terms in Tobit models for which the conditional mean of the dependent variable is a nonlinear function of the independent variables (Ai & Norton, 2003). The results obtained in the OLS regressions are quite similar to the Tobit results, allowing us to build our interaction plots based on the OLS parameters.
(D’Angelo et al., 2016). After performing a t-test for single slope (Aiken & West, 1991), the “low board service” line shows the effect of CEO status when the value of board service is one standard deviation below the mean, while the “high board service” line represents the effect of CEO status when the value of board service is one standard deviation above the mean. The graph plotted in Fig. 1 confirms Hypothesis 2 and even goes beyond our expectations by showing that in the case of high board service, the highest level of export scope is reached in firms with a family CEO. In other words, high levels of board service do not simply attenuate the negative effect of a family CEO but actually offset it, so that a family CEO is positively associated with export scope.

![Graph](image)

**Fig. 1.** The moderating role of board service on the relationship between CEO status and export scope.

To improve the robustness of our findings, we conducted an endogeneity check. As the apparent difference in export scope between family firms led by family and non-family CEOs could depend on characteristics that affect whether or not the firm is led by a family CEO rather than on the effect of the CEO status per se, we replicated our analysis with a propensity score
matching method to ensure the causal link between the family status of the CEO and export scope is unbiased (Rosenbaum & Rubin, 1983). Using this procedure also allows us to avoid any potential concern related to the presumed unbalanced nature of our sample characterized by a small proportion of family firms led by a non-family CEO. The first step consists in constructing a treatment group and a control group. In this study, the treatment group consists of family firms led by a family CEO, and the control group consists of family firms led by a non-family CEO. The propensity score is calculated as the predicted probability of treatment, i.e. having a family CEO, employing a probit estimation. We calculated the propensity score using all the independent variables included in our analysis, as they could affect the likelihood of having a family member at the helm. In the second step, we matched family firms led by a family CEO with family firms led by a non-family CEO within the same industry using the nearest neighbor matching method. The second-stage analysis reported in Table 4 shows that the average treatment effect on the treated (ATT) at high levels of board service is positive and significant (0.15, \( p < 0.01 \)) while the ATT at low levels of board service is not significant (-0.04, \( p > 0.10 \)), confirming that family firms led by a family CEO display higher levels of export scope than family firms led by a non-family CEO when board service is high.

<table>
<thead>
<tr>
<th>Variable: Export scope</th>
<th>Low board service</th>
<th>High board service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family CEO</td>
<td>0.57</td>
<td>0.82</td>
</tr>
<tr>
<td>Nonfamily CEO</td>
<td>0.61</td>
<td>0.67</td>
</tr>
<tr>
<td>ATT</td>
<td>-0.04</td>
<td>0.15**</td>
</tr>
<tr>
<td>S.E.</td>
<td>0.06</td>
<td>0.07</td>
</tr>
</tbody>
</table>

Hotelling test for balancing \( F = 0.43 \) Probability > \( F = 0.54 \) \( F = 0.41 \) Probability > \( F = 0.65 \)

Notes: **\( p < .01 \). ATT = average treatment effect on the treated. S.E. = standard error. High/low board service subgroups comprise firms with a value of board service above/below the median.

Additional robustness checks were conducted. We replicated our regressions with an alternative measure of Export scope, i.e. the self-reported number of regions a firm exports its
products or services to (Arrègle et al., 2012; George et al., 2005). As this is a count variable, we used a zero-inflated negative binomial procedure to account for the discrete nature and the excess zero counts of the variable (Cameron & Trivedi, 2013). The results (available upon request) corroborate those obtained with the entropy measure. Finally, given that export intensity is the most frequently used measure of internationalization in the SME context (Marano, Arregle, Hitt, Spadafora, & Van Essen, 2016), we also reiterated our analysis with export intensity as the dependent variable. The results (available upon request) show similar patterns.

5. Discussion and Conclusion

Although prior research finds that family CEOs and managers are less likely to internationalize (Majocchi & Strange, 2012), an increasing number of family-led SMEs sell in a wide range of foreign countries (PWC Survey, 2014). To solve this paradox, we introduce the governance context in the study of the relationship between family management and export scope in family SMEs. This is a crucial issue for family SMEs given that the local market may saturate quickly and the primary way to grow is to target similar segments in foreign countries via exports (Aulakh et al., 2000). In particular, we hold that board service may influence the effect of family CEO on export scope.

