



UNIVERSITY OF  
NORDLAND

BODØ GRADUATE SCHOOL OF BUSINESS

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# MASTER THESIS

BE309E INTERNATIONAL BUSINESS AND MARKETING

**Familiness in the context of international business:**

**Descriptive-explorative investigation of the significance of social capital  
over the process of family business internationalization**

Mariia Chuiko

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*This Master Thesis is dedicated to my parents and their Family Enterprise that is a great example of the genuine Family Business*

## SAMMENDRAG

En aktiv undersøkelse av familiebedrifter og deres internasjonale prosess ble satt i gang i begynnelsen av det 21. århundre. Før ble familiebedrifter studert som det enkelte tilfelle av små og mellomstore bedrifter (Kontinen, 2011). Grunnen til slik undervurdering av familiebedrifter under internasjonale prosesser, var forutsetninger om en overveldende rolle av multinasjonale selskaper på internasjonalt nivå (Oviatt and McDougall, 1994). Undersøkelse av SMBs i begynnelsen av det 21. århundre har imidlertid hjulpet med å identifisere en stor mengde av familiebedrifter som hadde utvidet sin drift over nasjonale grenser, og som følge av dette ble internasjonale familiebedrifter. Til og med på tross av ugunstig økonomisk miljø, har familiebedrifter blitt kjent som mer stabile og vellykkede i motsetning til andre former for næringsliv (IFC, 2008). Som et resultat omfattes prosessen av familiebedrifters internasjonalisering som et område for undersøkelse. Dette feltet med et spekter av emner krever en seriøs oppmerksomhet av forskere. Et av emnene gjelder fenomenet om sosial kapital vedrørende internasjonaliseringsprosessen av familiebedrifter.

Rammene for denne masteroppgaven (MOPP) omfatter kjernen av sosial kapital under prosessen ved internasjonalisering av familiebedrifter som er undersøkt gjennom konseptet ”familiness”.

I forhold til teori er masteroppgavens mål å undersøke teoretiske perspektiver av sosial kapital slik at man kan forklare opprinnelse av ”familiness”. Denne delen av MOPP presenterer familiekapital som en spesiell form for sosial kapital over internasjonaliseringsprosessen av familiebedrifter. Elementer som gir formen til sosial kapital og forsterker familiebedrifter innen prosessen ved internasjonalisering fremheves også i den teoretiske delen av masteroppgaven. Den teoretiske delen avsluttes med utviklingen av en forskningsmodell som visualiserer fenomenet ved sosial kapital tvers gjennom konseptet ”familiness”, og sørger for at prosessen ved familiebedrifters internasjonalisering blir forklart på den riktige måten. Forskningsmodellen bidrar til at man anser ”familiness” som en utløsermekanisme for internasjonalisering av familiebedriften.

Når det gjelder et empirisk perspektiv, har MOPP som mål å gjenkjenne i aksjon verdien av sosial kapital under internasjonaliseringsprosessen av familiebedrifter. Denne delen av MOPP presenterer en undersøkelse, ut fra rammene av emnet, eksempler på tre familiebedrifter: en ukrainsk, en russisk og en tysk bedrift. Forskningsmodellen som ble utviklet i den teoretiske delen av MOPP er brukt som en ”indikerende hånd” for den empiriske undersøkelsen i masteroppgaven.

I slutfasen av masteroppgaven anses verdien av ”familiness” under internasjonaliseringsprosessen av familiebedrifter fra perspektivet til bedriftens strategiske ledelsesteknikk – den balanserte målstyringen. I tillegg blir elementene av sosial kapital presentert som et internt strategisk potensial i familiebedrifter. Konseptet ”familiness” blir anerkjent som en synergieffekt for prosessen ved familiebedrifters internasjonalisering.

**Nøkkelord:** ”Familiness”, Familiebedrifter, Internasjonalisering, Sosial kapital

## GRATITUDE

I believe that everything that happens to us is not an accident. Therefore, I greatly rejoice for the opportunity to be one of the students at the University of Nordland and live couple of years above the Polar Circle in the unique and tremendously beautiful city – Bodø. It was an adventure to the full extent! Notwithstanding that two years of studying in Bodø Graduate School of Business have flown incredible fast, the experience the educational process has granted over these two years is inestimable and will stay with me for the rest of my life.

Writing the Master Thesis has become crucial and absorbing stage in my life. The entire process of working on the Master Thesis I would name as a “test of strength” as in the face of the Thesis I have received the trial of strength of theoretical knowledge acquired over the learning process, trial of strength of practical skills in business communication and trial of my internal mental strength as a person. All of the named below people have made their own unique contribution into productive and successful completion of the Thesis investigation period.

First I would like to express my gratitude to the lecturers, academics, professors, assistances and to the all teaching staff of the Bodø Graduate School of Business, who have given courses, lectures, seminars, laboratory works at the Business School, accompanied us upon the educational procedures over the Master Programme at the University of Nordland and equipped us with the baggage of knowledge for creating the Master Thesis.

Enormous appreciation I want to signify to Terje Fallmyr – the supervisor of the present Master Thesis, who has made significant contribution into the current final project by navigating the process of investigation with constructive propositions, comments and advices. Thank you! As well, I want to say “Thank you!” to Tor Korneliussen – the head of the “International Business and Marketing” course at the Bodø Graduate School of Business. Knowledge received upon the lectures of “International Business and Marketing” course has made a great impact on the direction of the Master Thesis. Gratitude are expressed to both of the tutors who have believed in me, my research theme and my initial vision of the project and always remained kind-hearted to my ideas and drafts of the Thesis.

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## ABSTRACT

Active investigation of the family business and its internationalization process has started at the beginning of the 21<sup>st</sup> century. Before that, family enterprises had been studied as a particular case of small and medium-sized enterprises (SMEs) (Kontinen, 2011). Such underestimation of the family business in the internationalization process was caused by assumptions about the overpowering role of multinational corporations on the international arena (Oviatt and McDougall, 1994). However, investigations of SMEs at the beginning of the 21<sup>st</sup> century have helped to identify the great amount of family companies that have expanded its operations over the national borders and hence, have become international family enterprises. Moreover, in the unfavourable economic environment family enterprises have been recognized as more stable and successful in contrast to other forms of business (IFC, 2008). As a result, the process of family business internationalization occurs as the field for scientific study. In this field variety of topics require profound attention of researchers. One of them is the topic of social capital phenomenon in the internationalization process of family business.

Within the frame of the current Master Thesis the essence of social capital over the process of family business internationalization is explored through the lens of familiness concept.

In terms of theory, the Master Thesis aims to investigate theoretical perspectives of social capital in order to explain the creation of familiness. In this part of the Master Thesis family capital is presented as a specific form of social capital over the process of family business internationalization. Elements that shape social capital and reinforce family business over the process of internationalization are highlighted in theoretical part of the Master Thesis as well. Theoretical part of the Thesis ends with the development of the research model, where the phenomenon of social capital is visualized in terms of the familiness concept in order to interpret the process of family business internationalization. The research model contributes to consider familiness as the trigger mechanism for the family business internationalization.

From the empirical perspective, the Master Thesis aims to recognize in action the value of social capital over the internationalization process of family business. This part of the Thesis presents investigation of the inquiry theme on the instance of three family businesses: Ukrainian, Russian and German family companies. The research model, developed at the theoretical part of the Thesis, is served as an “indicating hand” for the empirical investigation of the Master Thesis.

At the final stage of the Master Thesis the significance of familiness over the internationalization process of family enterprises is considered in the frame of the strategic management technique of the company – the balanced scorecard. In accordance, elements of social capital are presented as an internal strategic potential of the family company. The familiness concept is recognized as the synergistic effect for the process of family business internationalization.

**Keywords:** Familiness, Family Business, Internationalization, Social Capital

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## LIST OF ABBREVIATIONS

*BsC* – *Balanced Scorecard*

*INV* – *International new venture theory*

*SMEs* – *Small and medium-sized enterprises*

## I. INTRODUCTION

### 1.1. Inspiration for performing the Master Thesis

To set eyes on the significance of social capital over the process of family business foreign market expansion (the internationalization process) as the field for the forthcoming investigation and theme for the current Master Thesis, I was inspired by the personal example: the history of family business of my parents. Thus, my acquaintance with the family business started in 2002 when my parents established the family-owned company (Fig. 1.1).

For the present moment our enterprise is one of the most well-known on the Ukrainian domestic market in a segment of window internal and external awning solar-control systems and the leading one in a segment of pleated black-out installations.



**Figure 1.1.** Products of parents' family company advertised by the author of the Master Thesis (photo was taken to be published on the street billboards, 2003, Ukraine)\* \*Source: the archive of family company

Starting family business my parents have always desired to present the name of our family company across international borders. First, a lot of endeavours have been made to achieve leading positions within the internal market, and later – to be able to represent the company within the scope of international market. The products of our enterprise have been repeatedly introduced at exhibitions of Construction and Architecture<sup>1</sup> (Appendix A). I remember, when my parents decided to take part in such exposition for the first time: the whole family, and even friends, had been involved in preparation for participation. I also remember, when the positions of our company had become stronger on the domestic market, my parents started looking for opportunities to expand the scale of their business. Memorable experience for us was an attending of the “R+T” trade fair of novations in the shading installations<sup>2</sup> in Germany, where we had a chance to familiarize oneself with European awning and black-out systems and relevant to it products.

Recently our family company has received an opportunity to expand its operations on international market and has signed the contract with Italian firm in the segment of internal decoration. All in all, the period of travelling abroad, participating in international exhibitions of Design and Architecture as well as searching for collaboration with foreign business partners has become an extremely curious, although sometimes hard, stage in the family business development. I can append only one: being the 24/7 observer/participator and since, recently being actively involved in the process of family business internal and external progress, I can announce with certainty that social capital plays the crucial significance, although the tacit role, over the processes of evolution and internationalization of family business.

<sup>1</sup> <http://www.buildeexpo.kiev.ua/en>

<sup>2</sup> <http://www.messe-stuttgart.de/en/r-t/visitors/the-trade-fair/>

## **1.2. Background of the investigation**

### **1.2.1. World-renowned family enterprises with the strong family histories**

Examples of families, which started their business from the entrepreneur's dedication to the affair he/she loved and later extended the borders of market and become international, can be found in the name of such well-known companies as:

- ❖ the *Yves Rocher Group* (the company owns eight brands, under which cosmetics, clothing and products for the house care are produced) (E&Y. Exceptional, 2013, pp.14-17);

- ❖ *Brunello Cucinelli* (Italian brand of cashmere clothing) considers an existence of its own market niche due to the respect of philosophy and historical familial roots) (E&Y. Exceptional, 2013, pp. 33-36);

- ❖ *Estée Lauder* (a manufacturer of elite skincare and hair-care products) was founded as a concern of a couple – Estée Lauder and Joseph Lauder in 1946. Later all four children were engaged to the family business. Currently, the brand is recognized all over the world and the company is still managed by the Lauder family (Estée Lauder 2014);

- ❖ Norwegian entrepreneur Odd Reitan – the founder and co-owner of the *Reitan Group* – together with his two sons build the family business in the commerce. Odd Reitan has engraved in stone the guiding corporate values of the *Reitangruppen*, which in his opinion, determine the success of the business (E&Y. Exceptional, 2013, pp. 40-43).

*What is the keynote of the stories?* Passion for the family concern, family traditions, family values and family history is the core for introduced family companies. These stories prove: the foundation of family business is something more than the pursuit of profit and controlling interests. The main objective is to preserve and increase the welfare of family by passing it from generation to generation.

### **1.2.2. Family business from the perspective of consulting companies**

The phenomenon of the family business is in the process of recognizing and defining. Interests to the main aspects, features and internal/external driving forces of family business are growing among scholars, economists and businessmen. Proof of this is the emergence of the family business surveys at the activities of such consulting leaders as McKinsey Company, PwC Company, E&Y Company, KPMG Company (Appendixes B, C, D). Family business departments investigate the concept of family business among different family companies around the world, explore the distinctions and similarities in activities of family companies in various industries, compare the features of family and non-family businesses and find out particular qualities of doing family business in the scope of local and international markets (Appendix E). In addition, the International Family Business Network is organized by the members of family business with the aim to create a sustainable future for the family companies, support next generations of the family-owned businesses as well as to share best knowledge and practices of doing business within a worldwide network of the business-owning families (The International Family Business Network, 2014).

### **1.3. Problem statement of the investigated topic**

#### **1.3.1. Problem statement of the investigated topic from the practical point of view**

Several studies have shown that family businesses outperform non-family businesses in terms of sales, profits and other indicators of growth (Leech and Leahy, 1991). Comparative analysis of performance of European family and non-family firms was introduced at the “Newsweek” magazine. The subject of the research were six main stock indexes. The results of study illustrated that family companies, in comparison with non-family business, achieved better values in all indexes, starting with the index of the Madrid Stock Exchange’s IBEX and ending with the index of the London Stock Exchange FTSE (IFC, 2008). Moreover, PwC analysts stated that family businesses, comparing to other forms of business, are better adapted to the survival in difficult economic conditions. Family businesses have more opportunities for long-term planning (they are willing to invest in the development of production, but do not risk with money). Because of the absence of pressure on the achievement of quarterly results for dividend payments, family companies rarely burden themselves with credits. Finally, the businesses that are guided by family values often go beyond the commercial benefit. Study confirms: 67% of managers of family companies believe that family nature of the business help them to survive the crisis of economy in 2008-2009 (PwC Family Business Survey, 2012, pp. 4-22).

#### **1.3.2. Problem statement of the investigated topic from the theoretical point of view**

What we have already known about the process of family business internationalization? Today the main results of the scientific research in the field of family business internationalization can be presented as: 1) there are three main international pathways for the family business internationalization process (traditional, born-global and born-again global internationalization tracks of family firms) that can be explained through the dimensions of “time” and “market extent” (Bell et al., 2003); 2) the main possible incentives for the family business internationalization process (the *trigger mechanism* that impulses family firms to the foreign market expansion) are: the development of network ties, changes in the ownership/management structures (often the foreign market expansion can be explained by the generational changes and by the arrival of new top-management team), stewardship relationships, international opportunity recognitions (networks, customers, exhibitions etc.), products/services and the attitude of the firm to psychic distance (cultural aspect) of doing business (Kontinen, 2011).

Major focus of Kontinen (2011) in her treatise was to recognize the major “push” mechanisms that stimulate family business to become international. The author investigated the pathways of family business internationalization and tried to recognize why some family enterprises develop gradually and incrementally, while other family enterprises become international rapidly. The assumptions were made about the differences in specific features of family business that, due to the scholar, can be identified as the trigger mechanism for the process of family business internationalization (Kontinen, 2011).

The trigger mechanism is a specific domain that provides critical moments and hence, activates and gives opportunity to express business of family outside the domestic market (Kontinen, 2011). The trigger mechanism is a *push* tool of the business that extrudes family enterprise into foreign markets.

According to Kontinen (2011), such domains as stewardship relationships, development of network ties and structure of ownership appear to give adequate arguments to the various trajectories of the family business cross-border expansion. Two other domains, characteristics of product and attitude to psychic distance (also known as cultural aspect), appear to confirm results of previous investigations of Bell et al. (2004). A product can serve as the trigger mechanism for the foreign market penetration of family business if it is a high-tech, innovative or high-quality product with powerful platform for further research and development. Attitude to psychic distance also can be recognized as the trigger mechanism for the cross-border expansion of family business in case when the owner of the enterprise does not afraid of cultural distinctions in different regions of the world and, when the owner is ready to enter a new market in a faraway country (Bell et al., 2004).

Both, results of Kontinen (2011) and results of Bell et al. (2003, 2004) give sufficient interpretation of mechanisms that reinforce the process of family enterprise internationalization, but these investigations do not seem to illuminate the role of social capital across the internationalization trajectories of family business. Hence, the main conflict point that appears through the observations is: the concept of social capital has not received enough attention from scholars in order to explain the internationalization process of family business, while on practice social capital frequently reveals itself as a significant feature in the success of the family company and makes great influence on the process of family business internationalization.

#### **1.4. Knowledge gap and appropriateness of the investigation**

Research gap for the Master Thesis has appeared as the result of contrasting previous sections of the Thesis. From one side, there is the concept of trigger mechanism that illuminates almost each domain of the family business that can pull family company to the internationalization process. However, social capital has not received enough consideration. From the other side, there are real examples of successfully operating international family enterprises, which frequently emphasize the role of social capital in the process of internationalization. Is there any gap between these parts? We suppose to find it out.

In the process of literature review, we noticed that scholars have made casual mention of social capital. For instance, few considerations have been provided to the process of social capital origination (Bolino et al., 2002). In the dissertation of Kontinen (2011), some topics for future investigations of social capital are suggested. One of them is the essence of social capital and its role within the network development. The author purposes to make a thorough study of the trust evolution in the process of foreign market entry. The statement of closure in network ties, structural holes in social capital as well as

the process due to which the closure overlaps the structural holes in the process of family business internationalization also can be the perspective field for farther research (Kontinen 2011).

What about the component of family in the process of family business foreign expansion? That is the supplementary question for further exploration. Chrisman et al. (2005a) suggest to explore "...the nature of family firms' distinctions" (p. 559) and answer the question if the family firm's differences are the outcome of family attachments that can be considered as a driving force for the family business in the process of its internationalization.

In the Master Thesis, we decided to highlight profoundly both of these proposed dimensions. Moreover, over the literature studying, one more significant concept has been revealed – the concept of familiness (Habbershon et al., 2003). Consequently, the challenge of new theory application in order to explain the process of family business internationalization (Kontinen, 2011) is accepted. To make the perception easier, we graphically introduce present findings of what has already been known about the process of family business cross-border expansion, as well as the statements in the field of family business internationalization, which have not received enough consideration yet (Appendix F).

### **1.5. Research purpose, research question and research sub-questions of the Master Thesis**

This Master Thesis aims to present deeper comprehension of the phenomenon of familiness examining it in terms of resources and capabilities of family enterprise, and to provide a new theoretical view on the process of family business internationalization from the perspective of social capital theory in combination with the concept of familiness. Consequently, the objective of the Master Thesis is to explore the essence of familiness over the internationalization process of family business. To reach the objective, the policy of treatment for the Master Thesis has been developed: to investigate the social capital phenomenon in order to study the internationalization process of family business within the frame of familiness concept. Hence, tactical targets of the Master Thesis are centered on studying the nature of social capital; on defining the components of social capital; on recognition the role of social capital and on consideration the impact of social capital over the process of family business internationalization.

Based on the objectives, the research purpose of the Thesis can be formulated as: *how the significance of familiness can be interpreted over the process of family business internationalization?*

In order to obtain the aim of the Master Thesis, the following research question has been formulated: *what is the trigger mechanism for the process of family business internationalization from the perspective of familiness concept in terms of the social capital phenomenon?*

To make thorough investigation and to reach the purpose of the Master Thesis, the research question requires several sub-questions. For the present Master Thesis the sub-questions are:

- 1) *what are the stages in the process of family business internationalization?*
- 2) *what are the elements of social capital in the process of family business internationalization?*



3) *in what way identified elements of social capital accompany the process of family business internationalization?*

4) *how social capital can manifest itself over the process of family business internationalization?*

The ultimate result of the Master Thesis is seen in providing the profound view on the importance of familiness in terms of the social capital phenomenon over the internationalization process of family business. In addition, it expects to cast a light upon the present theoretical and practical studies in the field of social capital and its influence on the process of family business internationalization.

The result of theoretical investigation of the Thesis is seen in combining two theoretical perspectives: the social capital phenomenon and the familiness concept in order to develop the research model, the aim of which is to explain the phenomenon of social capital in order to study the internationalization process of family business in terms of the familiness concept. It is expected, that within the current Master Thesis the research model serves as the theoretical framework for the practical exploration of the internationalization process of family business.

The aim of the empirical part of the study is to describe the internationalization process of the inquired family companies by steps and to discover the effect of familiness, social capital and its elements over the process of foreign market expansion of family companies. The outcome of the empirical stage of the Master Thesis is seen in applying the developed research model to several family enterprises that are operating on international markets.

It is expected, that the main results of this Master Thesis can fulfill the existing theoretical gap in the field of internationalization by considering in great closure the concepts of social capital and familiness over the process of family business internationalization while employing the developed research model within the frame of the real international operating family companies. As well, obtained results of the Thesis are expected to equip agents of family companies with the knowledge of the essence of social capital over the process of family business foreign market expansion and hence, to serve as a supplemental managerial tool for the short- and long-term international operation planning of the family company.

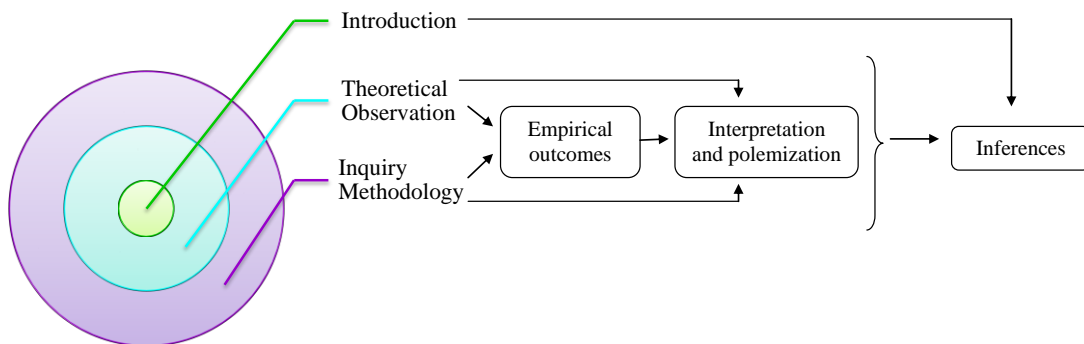
### **1.6. Main tasks of the Master Thesis**

In order to obtain the goals of the Thesis, the consequent steps of the investigation have to be taken: *in theory*: 1) to present understanding and identify the nature of family business. 2) To define the process of internationalization and its main pathways for the family business. 3) To introduce actual notion of the familiness concept and to explain its constituents: resources and capabilities. 4) To explore the nature of the social capital phenomenon via the content perspective in terms of relational, cognitive and structural social capital. 5) To construct the research model for the current inquiry Thesis by combining theoretical perspectives of the social capital phenomenon, the familiness concept and the pathways of the internationalization process of family business. *In practice*: 6) to investigate social capital and familiness

“in action” on the instance of the real existing family enterprises. 7) To carry out conversations with agents of family companies on the inquiry theme. 8) To study relevant materials of family companies with the help of which the effect of elements of social capital over the process of family business internationalization can be greater expounded. 9) To conjoint main outcomes acquainted as the result of survey the familiness and social capital concepts over the process of family business internationalization from the firsthand of family companies, with the main items about the familiness and social capital over the process of family business internationalization, which are known and exist in the theoretical frame. 10) As the result of the conducted inquiry, to perform the unique trigger mechanism for the process of family business internationalization in terms of the familiness concept via the elements of social capital.

### 1.7. Architecture of the Master Thesis

To start the inquiry process, the frame of the current investigation has to be distinctively understandable (Fig.1.2).



**Figure 1.2. The architecture of the Master Thesis**

Source: developed by the author

In the first chapter of the Master Thesis major aspects of the forthcoming inquiry are highlighted: we describe the inducement for choosing the topic of investigation, justify the necessity for study, perform the purpose of the inquiry, questions and suggestions for the forthcoming survey and illustrate the main goals of the exploration.

The second chapter of the Master Thesis is devoted to the literature review in the field of chosen topic and considers a priority to the main theoretical findings according to the topic of the Thesis. This chapter of the Thesis is centered on the item of the family business internationalization process, on the concept of familiness and social capital phenomenon. The second chapter ends with the research model.

The third chapter of the Master Thesis characterizes inquiry techniques that have been applied upon the survey: starts from the philosophical position of the inquiry, through the methodological modes of materials acquisition/processing and ends with the authenticity verification of the performed investigation.

The fourth chapter submits for consideration information about subjects of the exploration and empirical issues of the Master Thesis. The fifth chapter provides us with the interpretation and polemization of the main inferences of the study. The Master Thesis ends with sizing up inferences of the performed investigation.

## II. THEORETICAL FRAMEWORK

This Thesis combines studies from economic and social sciences. From the perspective of economic science, the research scope operates by the next statements: the internationalization, the family business, the process of family business internationalization and the familiness concept. From the perspective of social science, the scope of social capital survey is applied. As the result of parallel investigation of social and economic theories, allied scope of the research can be presented: the significance of family capital (as a specific dimension of social capital) over the process of family business internationalization.

### 2.1. Identification of the core of family business

One of the main issues among the investigators of the family business is to determine the criterion with the help of which the business can be recognized as the family enterprise (Tsang, 2002). Two main directions to the definition of family business are known among scholars: the structure-based approach and the intention-based approach to the family business investigation (Litz, 1995). According to the intention-based approach, family enterprise is a business where members of the family endeavour to reach, keep-up and gain the correlation between business and family. The structure-based approach concentrates on the scope of family involvement in management and on the ownership structure of business. The structure-based approach focuses on two more features of family company: 1) most of the stocks have to be in possession of the family (Zahra, 2003); 2) members of the family should make principal decisions about the future of the company and be engaged in daily management (Gallo and Sveen, 1991).

Thus, one definition of family business that consolidates the main aspects of previous approaches can be presented: "...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, p. 25).

Generally, the peculiarity that differentiates family business from other forms of businesses is the implication of the family in the government and proprietorship of the company. The family enterprise is an amalgam of the mutual non-economic and economic values that are generated across conjunction of the family and business patterns (Habbershon and Williams, 1999).

The family-component assumes an existence of special government structure as well as formation of special values' systems and the availability of special relationships in the process of business development. From one hand, the family-component makes influence on the framework of the ownership, from the other – affects the business dimension. The evidences of mentioned statements can be found in the article of Gersick et al. (1997), where scholars present family business in terms of three vectors: the business, the family and the ownership dimensions (Appendix G). Each of these elements of family business is recognized according to the stages of the life-cycle of the enterprise. For the business vector,

those are stages of the “*start-up, expansion/formalization, maturity*”. In the vector of the ownership, the stages are: “*controlling owner, sibling partnership, cousin consortium*”. Finally, in the scope of the family vector, the stages are: “*young business family, entering the business, working together, passing the baton*” (Gersick et al., 1997, p. 17). The disturbance of any of these three elements (circles) would affect other two as well.

Recently, the understanding of family business has been advanced by the F-PEC concept (Astrachan et al., 2002). The F-PEC concept assumes to identify family business from other forms of businesses based on the criterias of *power, experience* and *culture*. It recognizes family business to various extents of family impacts: the ratio of family members in the government; the ratio of ownership among family members: the ratio of family members at the board of directors of the family company.

Due to the family implication within the enterprise, family business is distinguished by sustained interchange of experiences, skills and knowledge among members of the family. Such continuous exchange of experiences in conjunction with an intensive connection could be identified as a characteristic reinforcing probability of internationalization. Sharing skills, knowledge and experiences, which is typically for the family business, generates trust that sustains risk strategies (Zahra and Sharma, 2004).

## **2.2. Defining what is the business internationalization process**

Internationalization is a significant strategy for the company development. Many researches have endeavoured to determine the process of internationalization. Nevertheless, there is no common consensus about the determination of the internationalization process. Internationalization has been recognized from the perspective of management science (strategic, international, small enterprise management), marketing science, and theory of organizations (Ruzzier et al., 2006).

One mutual statement that treats in the majority of definitions is that the internationalization process assumes an increasing implication of company in a series of procedures with the across-border dimension (Rialp and Rialp, 2001).

Numerous theories have been developed in order to explain the process of internationalization. The concept of the continuous development process is the basis of the most famous theory of internationalization – the Uppsala model of internationalization (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977). Namely, this theory has received great amount of attention from scholars and frequently been applied as the economic tool in explanation of firms’ process of internationalization.

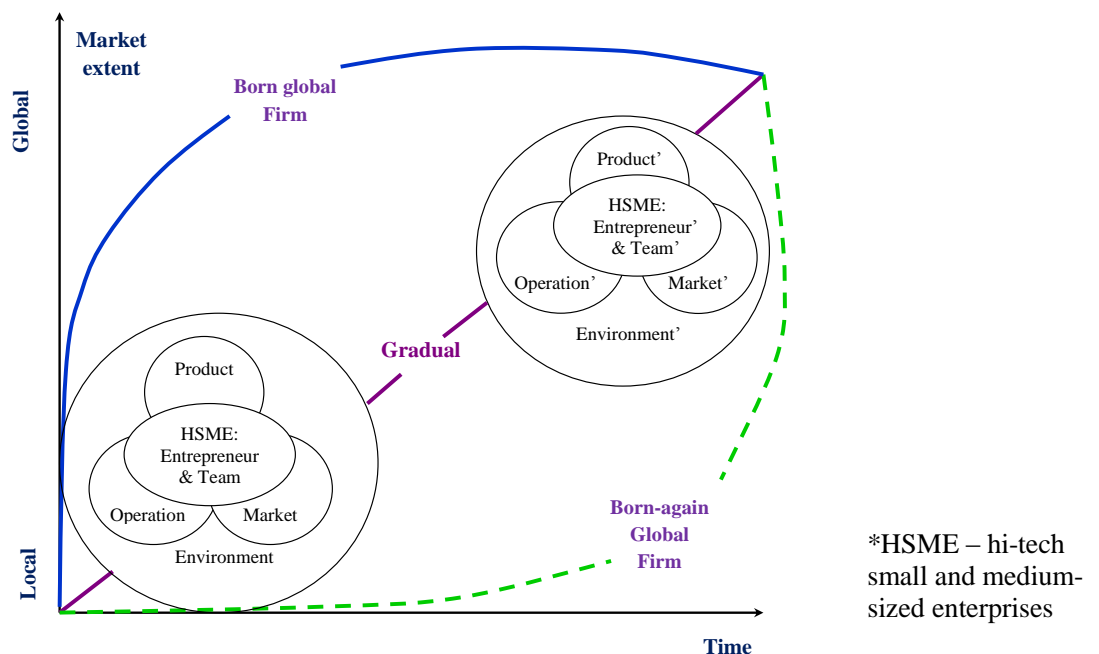
The opportunity recognition theory (Shane, 2000; Baron, 2006; Shane and Venkataraman, 2000), the international new venture theory of internationalization (INV) (Oviatt and McDougall, 1994) and the network theory of internationalization (Johanson and Mattsson, 1988) have been developed in order to explain the process of foreign market expansion in terms of different features of the company (f.e. knowledge, capabilities, communications etc.).

### 2.3. Family business and the internationalization process

Solid investigation of the process of family business internationalization has started at the 1990s. Adhere to Kontinen and Ojala (2010), the first article that was directly devoted to the internationalization process of family business was presented in 1991. Until that moment, family companies had been identified as SMEs and hence, the internationalization process of family business had been investigated in terms of the internationalization process of SMEs (Kontinen, 2011).

#### 2.3.1. The integrative model of small firm internationalization

In the scope of the Master Thesis the integrative model of small firm internationalization is considered as the important approach that directly relates to the internationalization process of family business. It was developed by Bell et al. (2001, 2003) in the process of studying the internationalization of SMEs. In the investigated model authors introduced three various pathways of SMEs internationalization, superposing the conception of the Uppsala model and the INV theory. The internationalization pathways are distinguished due to the dimensions of three directions: the *scale* is considered in terms of external sales; the *scope* assumes the amount of regions in which the company functions; the *time* supposes the pace and rapidity of the internationalization. Scholars recognized three major roads of internationalization: gradual/traditional, born global and born-again global internationalization pathways (Bell et al., 2001, 2003) (Fig. 2.1). The full model of small firm internationalization is presented in Appendix H.



**Figure 2.1. Trajectories of HSME internationalization**

Source: Mets, 2009, p. 467.

The internationalization trajectory #1 – gradual or traditional – introduces conventional company that extends to the foreign market in a leisurely and progressively pace. Foreign market expansion of the gradual company comes in a special-purpose way and is grounded on the unreclaimed purchases and

requirements from abroad. Targets of the traditional internationalization pathway are expansion and survival. The main operations of gradual company are concentrated on the interior market (Bell et al., 2003). Gradual trajectory with a slow rate in the family business internationalization process can be caused, for instance, by the restrictions in managerial facilities (Graves and Thomas, 2006), or by the limitation of financial assets (Gallo and Pont, 1996), or by the absence of bridging network ties and the reluctance to resort to the help of the external expert (Graves and Thomas, 2004). All in all, the internationalization trajectory #1 is equal to the statements that are explored by the Uppsala model.

The internationalization trajectory #2 is related to the born global enterprise. The foreign market expansion of the born global firm is characterized by the swift and concurrent penetration on the external market. The foreign market expansion is reactive and grounded on fighting for the pioneer advantage at the market segment (Bell et al., 2003). Basically, the output are produced and mainly oriented for the external markets (Bell et al., 2004). Founder of the born global company starts searching for the international possibilities (taking into account network ties, communication channels, available industrial knowledge and social capital) before the firm is actually established (Oviatt and McDougall, 1994). The born global firm receives not less than 25% of its earnings from the external markets and operates in not less than 5 regions outside the domestic market. Moreover, external sales are reached in terms from 2 to 5 years from the foundation of the born global firm (Kuivalainen et al., 2012). This type of the internationalization pathway is inherent to the high-tech firms and firms in the field of innovation, due to the fact, that born global firm has to have significant competitive advantage, which enables rapid and impetuous spreading on the foreign markets.

The internationalization pathway #3 in the integrative model of small firm internationalization is known as born-again global trajectory. The foreign market expansion for the born-again global firm starts unexpectedly as the consequence of crucial case, for instance, merging with other company, acquisition of other firm or a change in the governmental and ownership structure of the company. Frequently new managerial team brings fresh ideas, updates management techniques and renews strategies that often focus on the process of internationalization of the enterprise (Bell et al., 2004). Merging and acquisition of the company has its own advantages: it provides the admission to human (skills and knowledge), social (network relationships) and financial capitals of the firm that is taken over or merged with (Bell et al., 2001). However, authors of the model don't suggest any prescription about the duration of the internal period before the swift internationalization of the company begins.

During the experiential survey, Sheppard and McNaughton (2012) recognized 28-years term of operating on the internal market as the identification standard for the born-again global company. Researches have admitted that R&D expenditures of the born-again global firms are smaller in comparison with the R&D expenditures of the born global firms, and at the same time, the born-again global firms are greater in its capacity (Sheppard and McNaughton, 2012).

## 2.4. The concept of familiness

In order to advance in understanding of the family business one more concept should be presented – the concept of familiness. According to researchers, the familiness is a storehouse of factors that creates advantages in the process of family business internationalization. Auxiliary components are strong values, long-run obligations and networks. All of them are built on the basis of social capital. The familiness specifies facilities which are difficult to duplicate, but which ensure the development and strong positions of the family enterprise in the unfavourable business environment (Chrisman et al., 2006).

The main aim of the theoretical part of the Master Thesis is to apply the theory of social capital to the concept of familiness in order to investigate the familiness (with the basis of social capital) as the possible trigger mechanism for the internationalization process of family business. Interrelations within the family enterprise arise from durable cooperation and participation of family members (Chrisman et al., 2005b). Hence, it is essential to investigate exclusive resources and capabilities that compose familiness. Such resources and capabilities via the familiness can be later embedded in the decisive relationships (networks) over the process of family business internationalization.

### 2.4.1. Theoretical approaches to the concept of familiness

The familiness concept has arisen as the distinct feature that solely belongs to the family business study. The concept of familiness has been theoretically introduced and practically tested in the plurality of articles (Table 2.1).

**Table 2.1**

**Development of the familiness concept**

Academic survey	Theoretical basis	Survey derivation
Ram and Holliday (1993)	Sociology of family	Familiness embodies overindividual relationships of the household and expresses in the pliability.
Craig and Moores (2005)	Evolutionism	Inscribes the framework of familiness into the approach of strategic balanced scorecard. Based on this view, the familiness is a nucleus of family companies.
Ensley and Pearson (2005)	The theory of social capital and leadership team	Intercommunication of the top-management team determines the dynamic of groups in family companies. The dynamic of groups is positively correlated with the familiness.
Lester and Cannella (2006)	Theory of social capital	Interrelations represent familiness in the wide bonds of network, which create and sustain family companies.
Hayton and Kelley (2006)	Theory of systems and resource-based view on the firm	The degree of success in human resource trainings depends on familiness for family in contrast to non-family companies.
Tokarczyk et al. (2007)	Resource-based view on the company	A competitive advantage of the family firm – the familiness – is a cause of the renewed market focus.

Source: developed by the author based on Lester and Cannella (2006); Ensley and Pearson (2005); Hayton and Kelley (2006); Craig and Moores (2005); Ram and Holliday (1993); Tokarczyk et al. (2007).

## 2.4.2. The concept of familiness in terms of resources and capabilities

Thorough foundation of the “familiness” was studied by Habbershon and William in 1999 and presented in their mutual article “A resource-based framework for assessing the strategic advantages of family firm” (Habbershon and Williams, 1999). Familiness was first identified by Habbershon and Williams as “. . . 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, 1999, p. 11).

Before the components of social capital are being investigated, it is essential to identify the peculiar capabilities and resources of family that compose familiness. The familiness is considered as means of competitive advantage that creates value for the company and generates wealth of the family business for the next generations. In the article of Habbershon et al. (2003) family business social system is introduced through three subsystem elements: 1) the particular member of family that concentrates skills, interests and life phase of family owners; 2) the family unit – embodying traditions, norms, backgrounds and life cycle of family business; 3) the business entity – rendering philosophy, pattern and policy used to make the company’s welfare – in other words, generates wealth (Habbershon et al., 2003).

In the family firm wealth generation is a variable that depends from the performance in the figure of rent and the potential of rent generation. The model of measuring the performance for the family firms is introduced through the consequences of functions\*:

Utility =  $f$  (parametrs that positively influence transgenerational value) =  $f$  (transgenerational potential of wealth)

Transgenerational wealth of the family firms =  $f$ (rent generation potential)

Rent generation =  $f$ (resources and capabilities)

Resources<sub>f</sub> and capabilities<sub>f</sub> =  $f$ (systematic affects of the family firms scheme)

Familiness =  $\sum$ (resources<sub>f</sub> and capabilities<sub>f</sub>)

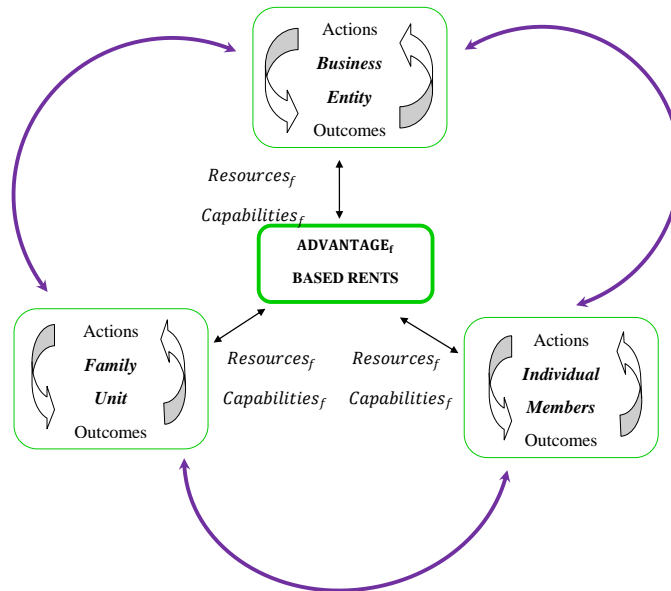
These resources and capabilities have deeply embedded defining the characteristics that refer to the family factor ( $f$ ). The influence of factors can be positive ( $f_+$ ) or negative ( $f_-$ ). In the process of internationalization it is assumed that resources and capabilities of the family firm have a positive ( $f_+$ ) impact on the process of foreign market entry, as the core elements of the familiness (trust, norms, identifications, shared language etc.) strengthen the firm’s intensions as well as reinforce the firm’s positions during the internationalization process. Positive factors ( $f_+$ ) (resources and capabilities of the family firms) create the “distinctive” assets of the family firm and hold the potential to provide an advantage: Advantage<sub>f</sub> =  $f$ (distinctive familiness)

Rent generating performance  $f = f$ (advantage<sub>f</sub>)

\*Source: Habbershon et al. (2003, pp. 456-461).



Function of the family firm, that was presented, has to determine the strategic aim of the idiosyncratic scheme as a whole. Strategic aim is stamped in the vision of the family firm and determines the vision of the prepotent union of one or several families, which assign the family business development. Moreover, the prepotent union of families has the purpose to endorse the vision and path of family business development through generations (Chua et al., 1999). The final unified model of the performance of family firms is presented at the figure 2.2.



**Figure 2.2. Unified systems model of the family firm performance**

Source: Habbershon et al. (2003, p. 461).

This figure illustrates how the intercommunication of three main subsystems of family business produces resources and capabilities, which provide privileges and potential for generating the excess profit (superrent). One of the main features in the introduced concept of familiness is that the model invokes family members to become comprehensive managers. It supposes that leaders of the family firm have to govern deliberately the interplay of all of three units: the unit of an individual member of family, the family unit and the business unit as all of three dimensions is the significant "...source of their resources and capabilities pool" (Habbershon et al., 2003, p. 463).

Family participation in government is interpreted as the reason of prudence in the process of family business internationalization (Claver et al., 2008). Usually, internal proprietor of the enterprise turns up to avoid risks. As a consequence, there is the recession in the pace and scale of the internationalization process. Versus, the occurrence in the government structure of an outside proprietor tends to result in the expansions of foreign market entry. Additional factors that reinforce the international expansion of family business are focus on the long-run relationships and the rapidity of the decision-making process. Moreover, if the family enterprise is ready to delegate the authority, utilize the facilities of innovation and take the advantage of using resources allocated abroad, than it will progress in the process of internationalization (Kontinen and Ojala, 2010).

## **2.5. Social capital theory**

Sirmon and Hitt (2003) recognized five singular features that differ family firms from other forms of business (thereby, correspond to familiness) and play a role of facilitating factors in the process of family business internationalization. They are: the human capital, the social capital, the survivability capital, the patient capital and the specific governance structures. Due to the scope of the Master Thesis, the concept of social capital will be presented in more detail.

The phenomenon of “social capital” was first originated in the sociology science and introduced by Bourdieu in 1970s-1980s as a singular component among three types of capital – social, economic and cultural capital (Bourdieu, 1986). According to Bourdieu, social capital is a set of rules, regulations and bonds that are formed in the interaction of individuals and based on trust. Social capital (by forming social networks) allows to accelerate information exchange and to reduce transaction costs. The scholar defined social capital as a cumulation of the factual or possible resources that are related to possession of strong network (Bourdieu, 1986).

In the economic science the concept of social capital was developed and introduced later. In its approach Coleman successfully synthesized neoclassical views on the utility maximization of market agents and sociological views of complete predetermination of human behavior by social norms and institutions (Coleman, 1988). Writing at the intersection of economics and sociology, Coleman assumed that the essence of social capital may be disclosed if study of the concept would be based on the principles of rational and purposeful behavior of the agent (Coleman, 1988). According to Coleman, social capital is an important economic and productive resource. Social capital contributes to the achievement of certain goals, to achieve which would not be possible in case of the absence of social capital. As well as physical and human capital, social capital facilitates production activities. The nature of social capital is in the process of accumulation of expectations and obligations of economic agents. Social capital is determined by Coleman as the plurality of institutions which all compose some elements of social framework and contribute specific actions of agents in the structure (Coleman, 1988). Also the scientist stressed the distinction between the human and social capital. According to Coleman, social capital was characterized as relational and incorporated in social framework. Such social framework transforms into social capital when the agent efficiently exploits it in order to obtain his targets (Coleman, 1990).

Robert Putnam recognized social capital as the peculiarities of social life such as trust, norms and networks, which empower participators to operate together more efficiently in order to pursue the common aims (Putnam, 1995). The scholar recognized social capital as the relations between individuals that result in the trustworthiness, appearance of mutual values and forming durable network ties (Putnam, 2000). According to author, trust is a vital component of values that emerge from network ties. Based on the study, social capital can be defined as the potential of relationships grounded on honesty, trust, mutual support, actualization of which provide social and economic effects.

## **2.6. Family capital in terms of social capital**

Previous social capital studies recognized family capital in terms of human dimension of family capital, while present studies of family capital adhere to the interrelations of network ties as the basis of the family capital (Hoffman et al., 2006).

In 1998 Portes identified family capital as the main source of impact, communication, social control and management (Portes, 1998). Coleman argued that interconnections among members of family create the perfect atmosphere in which social capital can be originated (Coleman, 1988). Later, family capital as a specific dimension of social capital was introduced in the work of Bubolz (2001), where family was performed as a principal entity of social capital generation, exploitation and construction. The ground of moral behavior, concepts of mutuality, norms and values are nurtured by modelling the trust in family (Bubolz, 2001). After, Hoelscher noted, that family capital enables participators of the enterprise to interact effectively (Hoelscher, 2002).

Definite peculiarities of family enterprise enable to apply the concept of social capital in terms of family capital. First, family capital as well as social capital is favourable, that is suitable for the great amount of intentions. Family capital as well as social capital can either supplement or replace any tangible asset of the company. Family capital as well as social capital requires support.

Second, family capital as well as social capital is an asset that can be allocated in more particular asset with the anticipation of forthcoming refunds (Lesser, 2000).

Third, family capital as well as social capital exists inside the communications, interactions and connections of participators and not in the participators themselves.

Fourth, family capital as well as social capital affords the pathway for mutual interaction of participators' knowledge (Kwon and Adler, 2000). Fifth, family capital as well as social capital has the amortization rate that is difficult to predict (Portes, 1998; Lesser, 2000). Nevertheless, the amortization of family capital is not essential due to the fact that family ties are durable and continuous. Social capital and family capital are common assets across the company. Worth to mention, both family capital and social capital afford closure. This closure originates when there are adequate ties among participators of social network in order to ensure the adherence to norms and values (Coleman, 1988; Portes, 1998). The presence of closure forces actors (members of family) to operate within settled social norms and values. Because of the closure presence, considerable opportunity exists to detect when values and norms are infringed. Consequently, the infringement of values and norms can be impeded due to the closure. Strong family capital was identified as an intangible asset of family business that could be used as a distinctive asset of the family firm (Hoffman et al., 2006). Thus, for the aim of the Master Thesis, family capital can be recognized as a specific domain of social capital, comprising the fundamental components of social capital but in promptly accessible, solid and more vigorous form. Value is created by the family capital due to the encouragement of interactions among participators (Lesser, 2000).

## **2.7. Social capital from the perspective of content approach**

The research model of the Master Thesis is based on the content perspective of social capital. From the position of content view, social capital is recognized in three dimensions: cognitive (shared language and shared vision between parties), relational (the essence of communications) and structural (network relations) (Yli-Renko et al., 2001; Nahapiet and Ghoshal, 1998). All three areas of social capital are interconnected.

Relational area presents the type of individual relations that participators have to create with each other in everyday life through such components as norms, identification, expectations and obligations, trust. The next area is structural area that applied to the general model of communications that allow participators to recognize other actors with eventual stocks of resources that can be absent at their own possession. It alludes to the depersonalized form of connections between participators (Granovetter, 1992). The third dimension is the cognitive area of social capital that matters about the essence of social capital. This area is defined as resources that afford common ideas and patterns of sense among participators (that are shared vision, shared language and shared narratives) (Nahapiet and Ghoshal, 1998). Nevertheless, only structural and relational dimensions of social capital referred to the family capital (Hoffman et al., 2006).

## **2.8. Dimensions for the research framework**

### **2.8.1. Social capital as the distinctive asset of the family company**

Significance of social capital can be explained in terms of four features that affect the creation, development and utilization of social capital (Nahapiet and Ghoshal, 1998).

*Stability (Time)*. For the social capital formation *time* is crucial due to the fact that development of social capital is influenced by the integrity and stability of social framework (Nahapiet and Ghoshal, 1998). Great amount of benefits (that often are recognized as competitive advantages) can be retrieved by the family business from the fundamental background of social capital. The family enterprises are already characterized as those with strong familial connections. These familial connections grant basis for solid social capital. On the contrast, other forms of businesses in order to attain the identical level of social capital have to spent great amount of time and resources. And even than it can not be for sure to attain an equal level of significant network ties that are interwoven in the family business framework.