First, we argue that family CEOs negatively influence the export scope of family SMEs by generating more disadvantages than benefits due to their need to preserve SEW. We believe that although family CEOs have the need to create job positions and new revenue streams for later generations that could be met by spreading the firm’s export activities across multiple countries, they generate disadvantages that offset the benefits. Indeed, family CEOs may limit export scope because exporting to multiple foreign countries would require external financial and human resources, with an undesired loss of control. Their strong sense of identity may
increase their propensity to engage in tunneling activities to help the family, reducing the firm’s resources needed to increase export scope. Their inclination towards binding local social ties may also reduce the possibility to develop international relationships, inhibiting their export scope. Our results support our predictions.

Second, we propose that a family CEO is less negatively associated with export scope at high levels of board service than at low levels of board service, as this increases the professionalization of the firm and reduces the salience of SEW preservation. Our results confirm this hypothesis and even go beyond our expectations by showing that at high levels of board service, family CEOs positively influence export scope. We interpret this unexpected finding by arguing that the reduction of the drawbacks of a family CEO induced by a highly service-oriented board is so pronounced that the benefits of a family CEO outweigh the disadvantages. A highly service-oriented board increases the amount of resources available for foreign market entry, and reduces CEO aversion to the risk of a wider export scope so that overall the benefits of a family CEO prevail over the drawbacks. In summary, our findings show that governance is crucial to overcoming the problems of family management via professionalization. These results are in line with those who argue that professionalization practices are especially important for family firms to overcome most of their weaknesses and take advantage of their strengths, not only in internationalizing (Eddleston et al., 2018; Kano & Verbeke, 2018) but in any kind of strategy (Stewart & Hitt, 2012). In family SMEs, the family CEO might negatively influence export scope, but board service is able to turn the tide for export scope so that the family CEO effect becomes positive.

5.1. Contributions to the literature

This study makes a number of contributions to the literature. First, it contributes to the IB literature by proposing that the family CEO influences export scope interacting with board service behavior. The emphasis in IB research is largely on the monitoring role of the board of
directors, i.e. controlling and monitoring management, or board composition (e.g. number or percentage of foreign directors) (Oxelheim et al., 2013). Our study points to another important role of the board of directors, namely, their advice and resource provision role, in overcoming the family CEO’s reluctance toward export scope. As such, our findings show that IB research may truly benefit from concepts and theories usually positioned within organization and governance studies. Our results also contribute to the rich literature on the internationalization of family firms (e.g. Arregle et al., 2007; Baronchelli, Bettinelli, Del Bosco, & Loane, 2016; Cerrato & Piva, 2012; Chung, 2014; Elsoge, Oesterle, Stein, & Hattula, 2018; Fernández & Nieto, 2005, 2006; Graves & Thomas, 2006; Mitter, Duller, Feldbauer-Durstmüller, & Kraus 2014; Patel, Pieper, & Hair, 2012; Piva, Rossi-Lamastra, & De Massis, 2013; Majocchi, D’Angelo, Forlani, & Buck, 2018; Ramón-Llorens, García-Meca, & Duréndez, 2017; Sciascia, Mazzola, Astrachan, & Pieper, 2012; Sciascia et al., 2013), and understanding how the family factor may constrain or enhance their endeavors in international markets. Prior research suggests that SEW considerations might constrain internationalization (Alessandri et al., 2018). Our findings indicate that a highly service-oriented board may not only mitigate such constraints, but also release the potential of family CEO SEW considerations for export scope. The active involvement of the board in serving the family CEO could be even more crucial for other foreign entry modes that entail larger SEW losses. For instance, entering foreign markets via acquisitions represent a considerable SEW-threatening investment that is riskier and less easily self-financed than exporting (Boellis, Mariotti, Minichilli, & Piscitello, 2016). Accordingly, we could expect that a family CEO would be more reluctant to adopt such strategic decisions, resulting in a strong need for a highly serving board to turn the tide for international acquisitions in family-led firms. To validate our arguments, we call for more in depth-analyses on how the synergetic combination of CEO- and board-level characteristics affect the scope a family firm’s international operations along different types of foreign
operation modes such as foreign acquisitions, greenfield investments, international alliances and joint ventures.