*Interdependence*. Due to the overbalancing impacts of downsizing on social framework and network ties, scholars affirm that social capital is rapidly undermined by downsizing. This deduction is maintained by the related fact that participators of the network mutually possess social capital of the company (Leana and Van Buren, 1999). Downsizing takes away all communications within the network and shapes yawning holes in the framework of the social network either inside or outside of the enterprise

(Leana and Van Buren, 1999; Burt, 1997). Due to the fact that social capital always engages several participators (two or more), it can be defined as *commonly possessed*.

*Interconnection.* Due to the interconnection factor that has an impact on the development of social capital, it is better for social capital to be exploited as much as possible, as social capital is strengthened in the process of *its utilization*. Such feature is the consequence of interaction of network ties and social capital (Burt, 1992). Network ties have crucial importance in social capital formation and its support. Moreover, network ties are reinforced, prolonged and sustained via the exploitation (Adler and Kwon, 2000; Sandefur and Laumann, 1998).

*Closure* can be recognized as the quality of communications' interdependence (Adler & Kwon, 2002). In other words, closure can be defined as the presence of an adequate *degree of ties* between participators, that is the partisanship to norms and values are highly probable (Coleman, 1988). Consequently, closure provides boundaries in the social network with the help of which participators of the network are divided for "we" and "they" (Etzioni, 1996; Bourdieu, 1994). Such nature of closure reinforces the development of exclusive language and vision (Boland and Tenkasi, 1995) as well as the creation of norms, identity and trust (Ibarra, 1992; Coleman, 1990). All these features are interrelated and any changes in one of them will make significant influence on the pool of social capital of the company.

### **2.8.2. Relational, cognitive and structural elements of social capital**

Strong social capital of the family business is recognized through the great level of trust, commitments, shared values and norms, shared vision and shared language that empower building efficient relationships within contragents. The family business possesses a powerful social component. This social component make influences on decisions that define government structure, vision, strategies and operations of the family enterprise. Social capital of the family firm directly relates to the elaboration of network ties together with the partners (Chrisman et al., 2005b). In order to develop the research model, the elements of social capital from the content approach have to be presented in more detail.

**Relational social capital.** *Identity.* This element of social capital appears when a person identifies himself as a single unit with a distinct group (class) of people. Each member of the community accepts the norms and codes of behaviour of other participators as a relative pattern of standard (Merton, 1968; ed. Tajfel, 1982). The attention to actions and results of the community is reinforced due to the identity with a commune or a group. Hence, norms, values and codes of community are strengthened as well. Such kind of identification with a group reinforces the frequency of interactions and amplifies deliberated possibilities for the exchange of information (Lewicki and Bunker, 1996).

*Moral infrastructure.* The element of moral infrastructure as a crucial component of social capital doesn't receive enough recognition among scholars of the economic science. But it is well-confessed by scholars of the sociology science. From their piont of view, moral infrastructure is determined as the

framework of chains that enables a company to promote norms and values of behaviour within the company's domain of impact. Some scientists identify moral infrastructure at the level of society as chains of civilian commitments (Putnam, 1995). Civilian commitments are concerned as individuals' contacts with the commune's social life (Blanchard and Horan, 1998). Such nets give a supplementary tool for the networks participators in order to learn how to build relationships of trustworthiness among participants of the network. It grants complementary closure for communal values and provides participators with weighty argument to behave in a way that keeps to the official and unofficial norms of behaviour inside the company (Blanchard and Horan, 1998).

Those individuals of society who possess significant resources of social capital copes with the tasks much easier (Portes, 1998). Such state can be explained as an outcome of the trust that is originated through the benefits of social capital such as the presence of social values and closure (Coleman, 1988). As a cosequence, these statements afford the framework from which official and unofficial moral norms can occur and from which the enterprise can consolidate its system of beliefs.

*Social norms* are identified as a common conviction frame which enable community members to connect their conceptions and evokes meaning of mutual experiences. This element of social capital exists to ensure social supervision in a company. In the main, social norms are imbibed sets of conduct that are recognized by the participators within the network (Adler and Kwon, 2000). Social norms of the enterprise are imprinted in the shared language, shared vision and shared ethic standards of the entity (Nahapiet and Ghoshall, 1998). Moreover, social norms comprise common past (history) and mutual knowledge (information) and skills of paricipators of the entity. Gathered experience of the enterprise that is recognized as the social framework suitable for the efficient utilizing by any participator of the community network in the persecution of participators' goal (Sandefur and Laumann,1998) Due to the established and shared social norms, outside uncertainty decreases and the performance of the company increases.

*Obligations and expectations* of social capital can be identified as favourable communications that exist between participators in social network. Such communications are considering as favourable due to the scope of mutuality and confidence they create (Putnam, 1995). Availability of this element of social capital is possible in companies where obligations and expectations are cultivated within the enterprise surroundings that comprise the solid network ties.

Presence of obligations and expectations in the community is manifested through the occurrence of reputation. According to Coleman (1988), reputation can emerge only via closure and sustaining social values. Reputation of the company can be defined as an expectancy of external parties regarding the future perspectives of the family business. Thus, reputation can not be originated within an open framework. Such creation of reputation affords for overall sanctions to guarantee trustworthy behaviour by workers either inside of the company or outside the company in its network ties. The consequences of strong reputation (as the necessity of controlling is diminished) are: the cutted transaction costs and increased

effectiveness in doing business (Uzzi, 1997; Burt, 1992). The best manifestation of reputation is uncovered through the company's dealings with contragents that are external to the company's network.

The result of penetration of obligations and expectations across the network is mutual trust that transforms into powerful frame of the standby holdings (Nahapiet and Ghoshal, 1998; Knez and Camerer, 1994). Mutual confidence enables members of the entity to trust each other greatly in resolving challenges due to the possibility of communication and interaction. If trustworthiness runs through the relationships among participators of the network, it is obvious that actors can be sure in each other and come after with actions supposed from them and commitments possessed by them. Participators of the organization are more ready to act for the organization when they have assurance that organization will act for them if necessary. Common confidence reinforces expectations and commitments. Such reciprocal trust is created in the result of getting agreement among agents with different (and frequently even contesting) interests (Sabel, 1993).

**Cognitive social capital.** *Shared language and shared vision.* By its nature, social capital is all about the relationships, interactions and communications. Scientists assume that family companies have their own common language that is shared and understood only by family members. Such factor as shared language makes the process of participants' interactions more productive. Family bonds reinforce the confidence, establish faithfulness, accumulate intangible assets and originate obligations to the vision of the family business (Tagiuri and Davis, 1996). Thus, social capital is formed and evolved by choosing those actors which have the same vision, norms and interests. Consequently, only participators with the shared language and vision can be involved in the process of social capital creation. That is, the "social norms" element shapes. As a result, the closure is constructed, values of the company are established and the patterns of reciprocity and confidence are sustained due to the formed social norms (Coleman, 1988).

**Suggestion 1.** Relational and cognitive social capitals are the resources of distinctive assets for the process of family business internationalization (S1).

**Structural social capital.** *Information channels* are networks and supplementary social tools inside the company that tie the company with the external environment. Namely, information channels in the best way demonstrate the levers, internal patterns and functional principals of social capital. Information channels are the mechanism through which social capital is embedded in practice. Moreover, information channels reflect the official structure of the enterprise. This element of social capital composes private relationships that individuals evolve with each other in the process of cooperation.

Worth to mention, social capital was presented in the dimension of networks, and *structural holes* were considered as branchings of the networks studying (Burt, 1992). Structural holes are the ruptures in the networks and can be recognized as the disadvantage for the enterprise due to the fact that connections and communications among participators as well as flows of information are impossible when the gap in

network is presented. That is the role of the social capital to eliminate the effect of structural holes by using all available resources of social capital and creating the full cooperation in the networks. Thus, by the possession of strong information channels, the company can obtain the immediate access to all kinds of resources (financial, human, information) that are located inside of the networks and ties (Portes, 1998).

Coleman (1988) suggested that affluent and lasting ties inside the network are results of well-constructed information channels. Such ties are able to overlap the structural holes. This effect is known among scientists of social capital as *closure*. Closure is determined as the presence of adequate ties within the social network to assure the observance of mutual social rules, norms and values. Inside the family business, closure affords to the more conscious sense of expectations and obligations and can be recognized across vigorous partisanship to values and codes and the exalted sentiment of identity.

Specific networks with an affluent information channels are the nucleus of the family capital. Such significant network ties generate significant social values and norms where a framework of expectations and obligations can be elaborated as well as the moral infrastructure can be supported (Portes, 1998).

**Suggestion 2.** Structural social capital in terms of network ties is a capability for the process of family business internationalization (S2).

### **2.8.3. Interaction of relational, cognitive and structural elements of social capital**

Each element of social capital has been introduced apart from others. But all of five elements of social capital complement each other and generate the synergetic effect for the company due to the close interaction with each other. Lets consider the cause-effect chain of interaction of five elements of social capital. Thereby, out of significant information channels that originate important ties between participators across the network of a company, there is no possibility for the company to sustain the closure. Out of closure, there is no possibility for identity to keep the domain and for the company there is no possibility to evolve significant social values. Eventually, out of significant social values, there is no possibility to evolve a framework of expectations and obligations and no possibility to afford partisanship to standards of behaviour that are reflected in the moral infrastucture (Coleman, 1988). Thus, in its nucleus social capital is all about value creation by bridging up communications between participators (Lesser, 2000).

As from the previous paragraph, the concept of familiness was recognized in terms of resources and capabilities that hold the potential to provide an advantage for the company, it can be assumed that utilizing the resources of social (family) capital (that are closely interconnected in its norms, trust, shared language, vision) with its capabilities (that is recognized in terms of the network ties) can contribute to the extension of the family business operations.

**Suggestion 3.** Relational, cognitive and structural social capitals shape the familiness of family business, which can be a trigger mechanism for the process of family business internationalization.



## 2.9. Principal issues of the theoretical framework

This chapter provides main findings of the theoretical part and presents the research model for the current investigation within the Master Thesis.

The aim of this part of the Master Thesis is to consider the significance of familiness concept in terms of the social capital phenomenon over the process of family business internationalization from the theoretical point of view. Taking into account that family business itself is the presence of two constituents – *family and business* – it is obvious to assume that specific peculiarities that make family business so unique are rooted in the concept of family. Thus, the Master Thesis is based on studies from two perspectives: the economic and social sciences.

In our opinion, the comprehension of family business can be presented combining two notions of scholars: 1) family enterprise is the center of interlacing of such dimensions as family entity and business statement, which in turn provide the peculiarity of family business – its ownership structure (Gersick et al., 1997); 2) agents of family business manage the company in a way to create value of the family business that would be handed over from generation to generation and with the lapse of time become stronger, generating wealth for the family enterprise (Chua et al., 1999, p. 25; Habbershon et al., 2003).

Hence, the principal attention in the Master Thesis has been directed to the phenomenon of *familiness* that is absolutely unique and applicable only in the scope of family business. The familiness is determined as an exclusive bunch of resources a distinct company possesses due to the systems interconnection between individual, family and business (Habbershon and Williams, 1999). That assumes causal-effect connections between the family (that owns the business), capabilities and resources of the enterprise. Because of the facilities that are inimitable, the familiness provides competitive advantage to the firm if it requires (Chrisman et al., 2005b).

From the social science, the concept of social capital was borrowed. According to Bourdieu, social capital is a set of rules, regulations and bonds that are formed in the interaction of individuals and based on trust. Author defined social capital as a cumulation of factual or possible resources that are related to possession of strong network (Bourdieu, 1986).

The theoretical part of the Master Thesis was based on the content perspective of social capital. From the position of content view, social capital is recognized in terms of three dimensions: cognitive (shared language and shared vision between parties), relational (the essence of the communications, that are trust, norms, identity, obligations and expectations) and structural (network relations) social capital (Nahapiet and Ghoshal, 1998).

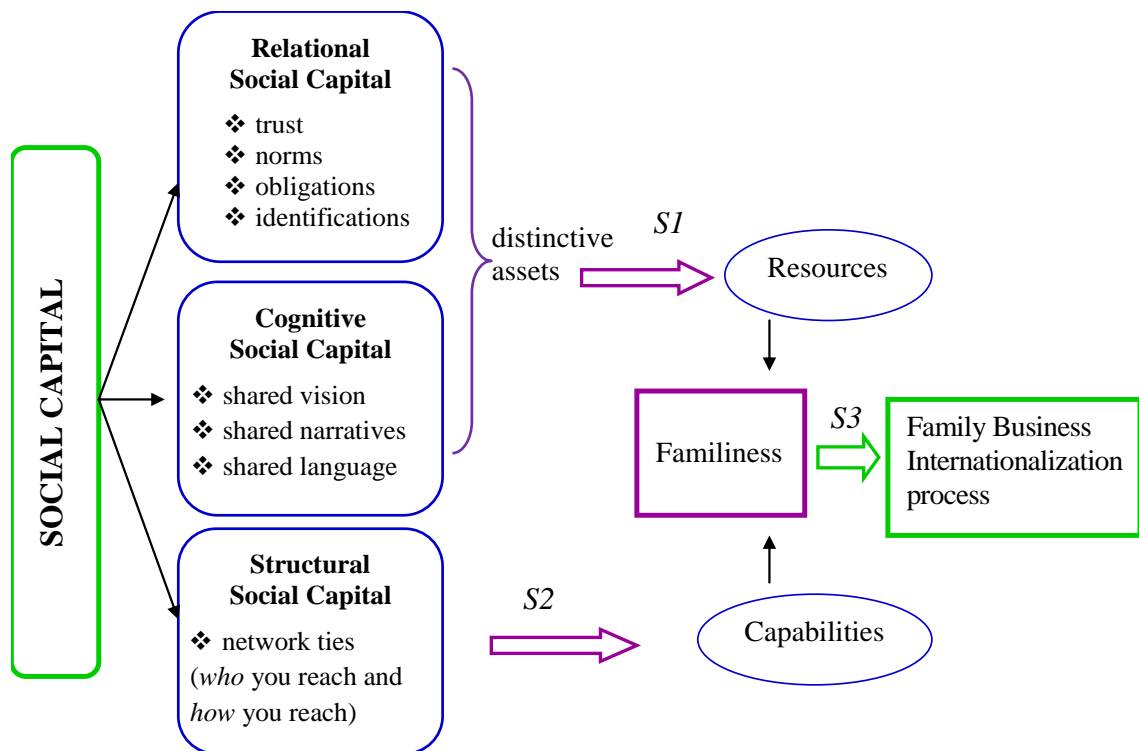
Due to its features, which shape, reinforce and transform social capital into the goodwill of the family business, social capital was recognized in terms of the distinctive assets (Nahapiet and Ghoshal, 1998). Namely, the prior consideration noticed that process of social capital generation is time-consuming. Thus, it requires great amount of effort to accumulate and preserve social capital. But, when social capital

is created, it provides significant competitive advantages for the company in terms of grounded familial values and norms among participators, and that can be difficult to reproduce with all its internal elements for other types of business. Other feature of social capital is hidden in its interdependency and ability to be originated and developed only through the history of the company. Thus, withdrawal from the network of one of the participators would create a gap in connections and make influence on the company's operations. One more peculiarity of social capital is its interconnection: with the frequency of social capital exploitation, social capital only increases in volume and accumulates in the stocks of assets. The quality of social capital is defined in term of closure that is the degree of cohesion within the network tie. Hence, the inference is that social capital can be recognized as the possible source of formation of nucleus competencies that are identified as the sustainable competitive advantage of the enterprise.

On this basis, social capital can be determined as the distinctive asset (the goodwill) with the potential to provide a great benefit for the family company (Nahapiet and Ghoshal, 1998). Benefit of the social capital is obtained through building communications and developing interconnections with economic agents inside and outside of the company.

### 2.10. Research model of the Master Thesis

For the aim of the Master Thesis, family capital is identified as a specific domain of social capital, comprising the fundamental components of social capital but in promptly accessible, solid and more vigorous form. Value is created by family capital due to the encouragement of interactions among participators (Lesser, 2000). Based on the main findings, the research model has been developed (Fig.2.3).



**Figure 2.3. The research model for further investigation “Familianness as the trigger mechanism for the process of family business internationalization”**

Source: developed by the author

The main suggestions for further investigation are:

1. Relational and cognitive social capitals are the resources of distinctive assets for the process of family business internationalization (S1).
2. Structural social capital in terms of network ties is a capability for the process of family business internationalization (S2).
3. Relational, cognitive and structural social capitals shape the familiness of family business, which can be a trigger mechanism for the process of family business internationalization (S3).

From the concept of familiness, the trigger mechanism for the family business internationalization process can be presented in consequences of stages. The familiness (that is defined as resources and capabilities of the family) can be recognized as relational capital of the family (that is trust, norms, identifications, obligations and expectations). Over the process of internationalization, the relational capital is embedded in the cognitive social capital as family members are looking for the business-partners that have similar values, norms and principles in doing business (that is shared language, shared vision and shared narratives). The contacts and networks of family business increase over the process of operational extension. That is the stage, where the cognitive social capital transforms into the structural social capital. Shared norms, values and language penetrate into the ties of networks among business partners. As a result, such structural social capital (that can be identified with the family capital) has a potential to be recognized as the trigger mechanism for the process of family business internationalization as it can be activated by partners of the family enterprise due to the existence of relationships between parties. The presence of such relationships won't be possible without previous establishment of interactions among the agents within the networks.

Beyond all doubt, social capital is significant for family business, especially in the intention of family enterprise to extent its regional borders and become international. Social capital is constructed at the level of family entity as a set of strong rules, values, norms, and than step-by-step is implemented into the relationships between customers, partners, suppliers and later envelops the further interactions within the network ties.

### III. METHODOLOGICAL ITEMS

*“Would you tell me, please, which way I ought to walk from here?”*

*“That depends a good deal on where you want to get to”*

*“I don’t much care where”*

*“Then it doesn’t matter which way you walk”*

Alice’s Adventures in Wonderland, Carroll, 1989, pp. 63-64

The inquiry process can be defined as people’s initiation to reveal matters in a “systematic” manner and thus, enhancing their cognition (Saunders et al., 2012, p. 5). The target of this chapter is to present the “systematic” manner of carrying out the investigation. That assumes to describe the consistency of investigation stages and to present the methodological backbone on which the inquiry process is built (Saunders et al., 2012).

#### 3.1. Grades of the investigation

Integral inquiry process has been lasted for five months: launched in January-2015 and came to an end in May-2015. Two first parts of the study project had already been written as a core for the future Master Thesis before the beginning of January. Nevertheless, both of two first parts of the Thesis had been repeatedly subjected for improvement in the course of the inquiry implementation.

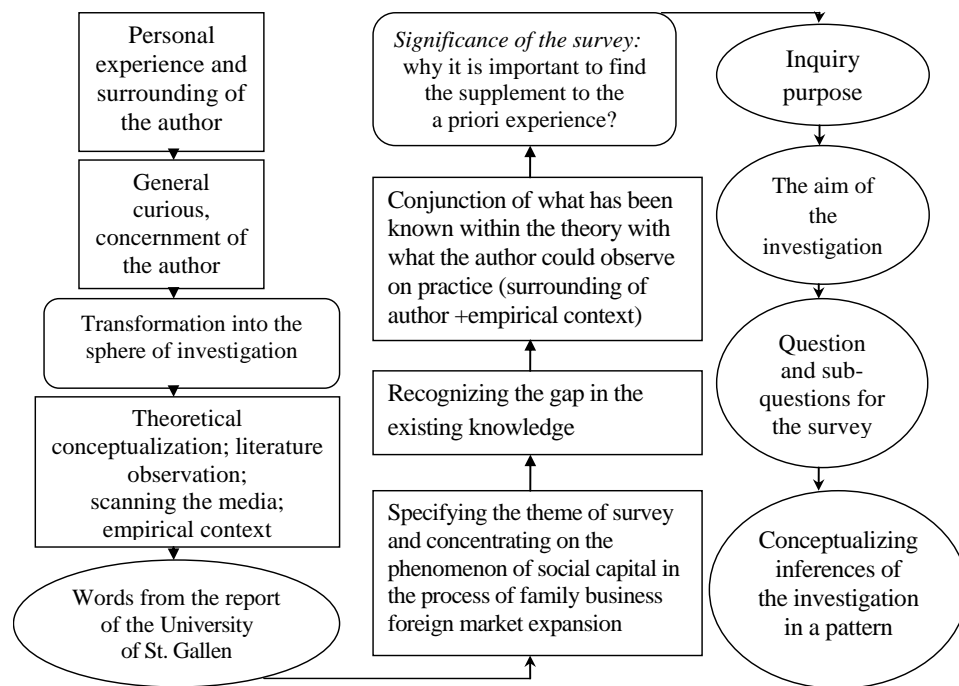
Accomplishment of the survey in terms of the Master Thesis is a process, which is “...best used as a guide to understanding where to start, what to consider and agree on as you move forward...” (Hair Jr. et al., 2011, p. 27). Thus, such concomitant procedures equip the inquirer with the contour map that prescribes the routes for study implementation (Hair Jr. et al., 2011).

The entire realization process of the current Master Thesis has been crossed over the next three gradations: 1) the *formulation* grade, 2) the *execution* grade, 3) the *analytical* grade (Hair Jr. et al., 2011, pp. 27-28, stressed on original). Extra sub-steps are necessary to make the major grades of the research possible. To make the schedule of the inquiry understandable, we have framed principal phases of the investigation and have determined the timescale for realizing each of the investigation phases (Appendix I).

After the purpose, the inquiry questions, the necessity for the study, the methodological aspects and the preliminary plan for the investigation had been approved by the academic supervisor, and after the potential entities of the inquiry had assented to be the part of the present Thesis, the survey process has been launched and the process of writing the Master Thesis has come into operation.

#### 3.2. Elaboration of the topic and the purpose of the research

Before starting the depiction of the methodological approach applied in the Thesis, we suggest tersely to illuminate the elaboration process of the inquiry subject area, the formation process of theme and the survey purpose for the Master Thesis (Fig. 3.1.).



**Figure 3.1. Evolution of the inquiry field from the “curious” to the “survey subject-matter”**

Source: developed by the author on the base of Merriam (2009, pp. 58-64).

The methodological items of this Master Thesis are based on the particularistic approach, which assumes that the purpose for the investigation evolves from the author’s surroundings, sphere of the concernment (but not from the curriculum) and further, shapes ensuing treatments regarding to the manners of assembling and processing information, types of the inquiry design and the methodology strategy for the investigation that have to be used in practice (Bryman, 2007).

*The idea* to study the internationalization process of family business has been arisen by the author’s surrounding and personal experience: by parents who had launched their own family enterprise, which over time had started its expansion across borders. The idea of family business, its nature, the peculiarities and the processes of family business foreign market expansion has been transformed into the author’s academic concernment and the area for further investigation.

To become conscious about the main findings and results of previous investigations in the field of family business and its internationalization process, we have started diving into the subject of the study from the theoretical observation: searching the scientific literature (articles, books, theses, and collegial journals), scanning the media (publications of auditing/consulting firms; the family enterprises’ conference editions) and acquainting with the current empirical inferences (the public statements and reports of the family companies, inquiry issues of the Global Family Business Network). As a result, a lot of interesting items have been recognized, for instance: approximately 1/3 of the Fortune 500 rate is family-governed companies (Cox Family Enterprise Center, 2015); in Europe families hold approximately 85% of the European enterprises, which create 60% of working places, hire over 144 mln of salaried workers in the European region and contribute 70% of the total GDP of the European region (E&Y, 2015, p. 20).

At the joint report notifications the analysts of the University of St. Gallen (Switzerland), International Institute for Management Development (Switzerland) and the researches of the Ernst&Young department in Switzerland had announced that family firms still preserve a sense of social and moral responsibility (in greater extent comparing to other forms of business), and that for the family companies, listed on the stock exchange, their shares are not the single investment securities (Bucher et al., 2010). The perception of this fact has made the final contribution into the recognition of the inquiry field, has encouraged us *to specify* the theme of exploration on the phenomenon of social capital over the process of family business cross-border expansion.

Thus, due to the technique of “relevance trees” (Saunders et al., 2012, p. 36), we had been able to recognize particular theme from the spectrum of curious notions in the field of family business internationalization, to itemize the embranchment of such tree and to identify the concept of familiness and the phenomenon of social capital in the process of family business internationalization as the subject-matter for the Master Thesis. Formalizing the purpose, designing questions and developing objectives of the survey contribute to transform the investigation idea into the *exploratory project*.

The outcomes, which are constructed based on the empirical materials, depend on the quality of the executed inquiry question. The purpose of the current Thesis is to investigate the significance of familiness over the process of family business internationalization. To achieve the purpose of the Thesis, the research question is formulated as: *what is the trigger mechanism for the process of family business internationalization from the perspective of familiness concept in terms of the social capital phenomenon?*

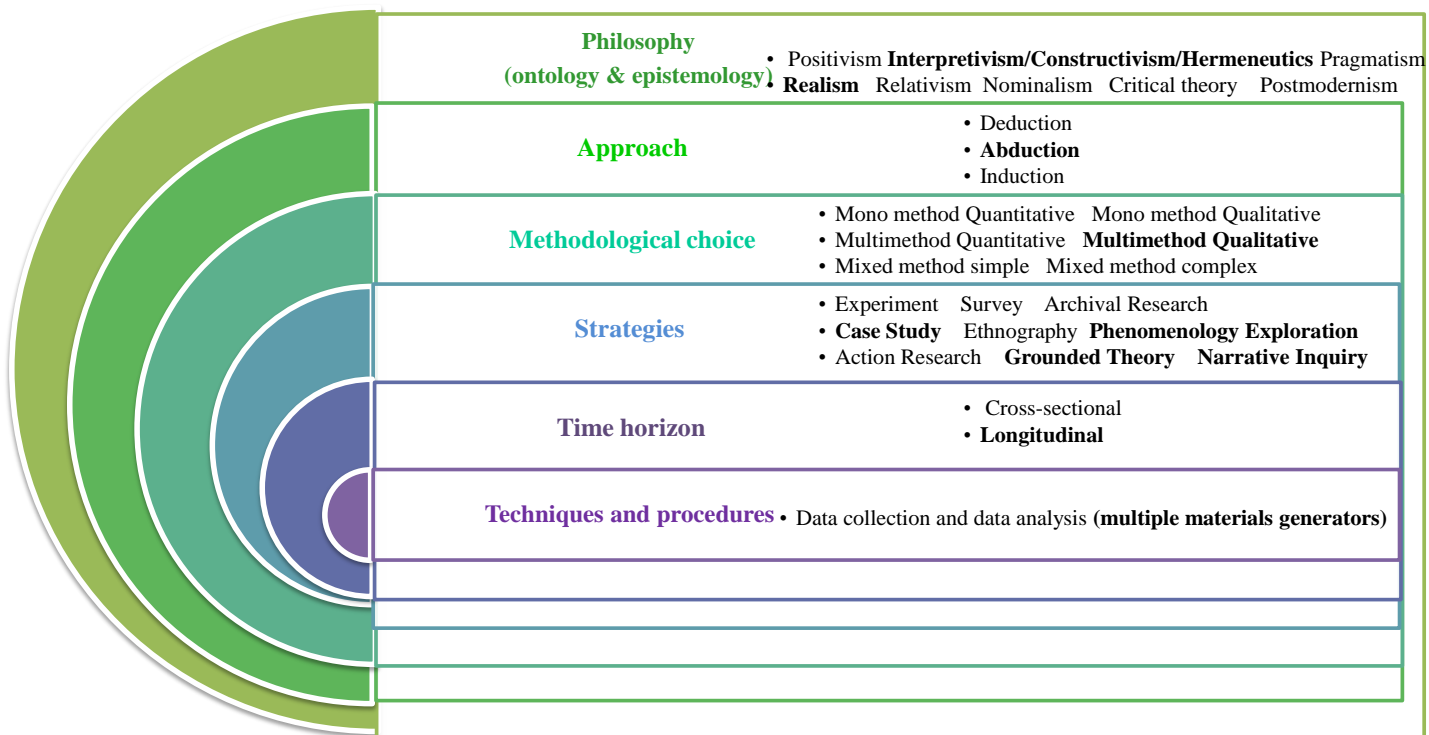
Well-known, it is arduous “to eat the elephant at once” – it is better to crackdown it into smaller portions. In order to choose proper methodological toolkit for the survey, as well as to purify the nucleus of the inquiry, the further sub-questions for the explorations were developed: 1) “*what are the stages in the process of family business internationalization?*”; 2) “*what are the elements of social capital in the process of family business internationalization?*”; 3) “*in what way identified elements of social capital accompany the process of family business internationalization?*”; 4) “*how social capital can manifest itself over the process of family business internationalization?*”. Finally, to launch the investigation process, we have designed the “conceptual model” (Hair Jr. et al., 2011, p. 133) and have thought-out three suggestions for the investigation within the Master Thesis.

### **3.3. Philosophical fundamentals of the research**

Illustrated in this chapter methodological modes for the inquiry implementation have been identified based on the knowledge received upon the classes of “Management Research” at the Handelshøgskolen i Bodø (autumn 2014), as well as based on the literature in the area of the Business Research Methods.

The Master Thesis is grounded on the “methodological congruence” apprehension (Creswell, 2013, p. 50), the notion of which is: the investigation project is a comprehensive integer (but not the separated

components), where the aim of the survey, inquiry questions, and procedural manners of investigation are mutually causal, and the project exploration is carried out on the basis of their mutual interdependence with each other (Morse and Richards, 2002). The comprehension of philosophical paradigms of the inquiry is necessary as the paradigms corroborate strategies of the survey, methodological modes that are employed over the investigation, as well as shape the inquiry design and make an effect on the quality of study in general (Easterby-Smith et al., 2012; Saunders et al., 2012). To understand the logic of the current investigation, we decided to present the methodological items of the Master Thesis in the sequential algorithm – the “nest” pattern of the inquiry (Fig. 3.2).



**Figure 3.2. The methodological “nest” of the investigation**

Source: adapted by the author based on Saunders et al. (2012, p. 128); Easterby-Smith et al. (2012, pp. 17-34); Creswell (2013, pp. 17, 22-32); Merriam (2009, pp. 7-13), stressed on the applied methodological modes.

In the upcoming parts we will throw light upon the specific items of each facet of the inquiry “nest”, which in turn, have shaped the vision of the Thesis and served as a basis for carrying out the exploration.

### 3.3.1. Ontological position

Ontology is related to the substance of the world, or, in other words, ontology is associated with the inquirer’s consciousness of the essence of the actuality (Easterby-Smith et al., 2012). How do we identify the world? What are our suppositions about the manner the world functions?

From the ontological perspective, the philosophical sensation of the reality towards the current Master Thesis can be defined in terms of the subtle realism (Hammersley, 1992), or, as presented by Bhaskar (1978), in terms of the critical realism.

Subtle realism is the result of the idealism impact on the realism. Critical realists suppose, the social world fares autonomous of the researcher's persuasions and comprehension; the world phenomenon is barely conceived via the individual nous and socially framed senses (Hammersley, 1992; Ritchie and Lewis, 2004). Consequently, adherents of the subtle realism make out difference among the true accidents fabricated de facto by the social actuality and the experimental cases which the researcher can seize and note (Easton, 2010, p. 128).

What does it mean in terms of the investigation that we are presenting within the current Thesis? From the ontological perspectives, we grounded the inquiry process on the acknowledgment that the phenomenon of social capital over the process of family business cross-border expansion subsists autonomously from the inquirer's personal comprehension and explanation. In order to explore thoroughly the "heart" of the subject-matter we, as inquirers, have to study the phenomenon through the "eyes" of those actors who are creators and active users of social capital in practice. Thus, we, as inquirers, have attached significant meaning to the participants' sensations and its retranslations within the Master Thesis.

As well, we have conceived that the diverse modes of the perceptions will be derived by the various respondents' standpoints. Nevertheless, we are persuaded that such varied contentions don't nullify the out of field reality, because the social world per se is manifold and variegated. Besides, the subtle realism in its nature implies the necessity to investigate the social phenomenon on divers' levels – that is, "multilevel study" (Saunders et al., p. 137). Hence, the varieties of notions have only strengthened our awareness of the miscellaneous modes due to which the world can be realized.

### **3.3.2. Epistemological position**

Epistemology relates to the modes of recognizing and exploring the essence of reality. It deals with the points about the nature of the ground of our cognition and the manner we become aware about the world de facto (Ritchie and Lewis, 2004). From the epistemological perspective, the aim of the explorer is to shorten the "objective separateness" (Guba and Lincoln, 1988, p. 94) that detaches the explorer from the entities under investigation (Creswell, 2013) and, thus, to become as allied as possible to the entities under investigation. Accordingly, in terms of the current Master Thesis, knowledge is recognized via the experiential cases.

The investigation can be conducted either from the "positivism" or from the "social constructionism" perspective (the last, according to Habermas (1970), is recognized as the interpretive technique) (Easterby-Smith et al., 2012, pp. 21-25). Based on the purpose of the Master Thesis, that is to elucidate the significance of familiness in the process of family business internationalization, we have identified the interpretive approach as the most appropriate for the current survey. According to Creswell (2007), interpretivist strives to get an insight in the manner in which individuals aspire to apprehend the reality whether they subsist and act. In such way individuals shape their personal senses "of their



experiences” (Creswell, 2007, p. 20). Hence, in terms of the epistemological position we were realizing the participants’ senses of social capital experience in the process of foreign market expansion of family businesses and have tried to reconstruct these participants’ senses within the Thesis.

The first principle for the qualitative inquiry declares, the original consciousness of circumstances that underpin the inquiry have to be apprehended as advanced and have to be transcended with recent, “non-congruent” materials (Kleining, 1982, p. 231). Consequently, the hermeneutic cycle inevitable supervened the process of the inquiry as we have to recur to the theoretical suppositions as soon as we have accumulated new experiential materials and after that again – we have to come back to the subject-matter of investigation in order to frame, reveal and establish causal relationships, accumulate materials and again correlate acquainted information with theories that sustain the survey.

Moreover, we adhere to the opinion of academics Woodside and Wilson (2003) that awareness of the peculiarities of the world *de facto* can be perceived by examine *idem* materials via various academic aspects employed by different explorers. Thus, the investigation has appeared as run about up and down between the experiential circumstances and theoretical perspectives: with the theory representation and with the suppositions about the reality covered in theory, the reality sensation is defined based on a manner which resubmits to the social creation of suppositions (Flick, 2014). Studying the nature and role of social capital via the diversity of theoretical frameworks, makes it possible to reach an eventual perception of the familiness concept.

The current research is not the constructivism/interpretivism *per se*. The distinctions between subtle realism and social interpretivism are concealed in the ability of truth cognition (Easton, 2010). The position of subtle realists (“internal realism” by Easterby-Smith, 2012) is that the ability to become aware with the truth is feasible to some extent, since the “*truth exists, but is obscure*” as well as certain are specific, yet cannot be gained immediately (Easterby-Smith et al., 2012, p. 19, stressed on origin).

For the Master Thesis, in spite of a thought that investigation hardly probable provides an absolute comprehension of the social phenomena and hardly probable studies social entities entirely (Easton, 2010), we have chosen an inquiry policy with the historical view of cases. The information has been collected from the peoples’ narratives, biographies, documentations, publications, which have represented historical development of the family businesses and its foreign market expansion. We can conclude that our investigation in its nature is an interpretive inquiry with an intermixture of the subtle realism concept.

### **3.3.3. Methodological position**

The methodology is a “language” of the inquiry which describes the “process” of the inquiry (Creswell, 2013, p. 21). In this subparagraph, in the frame of table 3.1, we disclose subsequent facets of the inquiry “nest” that circumscribe the survey framework of information acquaintance and information processing manners for the current Master Thesis.

**Table 3.1**

**Survey basics of the Master Thesis from the methodological perspective**

<b>The outer layer of the study “nest”</b>	<b>The methodological toolkit for the Master Thesis</b>
<i>Philosophy of science</i>	Interpretivism with intermixture of the subtle realism concept
<i>Approach</i>	Abduction
<i>Methodological choice</i>	Multimethod qualitative
<i>Study strategy</i>	Case study with an intermixture of the narrative inquiry, grounded theory and the phenomenology investigation
<i>Time horizon</i>	Longitudinal
<i>Matter of the study design</i>	Exploratory inquiry with the descriptive investigation as an internal procedure of the exploratory study design (descriptive-explorative inquiry)
<i>Function of the current inquiry</i>	Contextual and Generative study

Source: developed by the author base on Saunders et al. (2012); Ritchie and Lewis (2004); Hair Jr. et al. (2011).

**3.4. Methodological approach of the investigation**

The Master Thesis is based on the *abductive* discourse of the investigation. The abduction approach assumes to start from the notification of the unsuspected certain (Ketokivi and Mantere, 2010), which is a derivation more than a background. Major elements of the abduction discourse for the current Thesis are presented in terms of “logic”, “generalisability”, “use of data” and “theory” (Saunders et al., 2012, p. 144).

*Logic of the abduction approach.* The unsuspected certain of the Master Thesis is the appearance of familiness over the process of family business internationalization. Crucial element in building the familiness is social capital. Problem statement of the study has been defined on the contradiction between theoretical and practical frameworks. Consequently, we made an attempt to study the phenomenon of social capital through the concept of familiness. Based on it, we have developed several suggestions for the research model (S1, S2, S3) that are a set of feasible presuppositions the main aim of which is to interpret the derivation (adequate or almost adequate). If the developed suggestions can be identified on practice, than the integral inference of the study that “the family business internationalization process can be represented by the trigger mechanism of the familiness” is veritable.

*Exploiting information.* Over implementing the Master Thesis we have been running in a reciprocate way (hermeneutic element): from acquainted materials to theoretical conceptions (inductive reasoning) and then inversely – matching theoretical framework with practical outcomes (deductive reasoning). Conjunction of inductive and deductive treatments is namely an abduction discourse (Suddaby, 2006).

*Theory within abduction approach.* After the unsuspected certain of the inquiry phenomenon has been revealed, it appears in terms of a plausible theory in order to illustrate in what way the phenomenon had been originated (Van Maanen et al., 2007). As soon as we have accumulated materials from the studied family companies, we were able to collate and overlay major acquainted findings with the developed theoretical suggestions (S1, S2, S3) of the research model. It facilitated to get new revelations and to make own contribution to the existing theory in the area of family business internationalization.

*Generalisability.* The ultimate inferences of the investigation have been synthesized from the cooperation of particular assembled materials (cases of family business) and the common knowledge (prevailing in the field of the family business internationalization).

### **3.5. Designing the research**

The goal of the inquiry design is to create a scheme for survey conducting, where crucial procedural toolkits for inquiry implementation would be portrayed in respect to provide an adequate inquiry with the ability to perform the purpose of investigation in the course of project period constraints (Flick, 2014).

#### **3.5.1. Nature of the research design**

The survey can be designed in three manners: 1) “causal” (“explanatory”), 2) “exploratory” and 3) “descriptive” design (Hair Jr. et al., 2011, p. 147; Saunders et al., 2012, pp. 171-172). It may appear that in order to accomplish the inquiry, some modes of investigation design can be conjuncted.

We have grounded the current Master Thesis on two manners of the inquiry design: exploratory and descriptive survey. The study question of the Master Thesis starts with the words “*what is*”. Such style of point is relevant to the “contextual” function of inquiry (Ritchie and Lewis, 2004, p. 27), the aim of which is identical to the aim of exploratory inquiry and which is often identified with the exploratory manner of inquiry (Robson, 2002; Marshall and Rossman, 1999): to present in depiction the entity and patterns of what is studying (Ritchie and Lewis, 2004). The study question respectively assumes recognizing “*what*” is the subsistence of social capital in the reality de facto, assumes to “unsqueeze” what elements underlie the research phenomenon of social capital as well as to get inwards the nature and discover peculiarities of familiness over the internationalization process of family companies (Ritchie and Lewis, 2004, p. 27).

The phenomenon of social capital in the process of family business foreign market expansion has been identified via the collaboration with the direct participants of the internationalization process of family enterprises. That is right about the style of exploratory inquiry design, the major destination of which is to reveal and represent explanations and comprehensions of respondents about studied issues in a sense to devour the essence of the inquired phenomenon (Ritchie and Lewis, 2004).

The inquiry design that has amplified the current exploratory Thesis is the descriptive investigation. The aim of the descriptive study design is to assemble information which circumscribes features of the subject that is investigated (Hair Jr. et al., 2011). Knowingly, the descriptive study frequently precedes the exploratory study as such (Saunders et al., 2012).

The descriptive survey design aids to deepen into the subject of the study, but in order to bring the investigation to the final point and fully illuminate the essence of familiness over the internationalization process of family business, findings from the descriptive survey design have to be embedded into the whole scene of the exploratory inquiry design of the Master Thesis..

### **3.5.2. Qualitative analysis as the primary tool of the current investigation**

From our point of view, the qualitative inquiry is best characterized as “*an umbrella...covering the plurality of explanatory modes that aspire to represent, decrypt, translate, and... come to conclusions with a sense ...of certain...naturally emerging phenomena in the actual reality*” (Van Maanen, 1979, p. 520, stressed on original).

*Confirmation that the qualitative study is relevant for the current Master Thesis.* The qualitative survey has been identified by the *essence of the survey question*, the aim of which is to uncover the trigger mechanism for the family business internationalization process from the perspective of familiness concept. The problem statement of the Master Thesis is an illustration of “the pluralization of life worlds” (Flick, 2014, p. 11). With this aim we need to grasp the consequence of stages over the internationalization process of family enterprises, to recognize the semantics of social capital and its elements from the perspective of founders/owners and successors of family enterprises, and to perceive in what way respondents interconnect the process of their family business market expansion with social capital they have had/accumulated/created. Moreover, application of qualitative investigation in order to study the phenomenon of social capital over the process of family business internationalization is necessary due to several additional reasons (Appendix J).

*How the qualitative inquiry for the current Master Thesis has been carried out on practice?* (based on Creswell, 2013, p. 52). Undoubtedly, comprehensive accumulation of materials is the core of qualitative inquiry. Upon the Master Thesis we have applied the “multiple methods” of the inquiry design to be more precise, the “multimethod qualitative study” (Saunders et al., 2012, pp. 164-165) of materials acquisition and processing of assembled materials.

Over the process of inquiry, the current qualitative survey has been framed from the perspective of three (instead of four) key channels of qualitative items: surveillances, conversations and documentations’ explorations (Creswell, 2013). Materials for the present Master Thesis have been acquainted from several information generators, covering materials in terms of conversations, documentations’ investigation of the internal/external strategic and operational plans, meeting with the foreign business partner of the family enterprise, and surveying updates of the studied family companies via the Internet. We also have collected materials through advanced information generators as e-mail communications and Skype-conversations.

### **3.5.3. The case study policy as the basis of investigation**

The case study inquiry has been chosen as the most appropriate for this Master Thesis due to several reasons, one of which is that the case inquiry mode of qualitative research has significant potential to develop solutions for the issues of “how?”, “what?” and “why?” study purposes (Saunders et al., 2012, p. 179). The purpose of this Master Thesis exactly starts with the “how?” statement and the principal research question as well as the sub-questions of the Thesis are the “what?” and “how?” statements.

Creswell (2007) considers the “case inquiry in terms of a qualitative mode where the inquirer examines a *case* or cases after a while, by means of particular, accurate information acquisition comprising variety materials generators, and notifies an event *description* and probative matters” (p. 73, italics in original). The investigation, framed on the case inquiry strategy, is frequently complex in its nature and requires constructing the research on certain clauses (Creswell, 2013).

The case investigation for the current Master Thesis embraces elements of several policies of qualitative inquiry: the *narrative* investigation (novelettes that cover founder’s vita within the *history* of family enterprise, and narrations about the “biography” of the family firm from the words of founders, owners and successors of the company); the *phenomenology* (the aim of the Master Thesis is to comprehend the *essence* of social capital over the process of family business internationalization. That is the necessity to present the nature of the concept, family enterprises’ *experience* of the development and becoming international); the *grounded theory* (to complete the existent theory of family business internationalization by representing standpoints about the foreign market expansion in terms of familiness in conjunction with the social capital theory and from the inside position of founders of family business).

Distinct singularities of the case investigation of the present Thesis in its nature are “particularistic” (Merriam, 2009, p. 43) as they assume to investigate the definite concept – the familiness concept and the social capital phenomenon over the process of family business internationalization; “descriptive” (Merriam, 2009, p. 43) as the ultimate point of the investigation is to present the full exposition of the development of social capital elements over the process of family enterprises’ foreign market expansion and to present the mode in which social capital accompanies the internationalization process of family companies; “heuristic” (Merriam, 2009, p. 44) implies that the inquiry apprises the auditory comprehension of the familiness concept over the process of family business internationalization.

The actual investigation is a “retrospective” inquiry (Flick, 2014, p. 125) with elements of the historical business instance systematized investigation, or as called by Bogdan and Biklen (2007) – the “historical organizational case study” (p. 60). The exploration of topic from the historical perspective was necessary as it allowed to make an excursus in the past by means of conversations, where founders and successors of family enterprises had to turn back to the history of their family business development with its process of cross-border expansion. Units of analysis serve as examples on the basis of which the topic can be illuminated and studied from the inside. Consequently, the present case inquiry can be identified as an *instrumental* investigation (Stake, 2005).

#### **3.5.4. Frame of the investigation time**

The current Master Thesis can be defined as the longitudinal inquiry due to several reasons. The first reason is based on the study topic: social capital in the *process* of family business internationalization. The internationalization *process* assumes to be a prolonged action over some period of time, not a snapshot of

one moment. That is the longitudinal inquiry is all about: to examine cases “over time” (Hair Jr. et al., 2011, p. 150). The second reason is underpinned in the purpose of the Thesis that is to uncover the process of family business cross-border expansion from the perspective of social capital. Hence, we are interested in what way the combination of different elements of social capital over the *consequent phases* of the family business development leads family enterprises to the operations on exterior markets. The longitudinal investigation is appropriate because of its ability to examine alterations (Saunders et al., 2012, pp. 190-191). The third reason is that we aim to inquire the *emergence, formation and development* of social capital, which are all the subsequent steps in the process of appearance of social capital over the process of family business foreign market expansion. Likewise, the longitudinal investigation is adequate as it is about inquiring the evolution of the matter (Saunders et al., 2012, pp. 190-191).

### **3.6. Strategy for picking out the research population**

To pick out the cases for the survey we have applied the “non-probability” selection strategy (Ritchie and Lewis, 2004, p. 78). Well-known type of the non-probability technique is recognized by Patton (2002) as the “purposeful” (p. 38) or by LeCompte and Preissle (1993) as the “criterion-based selection” (p. 69) manner of picking out the research population. If we want to make thorough inquiry about the importance of social capital over the internationalization process of family business, we have to ground our research on the purposeful mode of population selection as the consistency and strength of the *purposeful* selection technique is hidden in choosing *information-rich* matters that can provide significant revelations upon the field of investigation (Patton, 2002, p. 230, italics in origin). Primarily we have to “create a list of the attributes essential” (LeCompte and Preissle, 1993, p. 70) for our investigation and only after elaborating such characteristics’ panel we can initiate the search process of appropriate cases that meet the requirements of the characteristics’ panel (LeCompte and Preissle, 1993).

#### **3.6.1. Research units of the investigation**

Units for study (“*sampling units*”) are cells picked out from the wider scope of entities pertinent to the field of investigation (“*target population*”) (Hair, Jr. et al., 2011, p. 165, stressed on original).

For the current Master Thesis the inquiry of social capital in the internationalization process of family business has been performed upon the instance of three family companies. All of the investigated entities operate in one business field: they engineer, produce, develop, supply and install inward/outward solar protection systems. All of these family enterprises are interrelated in the context of international business and are well acquainted with the business performance of each other. One of the presented family businesses was founded in Germany. One was established in Russia and one was grounded in Ukraine.

Merriam (2009) mentioned “...levels of sampling are usually necessary in qualitative case studies” (p. 81). Thereby, for the purpose of the present Master Thesis we have identified several grades of entities

that were studied in terms of each particular research unit. The first grade – the case itself – were the family companies in its nature. At this level of study we inquired the concrete family enterprises in terms of the timeframe of the company operations on international market and the consequent phases of the internationalization process of family enterprises. The second grade of the studied units were agents and employees of the family companies. At this level of investigation we have performed interviews with founders, owners, successors and business partners of family enterprises (Appendix K.1-K.4). The third grade of the investigated units were the procedures of creating business relationships with external business partners. Particularly, we had a chance to observe the negotiation process between an agent of family company and its foreign business companion. The fourth grade of the inquired units were documents, which have presented strategic and operational plans of the family companies' international development, memos materials that have highlighted principal facts about the foreign market expansion of family enterprises, biographical notes that have illuminated impulses and behaviors of the entrepreneurs over the process of family business international development and annual reports, journals of the family enterprises, which have introduced actual positions of family companies on international markets.