Second, our study contributes to the family business literature in different ways. We side with the most recent literature suggesting that family firms are very heterogeneous (D’Angelo et al., 2016; De Massis et al., 2018), showing that family SMEs may differ in terms of management and governance, with divergent effects on internationalization. Our finding that a family CEO may offer beneficial or detrimental effects leads us to support recent literature questioning the false myth of introducing professional CEOs in family firms at any cost (Stewart & Hitt, 2012), and we join the efforts of those scholars who study the appropriate governance arrangements for specific family firm features (Miller et al., 2013; 2014). In addition, we go beyond the structural characteristics of the board of directors (e.g. Calabrò, Campopiano, Pukall, & Basco, 2017), and after controlling for family involvement in the board, show that actual board behavior influences the family CEO effect on export scope. Thus, we add to the literature on family business governance, which has called for a shift from the study of the effects of board composition to the effects of board behavior (Bammens et al., 2011).

5.2. Practical implications

This study has practical implications for (1) family CEOs, (2) directors, and (3) family owners. First, family CEOs are invited to accept and encourage the active presence of boards of directors to make their presence truly beneficial for firm internationalization. As our findings show, the bright side of a family CEO is enhanced when her/his decisions are improved by a board that is highly service-oriented. Second, our study urges directors to increasingly play an active service role in family SMEs. Boards of directors of family SMEs are known to underperform (Lane, Astrachan, Keyt, & McMillan, 2006), and we therefore call for more active functioning to the benefit of sales internationalization. Third, we suggest that family
owners who want to increase their firm’s export scope should appoint family CEOs and support this decision with the appointment of a highly service-oriented board of directors.

5.3. Limitations and future research directions

This paper has several limitations that offer future research opportunities. First, the data are limited to the Belgian context. Therefore, future research in other countries could be carried out to strengthen the external validity of our findings. Indeed, there may be different national contexts that significantly affect SME internationalization: legal, cultural, economic, and political aspects could influence the relationship between strategic leadership and internationalization (Shapiro, Gedajlovic, & Erdener, 2003; Tsang, 2001). Second, we use cross-sectional data, while it would be interesting to replicate the models with longitudinal data to take into account variances in the dependent and independent variables over time. Third, we study internationalization only with reference to sales. Future research could explore the effects of family CEOs on international production and purchasing. Fourth, we do not differentiate between sales internationalization modes (i.e. direct and indirect), thus leaving the possibility of exploring how family CEOs influence different internationalization modes to future research efforts. Fifth, we use SEW as a latent explanatory construct, as in the case of other research conducted under the SEW perspective. Future research could adopt recent efforts to develop a measure of SEW (Debicki, Kellermanns, Chrisman, Pearson, & Spencer, 2016; Hauck, Suess-Reyes, Beck, Prügl, & Frank, 2016) to more directly measure the interplay between SEW, family CEO, and export scope.

Additional future research directions lie in the following reflections, inspired by the numerous research topics that Casillas & Moreno-Menéndez (2017) suggested to explore. Indeed, additional independent, moderating, and dependent variables may enrich our explorations. Some of them may have an external nature, as the national culture, that may influence the relationships among family members, or the external social capital of the family.
Some other variables have an internal nature, as knowledge-based resources (Fang, Kotlar, Memili, Chrisman, & De Massis, 2018) or governance-related factors: for instance, a fruitful avenue for future research is exploring how the percentage of family members in the top management team interacts with family CEO and board behavior to influence internationalization behaviors. Other variables that may be worthy of explorations are those related to objectives (Chua, Chrisman, Steier, & Rau, 2012; Rau, 2014). Indeed, family firms may differ in the extent to which they develop transgenerational intentions (Chrisman & Patel, 2012) and set non-financial family goals (Kotlar & De Massis, 2013). Accordingly, future research might include this type of variable for a deeper understanding of internationalization in this specific context (Holt, 2012). Finally, it would be interesting to explore the effects of family CEOs on other aspects of export, such as speed, timing, rhythm (Lin, 2012; Olivares-Mesa & Cabrera-Suárez, 2006) and other internationalization choices, e.g. location (Hernández, Nieto, & Boellis, 2018) and operating mode (Kano & Verbeke, 2018).
References


Appendix.

<table>
<thead>
<tr>
<th>Task</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Building organizational reputation</td>
<td>1–2–3–4–5</td>
</tr>
<tr>
<td>- Networking and maintain relations</td>
<td>1–2–3–4–5</td>
</tr>
<tr>
<td>- Advising management</td>
<td>1–2–3–4–5</td>
</tr>
<tr>
<td>- Formulate/ratify organizational strategy</td>
<td>1–2–3–4–5</td>
</tr>
<tr>
<td>- Taking care of access to extra resources</td>
<td>1–2–3–4–5</td>
</tr>
</tbody>
</table>

Please, indicate to what extent the board of directors of your company fulfills these tasks (1 = low, 5 = high)