### 3.6.2. Process of selecting units for the investigation

In what way we have determined *what* and *who* exactly have to be involved in the research project as the instance in order to obtain the aim of the present Master Thesis? On this matter, we grounded the picking out process on four dimensions (Fig. 3.3) which sketch the scope of fetching (Miles and Huberman, 1994; Marshall and Rossman, 2011).

Settings	Actors	Events	Processes/artifacts
Family business operating within the international context	Entrepreneurs-initiators-founders of the family business Owners-successors of the family business International business partners of the family companies Managerial groups of the family companies	Initiation of the family business Family business in progress Increase of the family business Family business foreign market (international) ingoing	Start-up of the family business Cross-border expansion (internationalization) of the family business Social capital formation Social capital occurrence Social capital manifestation Social capital application in the process of family business foreign market expansion

**Figure 3.3. Dimensions for selecting units for the investigation**

Source: developed by the author based on Miles and Huberman (1994, p. 30).

While searching the instances for the present study, we had in mind that family firms have to satisfy the next two hallmarks: first, the family enterprise has to be established by family members from scratch; second, the family enterprise up to the present time has to be owned and managed by the family.

At the same time, the German family business has been identified as the family enterprise despite the fact it was founded by two friends. The reason we have included this company in actual investigation is that the ownership and government of this company have been passed from generation to generation from 1930. At the present time the company is run by the successors – two sons of the founders.

From the position of the case study inquiry (Creswell, 2013, pp. 148-149), the ground for the actual Master Thesis is a crossbred handling, the purpose of which is to pick out family enterprises that represent the diversity of occurrence of social capital elements in the process of internationalization, but at the same time all of the identified family enterprises retain common peculiarities (determined criteria) that enable to mark them out as homogeneous entities for investigation in order to delve into the subject of the research – that is a “*stratified purposive sampling*” (Ritchie and Lewis, 2004, p. 79).

From the position of the narrative research (Creswell, 2013, pp. 148-149), we have identified parties in family enterprises on the basis of the “*intensity*” strategy of pattern picking out (Miles and Huberman, 1994, p. 28), which presumes to get in touch with those representatives of the real-life experience of familiness formation over the process of family business development with the help of whom we can be absorbed within the “*information-rich*” matter of the inquiry (Miles and Huberman, 1994, p. 28). From the perspective of the phenomenology inquiry (Creswell, 2013, pp. 148-149), we have applied the “*criterion*” strategy of pattern selection (Miles and Huberman, 1994, p. 28). For instance, parties of family companies – participants of the inquiry – have to be actively involved in the process of constructing business relationships with business partners abroad in different world regions. Yardsticks on the basis of which each unit of the current inquiry has been investigated are presented in table 3.2.

### **3.6.3. The count of cases in the pattern**

The decision about the quantity of cases for the Master Thesis has been specified by several causes. First, the quantity of matters, parties, studied objects and applied techniques of information concentration should be sufficient to deep-in, expose the topic of examination and to dig up the answer for the aim of the inquiry (Merriam, 2009). We suppose that three family businesses, seven agents (one owner, two founders, two successors and two business partners) of family companies, three methods of information capturing (interviews, observations and documentations scrutiny), two types of data acquisition (primary and secondary channels of information accumulation) are admissible quantity of employed exploration manners in order to present the descriptive-explorative inquiry and to eliminate the trigger mechanism of the family business internationalization process from the perspective of the familiness concept. Second reason is identified based on Ritchie and Lewis (2004): the amount of materials we have accumulated in the course of survey is vast in pieces of facts and equips us with extensive “bytes” of intelligence obtained from each single matter of the family enterprise we have reviewed. One more reason, the third one, due to which we have selected three family companies for the inquiry is the time limits of the investigation (Ritchie and Lewis, 2004).



**Table 3.2**

**Brief items of the inquired cases of family businesses**

Hallmarks/Company	German Company	Russian Company	Ukrainian Company
Entrepreneurs-founders-initiators of the family business	Childhood friends	Native brothers	The family
Start-up moment for establishing the family business	Innovation in interior windows' decoration	Modification of forms and sizes of existing solar protection systems	Control gear development for the solar protection systems
Generation in which family enterprise is owned and governed by the family members	Second generation (two sons – successors of the founders)	First generation	First generation + second generation
Country of consignment	Federal Republic of Germany	Russian Federation	Ukraine
Scale of the company operations/markets of functioning	International. Markets: France, Benelux, Austria, Switzerland	International. Markets: Ukraine, Belorussia, Moldova	International. Markets: Italy
Company's strategy of market penetration (based on Hollensen, 2011, pp. 336, 357, 386)	Subsidiaries of production and sales. Resident representatives of sales. Region centre (both types, including enjoying full rights insider). Agents of sales on foreign market – dealers. Distributors	Region centre (only the type of abroad marketing and abroad sales + services). Resident representatives of sales. “X coalition” of joint venture. Agents of sales on foreign market – dealers. Distributors	Resident representatives of sales. Region centre (only the type of abroad marketing and abroad sales + services). Agents of sales on foreign market – dealers. Distributors
Internationalization trajectory of the family business (based on Bell et al., 2003; Bell et al., 2004; Mets, 2009)	Born-again global track of the family business internationalization	Born-again global track of the family business internationalization	Gradual/traditional track of the family business internationalization
Behavioural model of the family enterprise over the process of internationalization	Strengthening of existing international positions	Strengthening of existing international positions	Strengthening of existing international positions
Actors of the family companies which have been involved in the inquiry process	Successors of the family company. Several external business partners with whom family enterprise has established international business relations	Initiator of the family business who is the owner of the family enterprise. Several foreign business partners with whom family company has established exterior business relations	Founders who are the owners of the family business. Several external business partners with whom the family enterprise has established international business relations

Source: developed by the author based on Hollensen (2011, pp. 336, 357, 386); Bell et al. (2003); Bell et al. (2004); Mets (2009); materials accumulated during the inquiry process.

### **3.7. Consistency of stages while obtaining admittance to the study entities**

According to Creswell's "*circle*" of materials accumulation (Creswell, 2013, p. 146), the inquiry process has started from the *identification of a position or a person* for the current investigation. After the positions and respondents for the investigation had been identified, the next step has been *to attain admission and to establish inquiry relationships* with the subjects of the inquiry Creswell (2013).

For the purpose of the current Master Thesis, we have established contacts with the subjects of the inquiry in the sequence of stages based on the selection modes proposed by Creswell (2013) in his material acquisition techniques (pp. 148-149) According to it, the first step can be identified from the phenomenology perspective as we have to recognize parties of family companies that are in the first-priority for our research: we had to organize meetings and conduct conversations with those personalities, who have observed the emergence and transformation of social capital, and hence, who can depict the significance of familiness over the process of family business foreign extension. Hence, such persons were recognized, they are: founders, owners, successors and business partners of family businesses.

The next stage can be identified from the case study perspective, which assumed to get in touch with the family companies, which are the matter of the actual investigation. We have contacted entities with the "snowball" manner of sampling, known as well as a "network" or a "chain" manner of selection (Merriam, 2009, p. 79). Based on this technique, we have got involved in the contact with founders, owners, successors and business partners of the family enterprises due to the help of people we have known long before the start of the investigation: our family, close friends and their business networks. Initially, among close friends we have identified the "gatekeeper" (Creswell, 2013, p. 154) – a person who is the primary bonding element between the investigator and the entities of the investigation (Hammersley and Atkinson, 1995) – in our case it is a person, who works for the family company and can establish connections with the subjects of the inquiry. In order the actual survey was perceived seriously, we have sent the support letter of the current survey to the management teams of the family companies (Appendix L). The last stage in the process of attaining the admission and establishing the connection with the respondents can be identified from the perspective of the narrative inquiry. After the support letter with the brief description of the Thesis had been processed by the management teams of the family enterprises, we have got in touch with the parties of the family enterprises, came to the agreement about the time and place for conversations, discussed the possibilities and later reached an admission to the inquiry materials.

### **3.8. Procedures of materials acquisition**

As researches we have to recognize clearly that there are two options due to which information over the inquiry process can be acquired: primary and secondary information generators. Hence, there are two types of information that can be collected upon the study: primary research data and secondary research data (Hair Jr. et al., 2011; Saunders et al., 2012).

### **3.8.1. The necessity to combine primary and secondary data acquisition modes**

The current Thesis is qualitative in its nature with the descriptive-exploratory inquiry design in its core. The present investigation is characterized by the case study framework that contains elements of three more strategies of the qualitative exploration: the narrative investigation, the phenomenology and the grounded theory approaches. Knowingly, one of the peculiarities of the qualitative investigation is numerous manners of information acquisition (Creswell, 2013).

### **3.8.2. Secondary information acquisition**

Data acquisition before getting an access to the family businesses. In order to familiarize ourselves with each particular family business matter, we launched thorough investigation of the potential research entities. The first source of information we had resourced for was the Internet. Specifically, it were web-sites of the family companies and the relevant items about the family enterprises that were noted in the electronic versions of business magazines or mentioned at the web-pages of their business partners.

Hence, our first acquaintance with the inquired objects had been carried out, according to Hair Jr. et al. (2011), in terms of the “*external plural secondary sources*” of materials (pp. 112-113). These derivative materials had been accumulated in forms of the “*textual and non-textual documentations*” (Saunders et al., 2012, p. 307). “*Type*” of the acquainted secondary materials could be characterized as an “*ad-hoc*” information (Hair Jr. et al., 2011, p. 113) as mostly all generated materials were timed to particular events (for instance, opening a new representative office of the family enterprise; updating show rooms of the family company; forthcoming national, international exhibitions).

All the range of the derivate materials about the family businesses, gained via the secondary information sources have become the backbone for the Thesis as it has allowed to explore the inquiry cases from the *retrospective aspect* and hence, has provided better comprehension of the studied entities.

Data acquisition after getting an access to the family businesses. Secondary materials, which are accumulated by the internal information generators, are materials that occur inside the enterprise (Hair Jr. et al., 2011) and can be acquainted only by means of the direct communications with the generators of materials. In terms of the *narrative investigation* (Clandinin and Connelly, 2000), biographical novelettes about founders of family enterprises, history telling of the family business evolution and stories about family business international expansion had served as inseparable elements of the current Thesis.

According to Czarniawska (2004), information was gathered via asking agents of family enterprises to tell in great details narrations about the consequent phases of the family business development. Due to it, we had an opportunity to recall initial ideas that had induced companies’ founders to start the business, to remember crucial incidents that had influenced on the decision of family business cross-border expansion, as well as to reminisce the people, networks that had played significant role over the family business international development. In the course of such communications we had recorded novelettes that had suddenly emerged as memories and retrieved plots of those narratives via conversations.

Based on the advice of Clandinin and Connelly (2000), we have included to the investigation such information generators as family-owned photographs and artifacts of memorable moments, which remind about epoch-making meetings, crucial events of the family business progress and illuminate decisions that have been made in the process of the family business extension (invitations to take part in the International Exhibitions of Technology and Innovation, awards for participating in national and international expositions of Architecture and Construction, engagement letters for cross-border cooperation etc).

From the perspective of the *phenomenology inquiry*, our attention was focused on principal actors of family enterprises who had directly participated in the social capital formation over the whole process of family business cross-border extension and hence, who possess the first-hand knowledge about the role of social capital phenomenon over the process of family business international development. Thereby, we have conducted “in-depth interviews” (Creswell, 2013, p. 161) with founders, owners, successors and exterior business partners of the family enterprises.

In terms of the *grounded theory inquiry*, in combination with the interviewing technique of material acquisition we have employed the record keeping or “memoing/journaling” mode of information accumulation (Creswell, 2013, pp. 149, 162). The major aim of the Thesis in terms of the grounded theory inquiry is to detect a single theoretical interpretation of the investigated phenomenon (Corbin and Strauss, 2007) via the materials obtained in the course of exploration and mainly from the agents who are bearers of the first-hand knowledge about the inquired phenomenon (Strauss and Corbin, 1998). Due to it, we have realized that writing short essay about everything that have happened to us in the process of performing the research is useful methodological manner as it assists to keep in order and to recall in memory all inquired events. Moreover, we have become aware that mapping gained intelligence in forms of graphs, schemes, charts and causal-effects patterns greatly simplifies an analytical algorithm of the investigation.

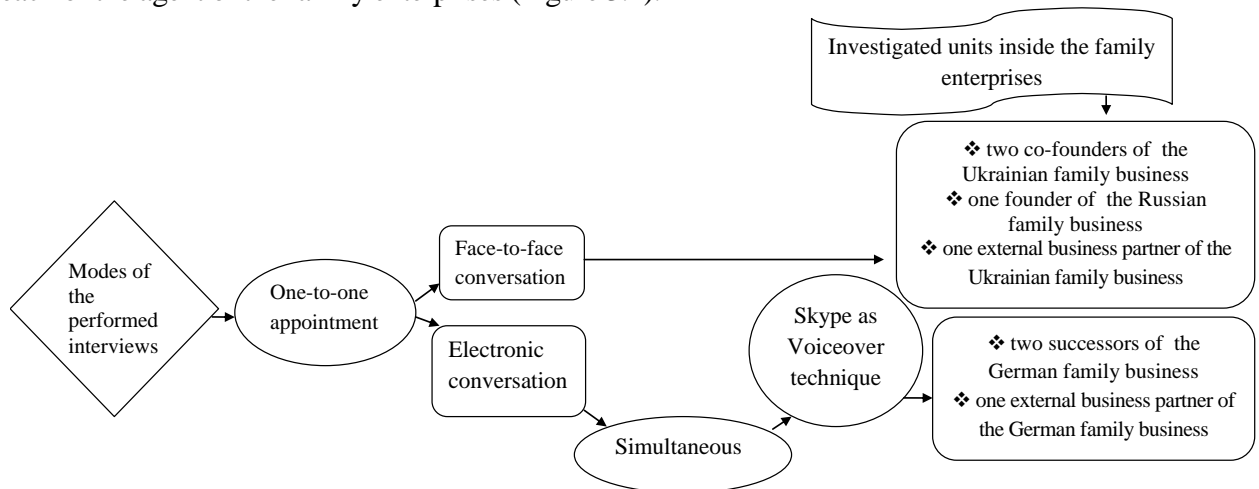
Adhere to the opinion of Yin (2009), over the exploration period we have employed the next material accumulation modes of the case matters: acquainting with artifacts, which belong to the family companies (photos, rewards), being involved in the field of the inquiry in the role of the observer as participant, carrying out interviews with the crucial agents of the family enterprises, examining the documentations (reports, notifications, plans of the family business development).

The amount of secondary internal information was huge, but incredibly interesting.

### **3.8.3. Primary information acquisition**

*Interviewing.* The algorithm of interviews’ carrying out was elaborated in line with the suggestions of Kvale and Brinkmann (2009), Creswell (2013), Rubin and Rubin (2012). Inquired agents within family companies have been represented by two co-founders/owners of the Ukrainian family business, one founder/owner of the Russian family business, two successors of the German family business, one

external business partner of the German family business and one external business partner of the Ukrainian family business. To carry out the interviews, the appointments were organized personally with each of the agent of the family enterprises (Figure 3.4).



**Figure 3.4. Study units and techniques of the performed interviews**

Source: developed by the author based on Saunders et al. (2012, pp. 375, 405).

Three interviews were performed in the format of the “*face to face*” conversations (Saunders et al., 2012, p. 375). Two interviews were performed by employing the Internet and the up-to-date conversation technique – Skype. We identified interviewing with two co-founders and two successors of the family enterprises as “*one-to-one*” rather than “*one-to-many*” mode of appointment (Saunders et al., 2012, p. 375) because, the successors of the German family company, as well as co-founders of the Ukrainian family enterprise, are members of one family. Thus, these agents of the family enterprises can be mutually complementary over the conversations that in turn afford profound exploration of the inquired social capital phenomenon over the process of family business cross-border expansion.

As the present Thesis is the descriptive-explanatory study in its core, we practiced the strategy of more *listening* than speaking while acquiring information over interviewing. That means, we have compiled in-depth conversations in “unstructured” and “semi-structured” manners with “open-ended” (Creswell, 2013, p. 160) study points as the basis. Tentatively, we organized the interview procedures in the way to accumulate two crucial sorts of materials for the current Master Thesis: the perception of the family business history and the awareness about the matter and effect that social capital had made on the process of family business internationalization.

Hence, we have decided to start conversations with the family business agents within the frame of the “retrospective” approach (Flick, 2014, p. 125). For these goals open-ended questions were developed.

For the actual investigation, the semistructured frame of the interview is the frame where the retrospective approach had been conjoined with the present-day state of the family business affairs. Such pattern of the investigation had been presented in the work of Cardinal et al. (2004). The semistructured

in-depth questions helped to narrow the broad conversation topic about the entire process of the family business international development and centered attention on the inquiry theme.

Highly standardized questions have facilitated to concentrate maximum attention exactly on the inquiry purpose: the familiness concept, its significance and its influence on the process of the family business international penetration. Therefore, due to the standardized questions, study questions had been in sight and strictly steered over interviewing. The highly structured mode of interview had predominated in the Skype conversations with two successors and one exterior business partner of the family company, while the unstructured and semistructured modes of interviewing had prevailed in the face-to-face conversations with founder/owner, two co-founders and one business partner of the family businesses.

The duration of interviews varied: face-to-face conversations lasted up to three hours (2,5 hours with the founder of the Russian family enterprise, three hours with the co-founders of the Ukrainian family company and approximately one hour with the foreign business partner of the Ukrainian family enterprise). Face-to-face interviews took place at the offices of the family enterprises. Converses over the Skype were shorter, corresponding to the features of the applied interviewing format: the Skype interview with the successors of the German family business lasted for 1,5 hours and the Skype conversation with the exterior business partner of the German family company lasted approximately for one hour.

Dictaphones were used as the major tools upon the process of carrying out the interviews. Making notes to the interview guide were auxiliary tools over performing the interviews. Derived reported materials had been served as the foundation for launching an analytical part of the current Thesis.

#### **3.8.4. Observing social capital in action: attending the business negotiation process**

It was our luck to attend the business meeting of the Ukrainian family company and its foreign business partner. Corresponding to the classification of attitudes which the inquirer can undertake over the observations (Creswell, 2013), we performed the attitude of the “observer as participant” (p. 167).

We performed as mere observer who had been superintending the whole negotiation process from the position of being remain on the sidelines from the interworked business agents and without any implication to the negotiation itself. Our attention was centered on the performance of both parts: the founder of the Ukrainian family company and the exterior business partner of this company. Particularly, we had considered the reciprocal actions of the business parties and the manner in which the conversation process between them was constructed: the greetings and farewells between the agents, the mood of the entire negotiation process, the manifestation mode of social capital elements (such as trust between business actors, common business vision, obligations of parties, common business language), how they had been revealed over the negotiation process and in what way the revelation of elements of social capital had impacted on the outcomes of the negotiation. All observed facts and materials had been notated down to the inquirer memos while the parley itself had been taped.

### 3.9. Procedures of data processing

The analysis procedures of the acquainted materials for the Thesis have started from the perspective of *the grounded theory* investigation, particularly in accordance to Strauss and Corbin (1990, 1998), from the authentication of few focal statements that are exactly the matters of the Thesis. They are: *phases* of the process of the family business international development; *elements of social capital as resources* and *elements of social capital as capabilities* over the process of family business cross-border extension; *modes* in which social capital elements *accompany* the phases of the process of family business foreign market penetration. All accentuated statements are the heart of the Master Thesis and thus, they are discerned as constituent items in order to assemble puzzles about the fundamental phenomenon of current inquiry – the trigger mechanism for the process of family business internationalization in terms of resources and capabilities of the social capital of family company.

*From the perspective of the narrative investigation*, based on Denzin (1989), all accumulated materials from the family enterprises (interviews, documentations, photographs, plans, reports etc.) have been anatomized in terms of the chronological treatment with the aim to examine profoundly the investigation theme. We started from the regeneration of the historical range of events upon the family enterprises evolution. Here we applied biographical intelligence about founders, successors and owners of family business. As well we had drawn in the investigation photo materials and family-business owned artifacts which indicated milestones over the process of family business cross-border expansion. Novelettes of successors and owners had been complemented by the long- and medium-term plans of family business development which illustrated decisions and sequential steps over the process of family business cross-border expansion. Narrations of the foreign business partners of the family enterprises illuminated the process of family business internationalization from the perspectives of *when* and *under what circumstances* the acquaintance of agents had been made.

*From the perspective of the phenomenology investigation*, based on Creswell (2013, pp. 193-195) and Moustakas (1994), due to the fact that one of the groups of the inquiry units had been agents of the family companies, the matter of the *experience* had emerged pro tanto. We have detected specific cells of social capital (the research model in part #2 of the Thesis) as considerable notions in order to spectate how agents of family enterprises are falling under these particular cells on practice. These considerable notions are: *trust, norms, obligations, identifications, shared vision, language and narratives, network ties*. Such considerable notions exactly serve as the conceptions in terms of which the social capital is shaped by agents of the family business over the process of family business cross-border extension. Since we have designated considerable notions for the inquiry, the next step is to cluster them into the semantic terms (Creswell, 2013; Moustakas, 1994). These semantic terms for the current inquiry are: relational social capital, cognitive social capital and structural social capital.

In the particular Thesis, the semantic terms assist to catch the sight of “what” (Creswell, 2013, p. 193) – that are concrete *elements* (cells) of social capital, which agents of the family companies undergo in the process of family business internationalization. The subsequent step is to catch the sight of “how” (Creswell, 2013, p. 194) the cognition of conceptions has emerged within the ambiance on practice. In the Thesis such “*how*” points are the particular *phases* of the process of family business international development and its specific *milestones* in terms of social capital that favour the process of family business exterior expansion. “What” and “how” couples have to be conjoint in order to investigate the subject of the inquiry accurately (Creswell, 2013).

It is in order of things that the *case study* investigation can envelope various modes of intelligence analysis and explanations: the chronological approach, denominations clustering, depicting concepts from the investigated subject as well as employing graphical submission of the inquired matters (Stake, 1995; Creswell, 2013). Accordingly, in terms of the case study investigation the Master Thesis has been complemented with an in-depth depiction of the studied family companies, which equips the Thesis with the crucial intelligence about the inquiry entities and elucidates the milestones of the phases over the family business international development in terms of social capital.

The conclusive item of the Thesis in terms of the case study investigation is the interweaving of the acquainted outcomes about the essence of social capital over the process of family business internationalization with the theoretical and practical materials that have already been existed in the field of the family business foreign market expansion. Such presentation of the acquainted outcomes of the inquiry is all about collaborating “naturalistic generalization” (Stake, 1978, p. 6).

### **3.10. Authenticity of the investigation**

*“Are these findings sufficiently authentic...that I may trust myself in acting on their implications?”*  
Lincoln and Guba, 2000, p. 178

#### **3.10.1. Handling with reliability of the investigation**

The degree to which study terminations can be reiterated is what reliability concerns (Merriam, 2009). In a way, the possibility to carry out the identical inquiry and to obtain the identical outcomes is what reliability about. Worth to mention, the reliability is being impeached in its propriety to be employed in defining the trustworthiness of the qualitative study due to the continual changes of the world per se and particularly due to the on-going changes of human behavior, circumstances, factors, surroundings of the inquired subject etc. (Lincoln and Guba, 1985; Wolcott, 2005; Merriam, 2009). With its purpose Lincoln and Guba (1985) introduced such notions as “consistency” (p. 292) or “dependability” (p. 292). These notions are about respondents’ confirmation that obtained inquiry outcomes, grounded on accumulated inquiry materials, are meaningful – namely, they are coherent (Lincoln and Guba, 1985). Those are conceptions that made an impression on us as inquirers upon the current Master Thesis.



The approach of “inquiry audit” (Lincoln and Guba, 1985, p. 317) is a treatment that is used to assure the consistency of current investigation. Based on the sense of this approach – to illustrate in what way we have reached the outcomes of the inquiry (Dey, 1993) – we tried to shape the comprehensive insight into the manners, which made it possible to obtain those research terminations that we have. In a way, we have exposed as itemized as possible all applied techniques, modes, the consequence of steps and phases, which have shaped the entire exploration mechanism and aided to explore the phenomenon and bring us to the outcomes of the Master Thesis.

### ***3.10.2. Validity of the investigation***

Appreciating the exactitude of the inquiry terminations is what the validity pertains (Creswell, 2013). If the project exposes precisely those singularities of the subject-matter which it is contrived to unriddle, portray or doctrinize, than such paper can be defined as genuine or valid (Hammersley, 1992, p. 69). We scrutinize two perspectives of validity. One of such perspective is recognized as internal validity. It relates to the statement if that what we had affirmed to be examined is exactly what we had examined (Arksey and Knight, 1999).

To validate inferences of current inquiry we have put into practice several strategies of validation. “Reflexivity” (Lincoln and Guba, 2000, p. 183) or the “researcher’s position” (Merriam, 2009, p. 219) is a treatment when the inquirer neatly gives voice to his/her stands of world sensing, prepossessions, attitudes to the subject-matter under exploration, theoretical and philosophical foundations etc. – all that directly or indirectly exert on the inquiry design and the way the survey is performed (Merriam, 2009). We have portrayed the backbone of the survey within the first three chapters of the Thesis via configurations of the inspiration for the picked field of investigation, our reality sensation, philosophical grounds and delineations of semantics that we have inlayed into the inquiry phenomenon.

The next treatment to make results of our Master Thesis valid is a triangulation treatment. This approach is thoroughly presented by Denzin (1978). Correspondingly to Denzin (1978), we have put in practice three of four defined modes of triangulation. The first one, the group of inquiry techniques (interviews, documentations/artifacts examinations and observation). The second one, implementing several intelligence generators (primary sources: founders, owners, successors and foreign business partners of family enterprises; secondary sources: the Internet, published business magazines, ratings etc.). The third one, applying several theoretical scopes in order to substantiate revelations that have been observed (theory of familiness, social capital, internationalization and strategic management theories).

Over the process of writing the Thesis we were interacting with people who are sciential in the field of international business, competent in the field of business processes as well as acquainted with the methodological survey approaches. Intercommunications were organized in the form of displaying terminations from different stages of investigation progress and getting formative responsiveness and

annotations for further improvement. It can be identified as “peer review”/“peer examination” (Merriam, 2009, p. 220) policy for outcomes validation.

In order to reflect the echo of the respondents’ “voices” and views on the study theme, it is essential to keep on communication with respondents of the research over the whole process of reporting for the Master Thesis. We have been lucky as the participants of the inquiry has adopted an offer to be engaged in the project till the end. Hence, the authenticity of the investigation have been performed upon the reciprocal actions with the agents of the international family companies, who have accompanied the process of writing the Master Thesis with the feedbacks, annotations and remarks over the investigated theme. It potentiates to receive an apprehension from the outside, namely, the third parties/independent practical experts in the field of family business internationalization. Drafts of chapters #4 and #5 of the Thesis and all transcribed conversations had been sent by the e-mail to the agents of the family business for critique. Annotations from the agents we were receiving in the form of the amendments to reported conversations and in the form of modifications of several items in memorials. That is the policy of the “respondent validation” (Merriam, 2009, p. 217) or the “member checks” (Lincoln and Guba, 1985, p. 314) with the aid of which plausibility of the inquiry terminations has been strengthen for one more point.

During the entire process of writing the Master Thesis, we have been verifying, reaffirming and matching all primary accumulated facts and major issues of the survey with the acquainted survey materials from the numerous secondary information generators (on-line reports, web-pages etc.).

Other perspective of the validity is discerned as external validity. It regards the rank to which the terminations that have been derived from the concrete survey can be put in practice within other frameworks or ambiance (LeCompte and Goetz, 1982; Lincoln and Guba, 1985). The core item via such notion is the generalization of inquiry inferences. In order to append one more point to the reliability of the attained survey outcomes, external validity can be perceived within our particular Thesis via “thick description” (Geertz, 1973; Maxwell, 2005, p. 116; Lincoln and Guba, 1985, p. 125) and “maximum variation” (Merriam, 2009, p. 227) policies.

The thick description approach for the generalization has been implemented in the Thesis via the modes of: 1) the profound portraying the survey framework; 2) specification of the inquired family businesses and its agents; 3) itemizing exposition of the derived terminations. Quotes from the conversations with the agents of the family enterprises reinforced the whole expositive process of the Thesis. Tables, figures, charts, diagrams and patterns were employed over the entire process of the Thesis writing and helped to visualize, systematize and in turn, to simplify the depiction of the inquiry outcomes.

What we have done in the Thesis in order to simplify the identification of the inquiry outcomes in terms of the adequate/non-adequate utilization for any further surveys is that we have assigned identification marks or “working hypotheses” (Cronbach, 1975, p. 125), which serve as the lighthouses to outline the concrete features of the concrete subject-matter. The lighthouses are such statements:

- the family business (founder/owners/successors);
- the internationalization pathway (gradual/traditional, born global, born-again global);
- the relational social capital, structural social capital, cognitive social capital;
- the phases of the internationalization process of family enterprises.

Hence, those who are interested in the theme of social capital and looking for the existent derived outcomes in the field of the family business internationalization can estimate the pertinence of the actual Thesis for further inquiry.

The generalizability of the particular inquiry is defined via “the accumulation of knowledge” (Eisner, 1991, p. 209) both for scholars and academics (theoretical perspective) as well as for business people (practical approach). Estimation whether drawn inferences of the survey are appropriate for further employment, however, has to be made by particular individual who is willing to continue the investigation in the field of the family business internationalization, grounded on his/her conversance about the concrete features of the subject-matter which in turn, designates the propriety of the Thesis to be put in practice in terms of the identification marks that have been defined as the lighthouses for generalizability.

### **3.11. Bottlenecks over the investigation process**

The entire process of information acquisition was successful: all the requests about the possibilities to arrange meetings and perform conversations with agents of family business, getting permissions to investigate documentations of the family companies from the perspective of international expansion, as well as the opportunity to attend the process of negotiations with the external business partner in the role of the “observer as participant” (Creswell, 2013, p. 167) had been complied to the largest extent. However, we can single out two principal bottlenecks we were confronted in the course of the workflow.

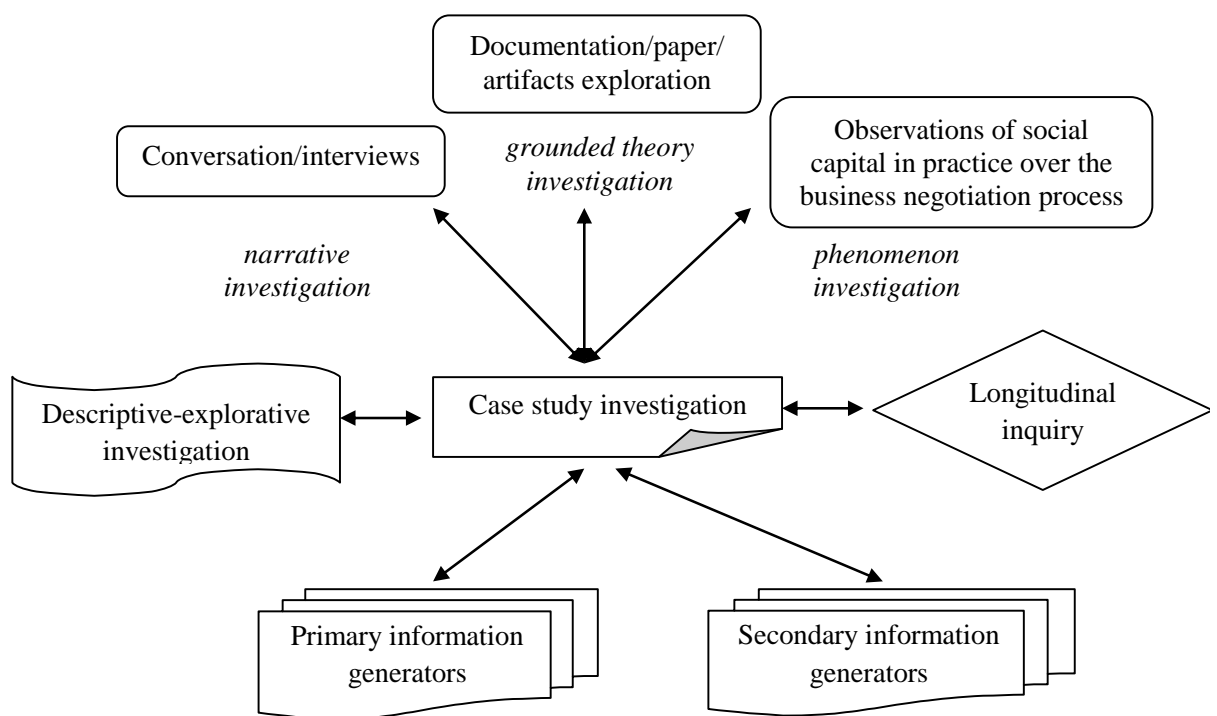
The first bottleneck was the puzzler of comprehension of the concept of social capital as such. Agents of family businesses had a general idea about the social capital (from the position “*we have heard something about it somewhere*”), but none of them have ever pondered about the importance and impact of social capital over the process of family business cross-border extension. Consequently, anyone of the business parties couldn’t identify social capital in details (what are the elements of it, how they can be displayed over the business etc.). Thereby, getting the common denominator in terms of the conception, definition and inside structure of social capital was the pivotal task for the beginning of coupling with participants of the inquiry.

The second bottleneck had appeared straight in the course of processing the inquiry materials. The major challenge was to expose and portray the “subject’s pure experiences” (Kvale, 1996, p. 3) of social capital over the process of family business cross-border expansion. That is, to display accumulated intelligence on papers from the “eyes” and “voices” of founders, owners, successors and foreign business partners of family business. Since “The search for explanations is a hard one...because it involves a mix

of reading..., following leads..., studying patterns, sometimes re-reading..., and generally thinking around the data” (Ritchie and Lewis, 2004, p. 252), there was an issue to syncretize materials congregated from several information generators (web pages, publications (official and non-official), direct communications with the family business representatives, speculation of interworking relationships during attending the business meeting) and frame from the assembled materials the integral pattern of trigger mechanism for the family business internationalization process in terms of the social capital.

### 3.12. Resume of the methodological items of the Master Thesis

To facilitate the perception and comprehension of all employed methodological tools we decided to depict the resume of the “Methodological Items” chapter via the pattern (Fig. 3.5).



**Figure 3.5. Core methodological items of the Master Thesis**

Source: developed by the author

The investigation of familiness over the process of the family business internationalization within the empirical field of the Master Thesis has been performed via next steps: first, conversations had been carried out with seven agents of the family enterprises (two co-founders/owners; two successors; one founder/owner, two business partners of the family enterprises); second, significant amount of artifacts and documents of family companies have been worked on (photos, diplomas for participation in national and international Architecture exhibitions, documents of and for the process of family business development, operations); third and final, we got a fortune to attend the business negotiation process between the representative of the family company and its foreign business partner.

## IV. EMPIRICAL RESULTS OF THE INVESTIGATION

In the empirical part of the Master Thesis the sub-questions of the study will be answered according to the three research cases of family enterprises' and by analyzing the responses of the companies' owners and their business partners. On the basis of information from seven interviews and the research data there will be presented core findings about *the significance of familiness and the impact of social capital over the process of family business internationalization*; will be highlighted *the stages in the process of family business internationalization*; will be considered *the elements of social capital over the process of family business internationalization* and, finally, we will review *how social capital from the perspective of familiness can manifest itself over the process of family business internationalization*.

### 4.1. MHZ HACHTEL GMBH & CO. KG: the case of the German family enterprise

#### 4.1.1. From emergence till the present days: history of the MHZ Company<sup>3</sup>

At the present day, MHZ is a large world-known family enterprise of German origin, which specializes in the industry of engineering, production and installation of solar protect systems and occupies one of



**Figure 4.1. Pleated blinds: cover of the MHZ trend brochure<sup>5</sup>**

the leading positions on the market of internal and external windows decorating systems with black-out options. Nowadays the company is managed by the second generation and has 1200 employees at its staff all over the world. Presently, the company's subsidiaries operate on markets of Austria, Switzerland, France and on the market of Benelux countries.

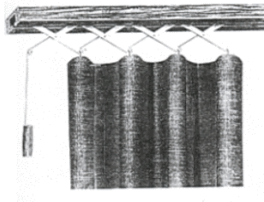
The family business of the MHZ Company was founded in 1930 by two friends. According to the successors who are the current owners of the company: "*The initial capital of founders (inward designer Wilhelm Hachtel and expert in the textile Adolf Stabler<sup>4</sup>, not. by the author), when they decided to launch the family enterprise, was a positive thinking about the future, imagination of exploitation of the professional manufacturing technologies and the beliefs in themselves and the business they are going to launch*". That is, it can be concluded that social capital is a significant part of the start-up capital in the establishment of a very successful company today.

Company's first product was an innovative mechanical curtain with wooden cornice – Mechanical Hachtel Draw (Fig. 4.2). Initially there were doubts about the new product, as it was a bit contrary to the German character: the curtain was a special part of the decor, and such things were not necessary for

<sup>3</sup>Official site of MHZ HACHTEL GMBH & CO. KG. See more at: <http://www.mhz.de/en/>

<sup>4</sup> Official site of MHZ HACHTEL GMBH & CO. KG. <http://www.mhz.de/en/about-us/>

<sup>5</sup> TREND brochure at.: <http://www.mhz.de/fileadmin/pdf/downloads/MHZ-Infobroschuere-Plissee-Vorhaenge-Trend-2013.pdf>



**Figure 4.2. First product of the MHZ Company: Mechanical Hachtel Draw<sup>6</sup>**

Germans. But it was decided to bring the product to the market. These curtains were in demand. Over time, it became clear that understanding of how the curtains would look in the interior was very important for the firm's clients, so the leaders had decided to cooperate with decorators and designers. This was right decision for expanding business around Germany.

But the Second World War had interfered further large-scale development company planned. Then in 1944, the company's main production forces near Stuttgart were destroyed. Even after the war, Wilhelm Hachtel and Adolf Stäbler with their families did not think about the business stopping. Contrary, they began great restoration. Both, family ties and support played very important role in this process. Without these elements of social capital, the restoration of the company would not be possible. During the business recovery after the war, the company expanded its range of products and services in the field of decoration, and also formed the delivery department. And after 6-7 years, there was a new breakthrough in MHZ – Wilhelm Hachtel managed to invent a new modern device – a cornice which conjoined wood and plastic. In the 50<sup>th</sup> many MHZ competitors worked on this problem, but only the MHZ Company was able to organize such production. Thanks to the new production technology for the decor, MHZ has become a major manufacturer and supplier of such devices in Germany.

Due to the popularity of a new technology company needed new production facilities. Therefore, in 1958 a new plant was built in the ground of Württemberg. Along with the moving to the new plant the company began an active policy of internationalization. At the end of 50<sup>th</sup> and at the beginning of 60<sup>th</sup> new subsidiaries were opened in Switzerland, France and Austria. At that time, the market demand for textile and other decor products in Europe was very high due to the gradual recovery of the cities after the war. Also at that period the company created a classic set for the window ornamentation, which is considered now as a standard in the windows design work all over Europe.

Today MHZ can offer any awning installations for the windows interior and exterior decoration (Fig. 4.3.). The main competitive feature of the company is that any product is manufactured in accordance with the customer wishes and, therefore, is completely individual and original. Such individual approach allows clients to feel themselves special, despite a large number of customers.

Further to branch in other European countries, the company managed to develop the large partners' network through which goods are sold around the world. As well, there is a special technological center, which improves the quality of products every day. Additionally, 80 technical advisers work within branches and partner firms. Further development of the company depends on the decisions of successors of the enterprises' founder, who are the current board of governors – Wilhelm and Jochen Hachtel, and associate – Dr. Dirk Commandeur.

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<sup>6</sup> <http://www.mhz.de/en/about-us/history/>



**Figure 4.3. Types of internal and external awning, shading and black-out installations of the MHZ Company**

source\*<sup>7</sup>: <http://www.mhz.de/en/products/roman-blinds/>

source\*<sup>8</sup>: <http://www.mhz.de/fileadmin/pdf/downloads/MHZ-Infobroschuere-Beschattungssysteme.pdf>

source\*<sup>9</sup>: <http://www.mhz.de/en/products/curtain-rails/>

source\*<sup>10</sup>: <http://www.mhz.de/fileadmin/pdf/downloads/MHZ-Flyer-Insektenschutz-2012.pdf>

source\*<sup>11</sup>: <http://www.mhz.de/en/products/pleated-blinds/>

source\*<sup>12</sup>: <http://www.mhz.de/en/inspiration/kitchen/>

source\*<sup>13</sup>: <http://www.mhz.de/en/products/awnings/>

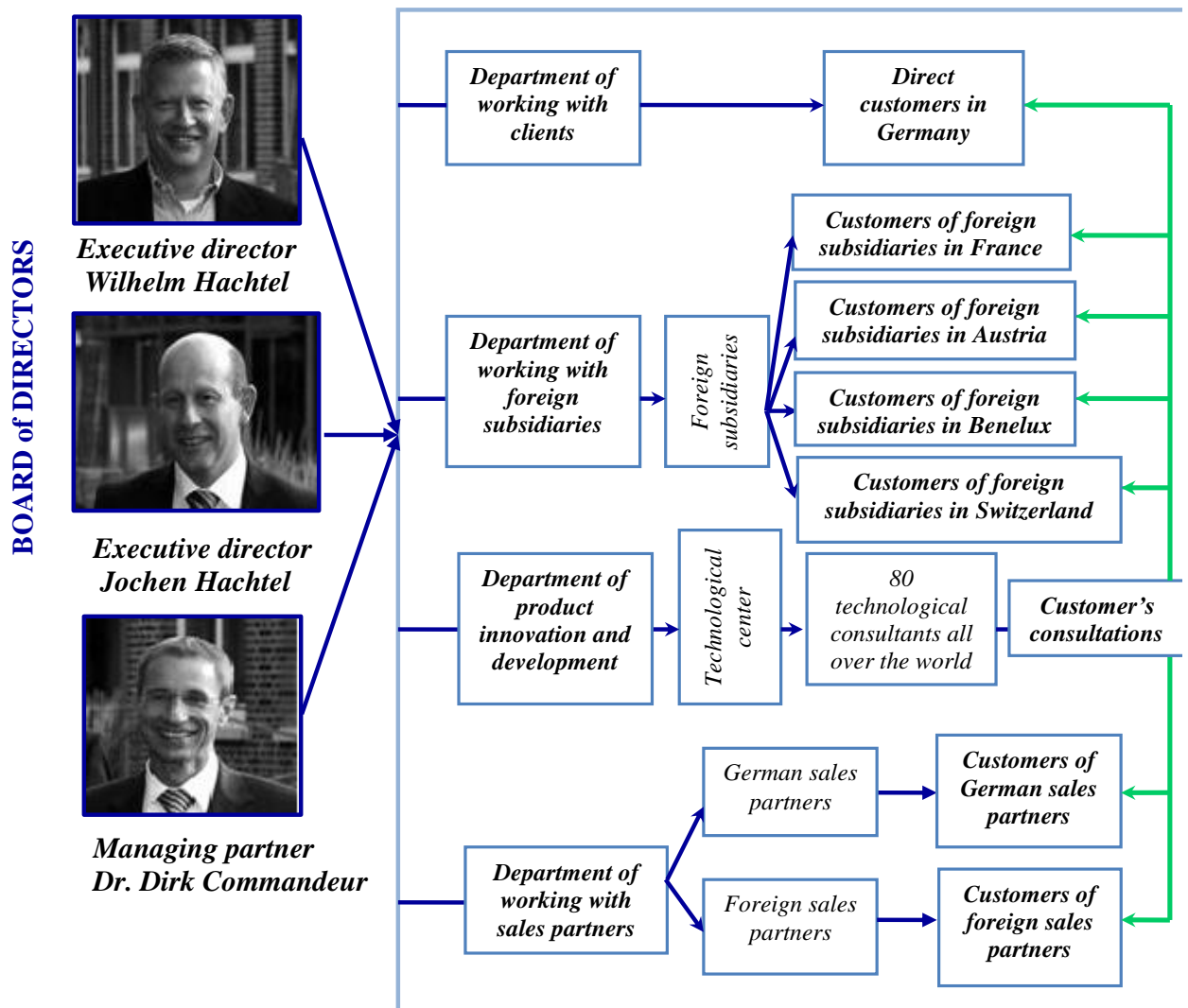
source\*<sup>14</sup>: [http://www.mhz.de/uploads/tx\\_mhzslider/02-Vorhangstangen-03.jpg](http://www.mhz.de/uploads/tx_mhzslider/02-Vorhangstangen-03.jpg)

source\*<sup>15</sup>: <http://www.mhz.de/fileadmin/pdf/downloads/MHZ-Infobroschuere-Glasleisten-Rollo-SKID-2013.pdf>

source\*<sup>16</sup>: <http://www.mhz.de/en/products/panel-blinds/>

source\*<sup>17</sup>: <http://www.mhz.de/en/inspiration/work/>

Interconnection of the Board of Directors with the MHZ technological center and departments of working with the main agents of the company is shown below at the diagram (Fig. 4.4).



**Figure 4.4.** The structure of interconnection between principal departments of the MHZ Company

Source: developed by the author based on the obtained materials from the family company

According to the words of the company heir, decisions are made by all existing manager together without exceptions, as all Board members must approve new and important step of the company. But there is a certain nominal division of brothers' responsibilities. Jochen, like his father, pays more attention to the technological center, which is engaged in the company innovative development as well as technological advices for subsidiaries, partners and customers; Wilhelm is responsible for company products selling, and their partner Dr. Dirk Commandeur controls the activities of foreign subsidiaries. Such responsibilities division of the second generation managers was due to the personal features of the brothers, each of them is engaged in the sector, which fits him best. This approach allows the directing managers to feel the personality in the family business structure and the general sense that they contribute something individual.

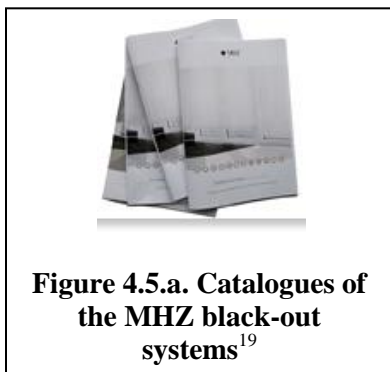


#### 4.1.2. Family business today: the core competence and the philosophy of the MHZ Company<sup>18</sup>

Like any successful company, MHZ has overcome many difficulties, but in spite of them, two generations of the family business have formed and followed three basic principles, which led them to the success in the international business arena.

During the interview, the heirs of the international MHZ Company shared proudly their working principles, which they believe led to the current success performance. The basic principles of the German corporation philosophy are: - focus on customer; - continuous improvement and growth of the company; - company's sustainability.

4.1.2.1. *Family traditions embedded in the products of company.* The principle of customer orientation was the first for the MHZ Company. The attention to the customer needs has allowed the company to leave the competitors behind and innovated business. The first MHZ product was invented according to the client wish, and new materials were invented in order to satisfy qualitatively customer needs. Work with constructors, development of classical set for the windows decoration was designed with the thought of the client. Such approach resulted in customers' recognition and interests in company's products. Many of the initial customers become regular consumers.



**Figure 4.5.a. Catalogues of the MHZ black-out systems<sup>19</sup>**

This principle shows the company loyalty and wishing to realize customers' dreams. It would be difficult to achieve the company internationalization without this important principle.



**Figure 4.5.c. Show-room of the MHZ Company<sup>21</sup>**

As well, orientation on the continuous improvement and growth is a victorious principle for MHZ. Innovative products and services of this company have always stood out among the competitors for years. A lot of time is spent on products promoting campaigns, participation in exhibitions and consulting services (Fig. 4.5. a.b.c.).



**Figure 4.5.b. MHZ Company-participator in exhibitions of Architecture, Design and Textile<sup>20</sup>**

Principle of sustainability includes the whole range of production processes and product development, as well as communication with clients. In order to exceed customer expectations, the MHZ business has constantly to improve all company systems.

<sup>18</sup> <http://www.mhz.de/en/about-us/philosophy/>

<sup>19</sup> <http://www.mhz.de/en/service/>

<sup>20</sup> <http://www.mhz.de/en/magazine/>

<sup>21</sup> <http://www.mhz.de/en/about-us/advice/>

#### **4.1.3. Family business exploring the world: the sequence of stages over the process of MHZ internationalization**

On the first stage of its development, the MHZ Company was operating only in Germany, gradually entering the market of window decoration with its innovative products and materials. Such strategy of the market penetration was the basis for further company development, including its internationalization.

The MHZ founders were good in their businesses, and the first product brought them first economic success. As it was mentioned at the beginning of the case, founders ambitions played a major role in the company creating. Probably, at the very moment the internationalization of the company was thought as a long-term perspective.

Another argument in favor of the company internationalization was its revival after the complete destruction during the bombing in the Second World War. Feeling the power of its social capital after the successful revival, the family had decided that penetration on new foreign markets would be a good idea.

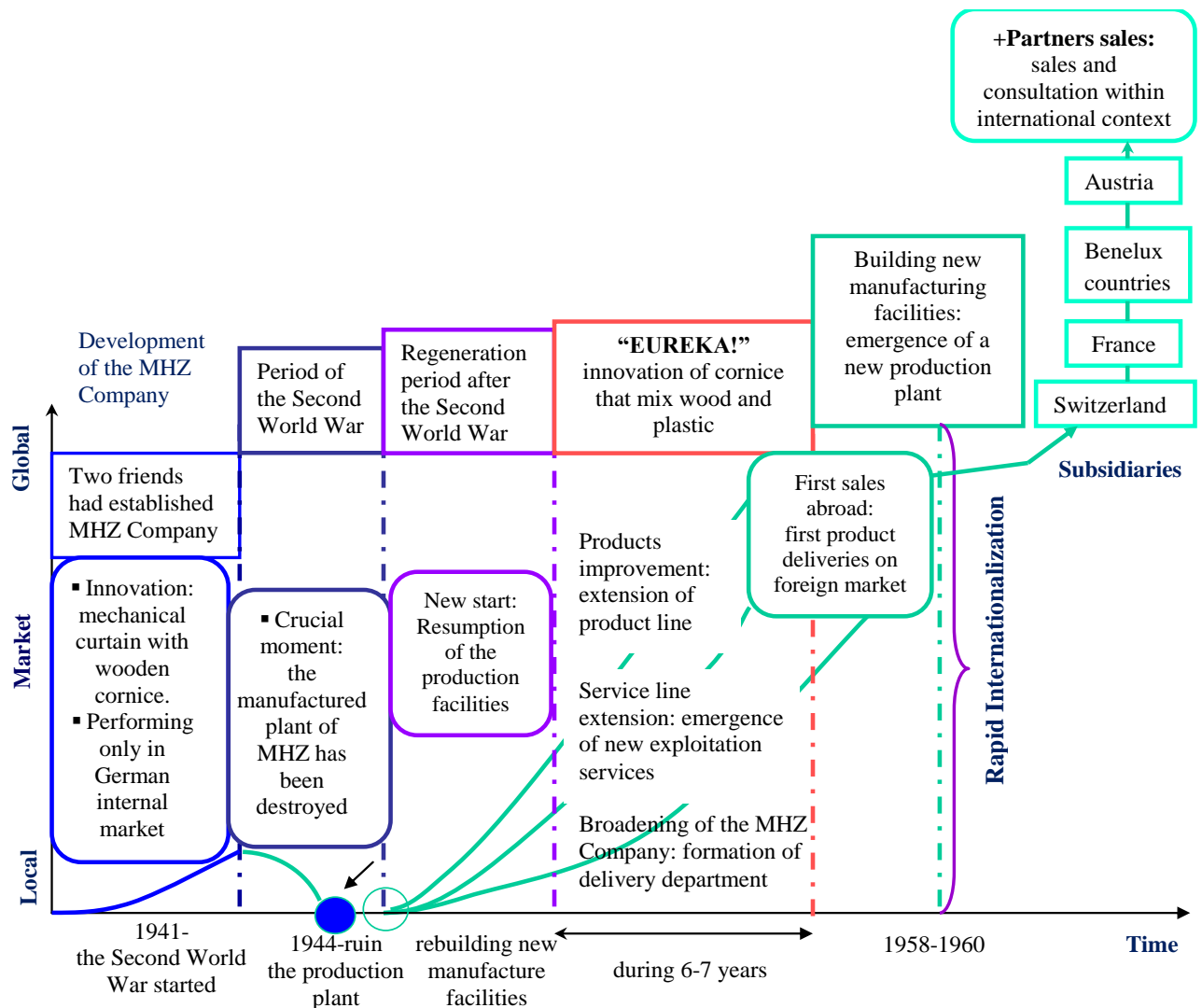
The first active stage of the company internationalization was due to the continuous product development. It was invented a new method of the cornice production, which allows to integrate wood and plastic. The new product was unique and quickly won the German market, and it was interesting for foreign clients either. The old production facilities were no longer able to provide the desired output. And the family council decided to build a new plant. According to the brothers memories, *Wilhelm and Jochen Hachtel' father said that the decision was a bit risky, but quite natural for further business expansion. Discussion of the future project with experts from the outside, and then family support and readiness of each employee to work hard, even if it would be very hard, allowed to make sure that the construction of the new plant was the right decision.* After the launching of new production line and gradually increased orders number, it became clear that, in addition to product availability for foreign customers, for providing a unique and high-quality service it was needed regional branches, which would coordinate the work of the company in the market of a particular country. Such countries as Austria, Switzerland, France and the Benelux region have been chosen because of the large number of orders and strong partnerships with designers, decorators, architects, suppliers of raw materials etc.

The second stage of internationalization was a direct consequence of the constant “innovative spirit” of the company. As a result, the development of the service products delivery and its subsequent provision became necessary for the company, as the products that could be bought from catalogs before, has become more technological, and customers are often required additional consultation or assembly services of ready devices and final products. As European countries are close to each other, the company delivery service was able to serve customers who were close to Germany. The first foreign clients were those entrepreneurs whom the founders knew personally, met at Textile and Design exhibitions or during consulting services. Number of foreign clients has increased a lot, as the products were of high quality in comparing with the products at local markets. A purchase price together with delivery was acceptable and

could compete with the offer of local companies. We can say that social professional relationships have also played an important role in the initial stage of the company internationalization.

The third stage of the company internationalization lasted about 20 years, and managing generations changed. The current managers have inherited an international company selling its products all over the world. But the company was not going to stop, because the Hachtel family has chosen the principle of continuous growth for their business. New generation of the family business is responsible for the last stage of the foreign markets penetration. Heirs opened a special technological center, as well as developed a new separate network of professional consultants. In addition to new branches, distribution network are establishing in other countries.

Based on the history presented by successors and materials obtained via secondary information generators, the internationalization trajectory of the MHZ development can be recognized in terms of the born-again global company (Bell et al., 2003, 2004; Mets, 2009). The consequence of steps in the process of MHZ becoming international family enterprise is illustrated in figure 4.6.



**Figure 4.6. Born-again global trajectory of the MHZ internationalization process**

Source: developed by the author according to Bell et al. (2003, 2004); Mets (2009).

*4.1.3.1. What is a turning point for the MHZ Company progress?* The crucial moment in the life of the MHZ family business was the Second World War. Before it, the enterprise entered the local market with the innovation product by the gradual steps. The Second World War afforded ground for launching the family enterprise from the scratch and even with bigger fervor. Rebirth of the family business with the help of family and friends pump the confidence in the hearts of founders.

After the plant had been destroyed it became possible to built even better producing capacities. Working away hour after hour, developing and constantly improving products' and services' lines have made possible to perform the new innovative curtain device of the company. And after that, the requests for the innovative products of the MHZ Company began to appear from the markets abroad. Hence, it was time to open subsidiaries and start operating within international context.

At the current day, the MHZ Company has already reached such level of internationalization that any consumer can easily get ready-made solution for the window decoration with any specific requirement, detailed consultation and installation in any city of the world. But, according to company executives, today's success is not the reason to stop. The accumulated experience of generations, the desire to improve products' quality and to satisfy the needs of regular and potential clients encourage company to work on further development of products and itself.

#### **4.1.4. Nature of social capital over the process of MHZ internationalization**

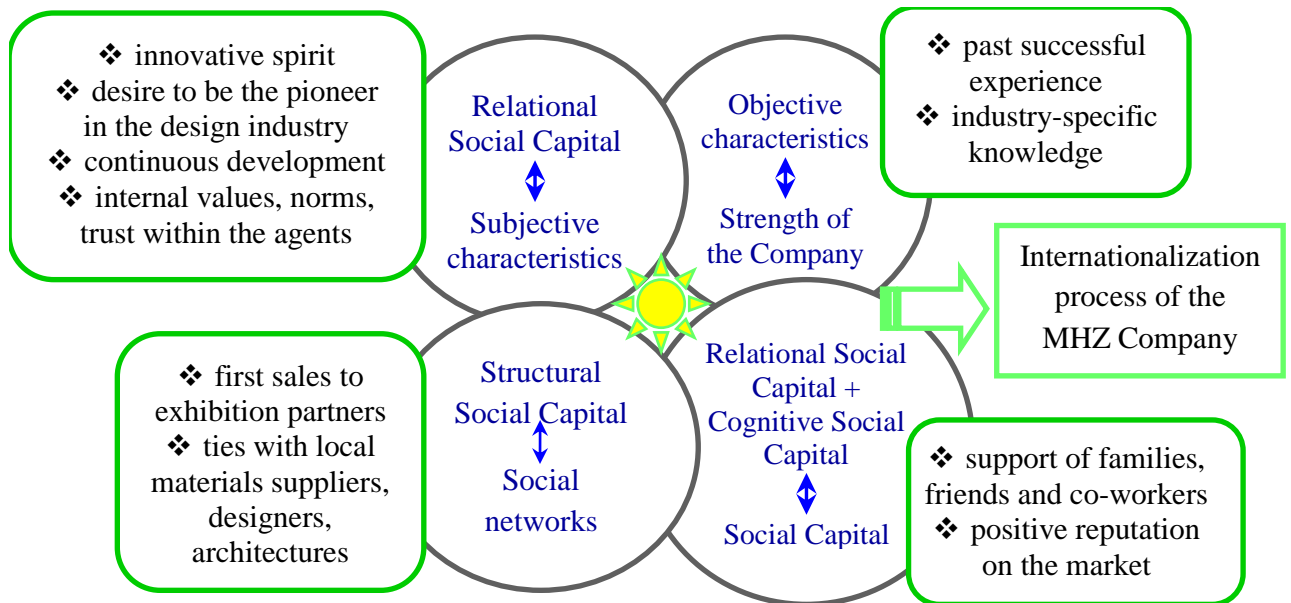
Being asked about the trigger mechanism, which played a decisive role in the process of the company internationalization, the leaders said that there were a whole range of internal and external factors that led the company to the idea of international trade (Fig. 4.7).

External reasons, named by heirs, were the following: - the invention of innovative cornice; the demand of foreign customers; - the markets readiness to adopt a new product; - social company connection; - the creation of new production capacity.

And internal reasons were the following: - support of the decision by all family members; - confidence in the success at the international level based on the existing success at the local market; - the willingness of key employees to participate in the company internationalization process.

Given information allows to build the scheme, distributing noted reasons in groups illustrated by Coutinho and Moutinho (2012) as the "social capital, social network, subjective characteristics and objective characteristic" (pp. 3-4). We assume that this pattern can explain the inquired familiness concept as we have identified that studied elements of social capital can be clustered similarly in terms of the proposed classification. Based on the scientists' study (Yli-Renko et al., 2001; Nahapiet and Ghoshal, 1998; Granovetter, 1992) the research model "Familiness as the trigger mechanism for the process of family business internationalization" (developed in the second part of the Master Thesisit) performed that social capital contains relational, cognitive and structural elements.

Hence, we recognized objective characteristics as the *strength of the company*, subjective characteristics are identified as the *relational social capital*, social network is considered as the *structural social capital* and finally, social capital is performed as the combination of the *relational social capital + cognitive social capital*.



**Figure 4.7. Linking internal and external environment factors and types of social capital of family business over the process of MHZ internationalization**

Source: developed by the author based on the obtained materials from the family company

Social capital was named as one of the main factors of the MHZ internationalization, but for calling it as the trigger mechanism, it is necessary to evaluate the impact of separate elements of social capital on the MHZ internationalization process.

The only disadvantage in the process of decision making about the process of internationalization, which was noted in the interview, was that the last word belonged exclusively to father of today's company leaders, which meant that any decision had to be taken without objection.

#### **4.1.5. Elements of social capital in action: the revelation over the process of MHZ internationalization**

During the interviews about the MHZ development, each of the interviewees pointed out repeatedly that the importance of social capital influenced at every stage of business evolution. Now it is necessary to evaluate these responses according to the selected scientific classification of the social capital elements.

From the beginning of the case study of the MHZ family enterprise, even in the history of its creation, it was said that product innovation, belief in success and family support were the main resources for the company's foundation. Thereby, initially the strong family relations made it possible to use the relational and cognitive elements of social capital.

*4.1.5.1. Relational social capital over the process of MHZ development.* During the interview the presence of such element as trust was mentioned repeatedly. Uniquely, confidence in the company and its products has provided MHZ an opportunity to enter the international market. The growth of the trust radius is an important factor in the growth of international trade effects. According to the research results of Sangnier (2013), 1% increase in trust helps to ensure a third in exports. The activity of customers and the company economic growth had begun with the increasing in the company confidence.

In an interview with the MHZ partner it was mentioned that a brothers' high degree of trust and responsibility in each other and other members of the team are those elements of social capital, which everyone would like to have in the company. These qualities attracted the attention of a partner in the first collaboration with the German company.

Compliance with the public and specialized standards of business operations is the phenomenon in the MHZ Company, which manifests in all spheres of its activity. Punctuality, integrity, special attention to the details and other manifestations of relational capital are inherent in the company not only because of the leaders personal qualities, educated in conditions of responsible parenthood, and also because of the high social pressure. Germany, the country of the company's origin, is known for its highly restrictive rules of behavior. In the case of non-compliance with any standards, the company would have lost its reputation immediately, and, as a result, all its customers.

Compliance, both internally and in relation to external contractors, is a necessary rule that implicitly performed in the company. This fact was noted by its regular partner. And the presence of numerous regular customers in many countries around the world proves that fact.

*4.1.5.2. Cognitive social capital over the process of MHZ development.* Shared language and shared vision as the elements of cognitive social capital are also present in the company practice. A good example of the fact that the family has a shared vision and speaks the same language can be the fact that one of the heirs, as well as his father, decided to dedicate his work for developing new materials, new technologies and innovative products for window decoration. Another fact confirming the presence of a common vision of the company is its distribution system that controlled and developed effectively.

The social capital of the company (and especially its relational and cognitive elements) is versatile: it disseminates information, strengthens trust between business partners, makes the individual's reputation as the public domain, and mobilizes resources for public projects, support charity. All of the above allows considering social capital as a valuable resource for the MHZ development.

Practical presence of described social capital elements in the studied company suggests that the first suggestion of the Thesis (S1) is confirmed in the present case, and indeed distinctive assets in the company are accumulated and multiplied, and later – transformed to the enterprise resources thanks to the effective functioning of relational and cognitive social capitals during the company history (from generation to generation).

*4.1.5.3. Structural social capital over the process of MHZ development.* Structural social capital is also exploited in the MHZ Company and has played a very important role over the company internationalization process. Namely, advices from the foreign partners had been obtained in order to make decisions about entering the foreign market, as well as the first large supply of products had been received from the partners who were met at international exhibitions in the field of house decoration.

Also, the company has strong links with the business partner that helps to improve the MHZ products, counseling process and promotional activities. Investing in an existing structural social capital MHZ Company conducts through maintaining of existing relationships with all the stakeholders (e.g. assistance in dealing with the problematic aspects of the company partners business; incentives for the success distributors, dealers, greeting of business partners, employees etc.) that forms a special closeness in the business relationship, which is the special value, and strengthens the company information channels.

Over the internationalization process of the MHZ Company personal relations provided special opportunities and played an important role, so the second suggestion (S2) in this case is also confirmed: within ties in network channels family enterprise can frequently recognize hidden capabilities for the family business internationalization process.

In addition to the positive comments on the company work there was one negative remark. Negative side of the company work, according to the MHZ business partner, is in the closeness at the first phase of business relation. In the early stage of its partnership, MHZ was felt a bit closed family business. At the beginning of mutual operations only the quality of products and personal qualities of the top management led to the idea of further collaboration. Over time, the relationship has become more open and trusting that impacted positively on joint projects of the MHZ Company and its partners.

*4.1.5.4. Interconnection of three types of social capital.* The set of social capital elements and their interaction, of course, helped the MHZ Company to develop its business and took it to the international level. Transmission of each element of social capital from generation to generation is valuable and effective. Simultaneous and efficient application of all components of social capital could be the trigger mechanism for the MHZ internationalization process. That is, it can be concluded that the third suggestion of the Thesis (S3) is also confirmed: in its conjunction all three forms of social capital create familiness of the company, which in turns, can be identified as an internal component of the trigger mechanism for the cross-border expansion of family business.

Based on the performed interviews with the successors of the German family enterprise and while studying the materials obtained from the secondary source generators, we can infer, that the analysis of the MHZ HACHTEL GMBH & CO. KG case showed, timely investments and correct assessment of the social capital elements have provided family business with special resources and capacity for the successful family business development, Additional, the effective use of social capital elements has allowed to create the familiness, to save the company and to pass it to a new generation.

## 4.2. “ARTES-UKRAINE”: the case of the Ukrainian family enterprise

### 4.2.1. From emergence till the present days: history of the “Artes-Ukraine” Company<sup>22</sup>

The “Artes-Ukraine” Company was established in 2002 by the family of my parents (founders within the particular case). The company operates in the field of shading, awning, black-out installations, solar protection systems, inward and outward windows design and ornamentation and buildings facades decoration (Fig. 4.8, 4.10, 4.11). The “Artes-Ukraine” enterprise provides high quality devices and services in the segment of windows ornamentation within the internal domestic Ukrainian

**АРТЕС  
УКРАИНА**



**Figure 4.8 Pleated-curtains for the trapezoid window**

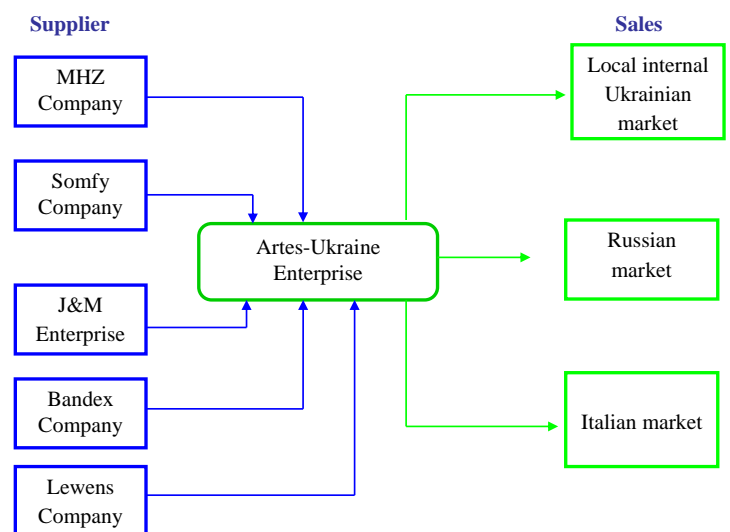
Source: company’s portfolio

market and cooperates with such well-known companies in the industry of architecture and internal/external decorations as: Somfy, Hunter Douglas, Bandex, J&M, Lewens, and MHZ.

To keep the strong market position and to perform adequate reputation today, the “Artes-Ukraine” Company owed to the previous success in the segment of black-out systems and due to the strong relationships with its business partners. Although, the capacity of manufacturing products has changed today, nobody lose heart, because even over the doubtful situations, which have already occurred in the company development, the family business

could not only fix its position at the local market, but also penetrate into the international one.

The history of the “Artes-Ukraine” Company is connected with interests of similar profile foreign companies to the Ukrainian market. The family founders of “Artes-Ukraine” had a little business experience before the company creation, but the business initiators wanted to find specialized and free niche at the Ukrainian market in the segment of house ornamentation. At the same time, well-known textile, sewing and blind manufactured foreign companies tried to find reliable Ukrainian partners who would be interested in promoting products for the interior and exterior home design and other devices for the shading installations across their national borders (Fig. 4.9).



**Figure4.9. The chart of business connections of the “Artes-Ukraine” Company and its foreign business partners**

Source: developed by the author based on the obtained materials

<sup>22</sup>Official page of “Artes-Ukraine”, about the company. See more at: <http://artes-ua.com.ua/about>



As this type of activity was somewhat familiar to the interests of the Ukrainian entrepreneurs, they were interested in such business cooperation and opened for future partnership. But before making new business in this field, it was necessary for founders to study the Ukrainian and international markets of awnings, black-out installations and inward/outward design decoration windows systems. For this reason, before launching the business initiators of the “Artes-Ukraine” Company visited international exhibitions of Textile and Construction, attended seminars related to the issues of windows interior and exterior ornamentation, familiarized oneself with the production lines of potential partners, studied manufacturing capacity of partners, industrial proposals and compared the quality and scale of production. After the period of hard thinking, calculations and consultations business founders decided to open a new company that would deal exclusively with the manufacture of shading, black-out and solar protection systems, provide decoration products and ornamentation devices for the internal and external windows design.

At that time such goods were only in the big building shopping centers, supermarkets and markets specialized departments. In 2002, the crisis of the nineties has gone, and the people and businesses started to think about decorating of their own living and working places. The simplest and cheap solutions existed on the Ukrainian market, but did not satisfy customers’ needs and requirements. Thus, it was a right moment to enter the market with the professional foreign products and offer qualitative services for the interior and exterior design and decorations.



**Figure 4.10. Round-headed window decoration of the “Artes-Ukraine” Company<sup>23</sup>**

In 2002 after signing all the necessary contracts and legal documents, a new company called “Artes-Ukraine” started its work. According to the one of the company founders: “... *the first stages of the enterprise development were quite exciting, as strategic development of the company was legibly and understandable for all partners, involved in the business, market entering plans were clear and well organized, and the products were of high quality, new, and to some extent even innovative for the Ukrainian consumers*”.

In order to represent foreign partners’ production in the high-level, it was decided to conduct all staff’s training in Germany at the plants of German market leaders, producing the sunscreens and all relative products and devices for the smart house in the field of outward and inward windows decoration installations. Professional development and advanced trainings abroad, made contribution into the standard of performed products and services within Ukrainian market. The result was not long in coming: numbers of orders in the “Artes-Ukraine” Company had been increasing gradually and customers were both private citizens and various government agencies and enterprises.

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<sup>23</sup> <http://artex-ua.com.ua/category/rimskie-shtoryi>

In addition to the performed high quality products, the company has outstanding achievements in the Ukrainian market in the field of innovation. It has become the first company, which introduced innovative, and not-known before type of the solar-protect systems – the “pleated curtains”. Thus, “Artes-Ukraine” was the first company, which started production of the pleated curtains in Ukraine. Since 2002, a special term “pleated curtains” appeared at the segment of windows decoration systems in the Ukrainian market and has consolidated strong position in the terminology of architectures and designers.

At the end of 2007 in Ukraine, as well as in the whole world, there was a financial crisis. During that period, demand for the windows design devices decreased sharply. Respectively, production and import of the black-out systems and its supplement components were reduced as well. Though, there were difficult economic conditions and aftereffects of crisis in 2008-2009, the market situation gradually became better: the demand for the decoration systems started increasing, and customers were interested in innovations and high-quality home design products again. In respect to the needs and growth demand, the “Artes-Ukraine” Company launched the development of its activities with a new power.

While the crisis, the company managed to keep its managerial and executing teams and preserve the business partners, mainly due to the components of social capital. Professional trainings, high social guarantees for employees, comprehension of the common vision of business development, trusting relationships with partners and distributors – that is not the entire lists of elements of social capital that have helped the company to continue its work. At that time, many transactions had been carried out in trust: selling without advance payments, payment by installments, remodeling of produced samples at no additional costs, as well as other loyalty import-export programmes and schemes were provided for business partners. To a great extent, family support (both moral and financial), faith in the business mission and confidence in overcoming crisis with mutual effort have helped the company to avoid bankruptcy.

Hard work, faith in own strength and making right decisions assisted company out from difficult situations and inspired to continue its business. Thanks to stability, confidence and inner norms and values of the family enterprise, generated upon the complicated business period, the company managed to establish a production process in such way that it could attract foreign customers after a while.

Today, the “Artes-Ukraine” Company is one of the most successful Ukrainian representatives of the solar protection installations with the black-out functions for the inward and outward windows design and decoration, which additionally offer services for the interior and exterior windows ornamentations.



**Figure 4.11. Awning installations of the “Artes-Ukraine” Company<sup>24</sup>**

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<sup>24</sup> <http://artes-ua.com.ua/category/markizyi>

Products of the “Artes-Ukraine” Company are highly-requested in the market segment of “smart houses” and in the segments of all relative equipments for the current modern constructions.

Over its development, “Artes-Ukraine” has established contacts with the foreign business partner in Italy. And recently, the company has entered the Italian market. For the future “Artes-Ukraine” plans to expand its products and services over the European market. High quality products, individual solutions, family support, friendly and professional staff are the key components of the “Artes-Ukraine” success at the Ukrainian and international markets.

The company is managed in its first generation with gradual involvement of the second generation into the family business. Currently, the second generation is investing their strength and knowledge in the development of family business and with all its force assists founders of the company to bring the business performance of the family enterprise to an absolutely new level.

#### **4.2.2. Family business today: the core competence and the philosophy of the “Artes-Ukraine” Company<sup>25</sup>**

*4.2.2.1. Family traditions embedded in the products of company.* The most important principle of the “Artes-Ukraine” Company is manufacturing high-quality devices and providing high-quality services in the segment of black-out, shading and solar protect systems. The company leaders always try to find the ways of staff additional professional trainings, as well as to take part in various Architecture, Textile and Design expositions in order to keep pace with innovation and continuous development of the windows ornamentation awnings installations, find new products for covering complex types of windows (bay window, winter garden, attic window etc.), innovative materials and devices for offering the best products to their customers. Therefore, quality principle is applied within the whole aspects of family business and to all internal structure of the company: to managerial teams, executor teams, designers, consultants in show-rooms, representative staff in dealer and distributor centers, subsidiaries. Founders of the company pay great attention to staff professional development. Thanks to this approach, more than ten thousand of orders were carried out and hundred thousand of products were produced and installed during the company existence.

The second company principle is openness. This principle once helped its owners to set up new business with the German MHZ Company, and today it helps to develop the company in the market of Ukraine as well as within international context. Openness to new industrial proposals and collaboration contributes to explore novel smart devices for the smart houses as well as to become familiar with the refreshed production methods of in the field of black-out installations. It is openness to customers’ wishes, desires and requirements, as well as openness to the partners’ business proposals and readiness for the negotiations that make cooperation with the “Artes-Ukraine” Company special.

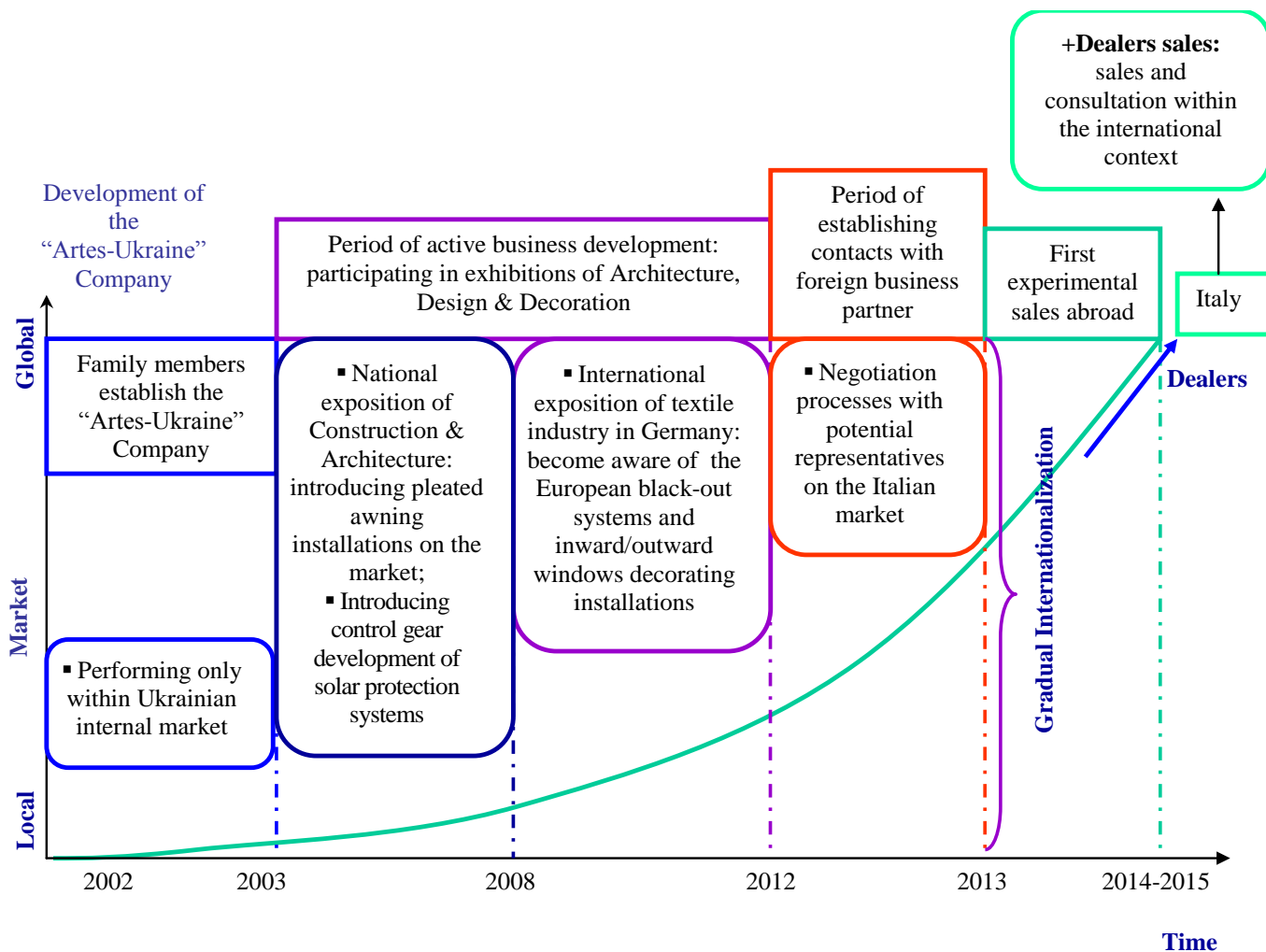
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<sup>25</sup><http://artes-ua.com.ua/about>

Another important company principle is support. Customers are supported from the moment of ordering solar protect devices to its full implementation and after-sales services. However, this principle does not stop its effect within the frame of customers. This principle also exists within the frame of a team, as it is a family business, and family support is an essential element of communication, especially in working relationships. Such philosophy helps the company to implement vision of the enterprise in practice, as well as to perform tasks of the company responsible and efficiently, save its position at the domestic and foreign markets and win new horizons.

#### 4.2.3. Family business exploring the world: stages over the process of “Artes-Ukraine” internationalization

First, it is worth to mention, that the internationalization track that has been carried out by the “Artes-Ukraine” Company is characterized, according to Bell et al. (2003, 2004), as the gradual or traditional market expansion. All consequences of stages of the family enterprise are presented on figure 4.12. Let’s consider each of its stage more detail.



**Figure 4.12. Gradual/traditional trajectory of the “Artes-Ukraine” internationalization process**

Source: developed by the author according to Bell et al. (2003, 2004); Mets (2009).

At the time of the company establishment, its founders did not think about expanding its business over the international markets. On the contrary, foreign companies of manufacturing and selling awning devices for inward and outward windows ornamentation, and which in future have become business partners of the family enterprise, were looking for a company to enter the domestic Ukrainian market of interior and exterior black-out windows installations. At the moment, when the first consents were achieved and the first business contracts have been signed, the laborious work for the Ukrainian family business had started. Founders of the “Artes-Ukraine” Company had to do a lot of work before getting the first fruits of their initiative: they had to understand all the principles of the “windows-curtains business”; to become aware about designing and decorating houses, cottages, offices, winter gardens, different type of windows; to know how to create a customer base as well as to form loyalty of consumers; to expand the line of its products, devices in terms of shading and solar protect installations and to improve services offered while inward and outward windows ornamentation. Hence, the Ukrainian market opportunities allowed building a successful family business with the support of companies that wanted to bring their shading installations to one more international market.

Over time, for expanding and improving the quality of customer services, and in order to comprehend the entire process of production of black-out systems, it was required employees professional development and retraining on the basis of the foreign companies and their manufacturing plants. Thanks for effective trainings, professional development of the staff and due to the intelligible explorations of systems functionality and installations, managerial and executive teams of the “Artes-Ukraine” Company have become high-qualified and equipped with the knowledge about awning systems from A to Z. Consequently, the number of orders increased, some company big clients became regular and the business of the family enterprise went up.

Further, other companies of relative to the decoration and ornamentation industries had become interested in the “Artes-Ukraine” performance and its products in order to collaborate mutual activities and to establish business relationships. That is a reason why “Artes-Ukraine” managed to find customers among architectural, design, decoration and textile firms.

The company’s success at the local market as well as increased advertising campaigns, participations in national exhibitions and visiting international expositions, have attracted the attention of foreign clients and foreign business partners. An important feature of the company that also drawn attention to the family enterprise was an introduction of a new type of curtains – “pleated curtains” – at the market. Foreign businessmen appreciated the company’s spirit of “continuous development” and tremendous efforts of the founders, managerial and executor teams to bring innovation to the market. As a consequence, foreign business enterprises of similar or relative to the design and architecture industries were ready for partnership.

One of such party in interest was a company from the country, where the sun is shining almost the whole year round – Italy. Thus, the Italian enterprise was interested in the ready-made solar protect, shading and black-out systems of the “Artes-Ukraine” Company. As a result, the Italian company has initiated the negotiation process for future cooperation. After discussing all formal, legal and economic details the procurement contracts have been signed and the first products delivery has occurred successfully. For the present moment, Ukrainian and Italian enterprises have become business partners and perform their activities on a regular basis.

Currently, in Italy there is a selling representative network of awning devices and black-out installations presented by the “Artes-Ukraine” Company. As we have recognized via the conversation with founders and while studying the strategic and operational documents for future development of “Artes-Ukraine”, the next stage of the Ukrainian family company development will be entering new European markets, expanding its devices and services in the segment of inward and outward windows decoration systems, as well as the official subsidiary opening over the European region.

Of course, an important role in international market penetration was played by the familiness inherent to the “Artes-Ukraine” family enterprise. The desire of the founders to develop their enterprise, despite the difficulties and pass successful company to the next generation has signified the decision to make business international.

According to one of the founders-generators of the “Artes-Ukraine” Company while conversation, the decision to perform in Italy was made quickly, but there was considerable doubt about complicated procedures of across the border registration according to the Ukrainian legal system. Unfortunately, the Ukrainian tax and customs legislations may create serious obstacles for entrepreneurs who want to develop their businesses abroad. There may be a situation when the costs of the enterprise registration as a subject of the foreign economic activity and the entire supply costs, related to the enrollment procedures, will exceed the profit of the company.

Friends of founders of the Ukrainian company, who had been living in Italy for some period, gave the advice at that moment. They helped to understand all the fine aspects of the Ukrainian firm’s activity in Italy. Thanks to the timely advices and friends’ encouragement, managers of the “Artes-Ukraine” Company decided to enter the international market.

According to the words of the foreign business partner of “Artes-Ukraine” (the representative of the Italian company), whom we were lucky to ask over the conversation after the negotiation processes in Ukraine, one more difficulty to comprehend and to overcome were the differences in national mentality between the representatives of the Ukrainian and Italian enterprises. For instance, the Ukrainian businessmen are ready to work late at night and frequently, ready to sacrifice their weekends for projects development, if it helps to solve the problem. But in Italy, the work temp is more measured and much lower than in Ukraine: there are a lot of holidays and non-working days, so at first it was complicated to

establish a good schedule of cooperation and partnership. However, after going through all the difficulties as well as managing differences and peculiarities of national business performance, both of companies realized the possibility and all advances that work in cooperation can provide. Moreover, the opportunity to work directly with the Italian customers had been identified by the Ukrainian company as a significant chance to perform its family norms, values and traditions of doing business in the European market. Hence, “Artes-Ukraine” is ready to go on.

#### **4.2.4. Nature of social capital over the process of “Artes-Ukraine” internationalization**

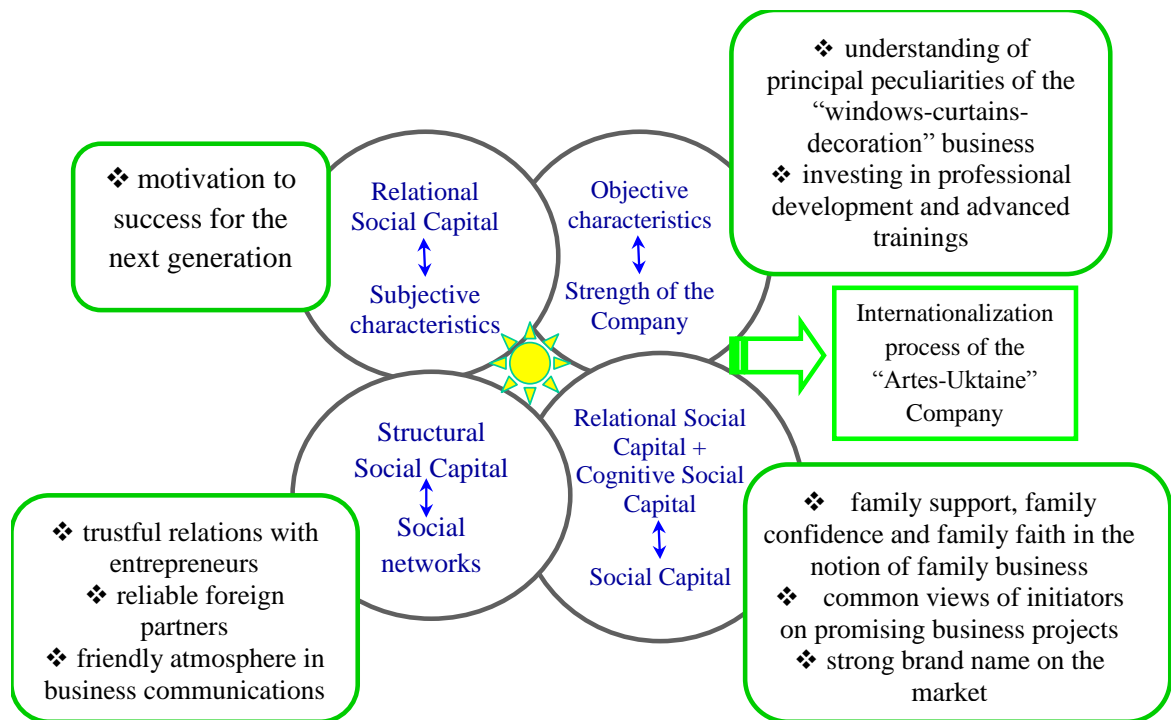
Answering the question about the main reasons that helped the Ukrainian company to penetrate and extend its business activities on the international market, the leaders agreed that it was a result of hard work of company’s operation, execution and managerial teams.

The principal factors of the “Artes-Ukraine” Company success are:

- shared vision on business evolution and shared comprehension of business policy among all agents of family company with the help of which, the main targets of the family enterprise can be achieved;
- common views of initiators on promising business projects and credible business ideas;
- understanding of the principal peculiarities of the “windows-curtains-decoration” business;
- reliable foreign partners, friendly atmosphere in business communications;
- motivation to success for the next generation;
- constant improvement of business knowledge, skills, personal characters of founders of the family business;
- investing in professional development and advanced trainings of the executive, managerial and operational staff of the company;
- strong brand name on the market;
- trustful relations with entrepreneurs and partners who have experience in doing business within the European countries;
- family support, family confidence and family faith in the notion of family business per se.

Answering to the question about the trigger mechanism from the perspective of familiness concept in terms of the social capital phenomenon it would be necessary to note again about the statements illustrated in the work of Coutinho and Moutinho (2012) and to consider revealed elements of social capital for the family business cross-border extension in terms of “social network, subjective and objective characteristics, social capital” (pp. 3-4). As was noticed before, we have found that each of the presented characteristics by academics can be reflected within the frame of the content approach to social capital (Yli-Renko et al., 2001; Nahapiet and Ghoshal, 1998, Granovetter, 1992), which is reflected within the proposed research model, developed by the author at the end of the theoretical part of the Master Thesis. Hence, we recognized “objective characteristics – strength of the company”, “subjective characteristics –

relational social capital”, “social network – structural social capital”, “social capital – relational social capital + cognitive social capital”. Therefore, according to the obtained information from the words of founders of the “Artes-Ukraine” family enterprise, as well as from the accumulated materials while conversation with Italian business partner, the familiness can be recognized as the trigger point, as well as special conditions in terms of which mutual development of business relationships has become possible both for the Ukrainian and Italian companies. Factors that are keypoints in the successful international penetration of the “Artes-Ukraine” Company are arranged in terms of the social capital elements (Fig. 4.13).



**Figure 4.13. Linking internal and external environment factors and types of social capital of family business over the process of “Artes-Ukraine” internationalization**

Source: developed by the author based on the obtained materials from the family company

The internationalization process of the “Artes-Ukraine” Company is at the beginning now. Founders of the family enterprise confident, that they will find forces to continue their business within domestic market, as well as enlist the support of family, friends and foreign business partner in order to continue developing strategic plans for broaden its performance across international markets in segments of the black-out, shading, solar protection systems and inward/outward windows decoration and design.

#### **4.2.5. Elements of social capital in action: the revelation over the process of “Artes-Ukraine” internationalization**

The idea to launch family enterprise and to create the “Artes-Ukraine” Company has definitely occurred with the employment of social capital elements within the frame of familiness. For example,



even before the company origination, the founders-initiators had common ideas and common vision of the future family business development. According to an interview performed with the founders of the “Artes-Ukraine” Company about the family enterprise’s emergence, evolution and present business activities, we will determine which types of social capital (relational, cognitive or structural social capital) and what elements of social capital have affected the internationalization process of the inquired family company.

*4.2.5.1. Cognitive social capital over the process of “Artes-Ukraine” development.* While company creation, the most obvious manifestation of social capital elements has been implemented via shared language and shared vision. The interest of foreign firms, which are specialized in manufacturing shading and black-out installations for the interior and exterior windows ornamentation, was received with enthusiasm by both of co-founders, and seemed promising for both of founders-initiators. Likewise, in the course of conversation, there has been performed common founders and other family members’ point of view about the opportunity to work directly with the foreign clients: *“It is quite significant chance not only to present the world our devices and services, but moreover, to show the world all our core ideas, values and intentions about the customer that inherent to our family enterprise and that we insert while production, supplying and, most important, while delivering and installing systems to the final consumer”*, said one of the founder.

*4.2.5.2. Relational social capital over the process of “Artes-Ukraine” development.* Such element of social capital as *identity* has also characterized the relationships in the working environment of the Ukrainian family enterprise. Each of the founders is responsible for different aspects of the company performance: one of them takes responsibility for the financial dimension, and the other one is responsible for searching for new opportunities at local and foreign markets of the company.

The new generation brings fresh ideas to the already established organizational pattern of company’s activities and is looking for innovative approaches for production and sales. One of the heirs’ functions is to spread information about the family business performance via network business channels and to search new customers by means of social networks. This kind of responsibility is applied to the manifestation of structural social capital. Also, this type of capital is revealed as opportunities for getting thorough consultations from the business partners about performing the company’s activities in other countries and regions. For example, such solid consultations with Italian entrepreneurs in due time have helped to solve the legislation problems both in Ukraine and in Italy with the aim to form a correct strategy for the “Artes-Ukraine” Company internationalization process.

According to the familiness of the company, it is manifested not only in supporting decisions about the company’s development in the future, but also in the transferring of valuable entrepreneurial experience and knowledge to the next generation. The founders have gained valuable experience in business both during the deep crisis and over the high income, and this knowledge have to be considered

for the future company activities, as crisis, unfortunately, may be cyclical, and for joy, the opportunities for further international penetration can occur in any moment of the company's performance.

Hence, the successors have to be aware how to cope with the crisis situations, as well as how to recognize capabilities for the further business extensions. Therefore, it is an investment that requires time, but in the future it will provide the heirs with strong familiness and qualitative social capital in order to manage family business successfully.

Obligations and expectations within the "Artes-Ukraine" enterprise are given evidence of themselves both in internal and external environment. For example, it is well-known that one of the general expectations of all family enterprises is the anticipation of the continuous of family business by the new successors' generation. In the "Artes-Ukraine" Company, the second generation is involved in the further internationalization tendency of the family company.

Foreign liabilities of the company are always executed completely. Even during the crisis of 2008-2009, when any business was difficult, all liabilities of the "Artes-Ukraine" Company were met. To achieve a positive result upon the crisis period is not easy, but thanks to the previous company's strong internal market positions, the crisis challenges had been successfully overcome. The company enjoys a high degree of trust among partners and regular loyal customers, which gives it more opportunities not only to work within the internal market, but also to provide significant chances to present company's products within international context.

Internal norms and principals inherent to the family of founders have a great importance for the business of the "Artes-Ukraine" Company. The family enterprise respects and values its employees. It is shown in many ways, but the clearest example is regular employees' professional trainings abroad. These programmes, seminars and courses for advanced trainings are expensive, but the company managerial team believes that the follow-up performance of trained staff will bring positive results for the enterprise in excess of invested resources. In addition, staff communications within informal environment makes the atmosphere among employees friendlier, which also has a positive impact on the inner culture of the company. Moreover, the staffs always appreciate bosses' care.

Illustrated examples indicate the presence of relational and cognitive social capital in the Ukrainian company, which in turns, forming the distinctive assets for the "Artes-Ukraine" internationalization process. Hence, such manifestation of social capital types and elements within performed instances confirms the presence of the first suggestion of the Master Thesis (S1).

*4.2.5.3. Structural social capital over the process of "Artes-Ukraine" development.* As was recognized while observing historical documents, family-owned artifacts and analyzing notes from the attendance of the negotiation process between the founders of the "Artes-Ukraine" Company and its Italian business partner, we can infer that the company has been always interested in innovations and continuous improvement: *"This is our stand when our company had participated in 2002 for the first time*

*at the national exposition of Construction and Architecture. Here, even then you can see presented pleated black-out systems”*, commented one of the initiator while introducing us the booklet of participator of the exposition. With a lapse of time, innovation approach to everything that the “Artes-Ukraine” enterprise introduced on the market has helped it to develop distribution network of pleated curtains in Ukraine. This type of awning installations currently is presented in the assortment of many company’s competitors, but “Artes-Ukraine” was the first – pioneer – company, which decided to try to present it to the customers and to launch its production within Ukrainian market. Pleated awning systems had attracted for the performance of the company not only new customers, but lighted the activities of the enterprise in the circles of architectures and designers.

Thus, we can conclude that the example of the “Artes-Ukraine” enterprise confirms the second suggestion of the research model, developed in the second part of the Master Thesis, that the structural social capital within the frame of network ties provides opportunities, and hence, is recognized as capabilities for the family business internationalization process (S2).

*4.2.5.4. Interconnection of three types of social capital.* Analyzing the components of inherent social capital within the family company, it can be concluded that in its conjunction the relational, cognitive and structural social capital shape the familiness of family business, and in particular case of the “Artes-Ukraine” Company is activated internal components of the trigger mechanism for the family business internationalization process. Thus, the presence of the third suggestion of the Master Thesis (S3) is also confirmed by the experience of the “Artes-Ukraine” Company.

At the present time, the “Artes-Ukraine” Company is a strong specialized enterprise that has sufficient tacit assets, including social capital, which forms strong familiness foundation of the company that, as believe the founders of the family enterprise, will help the next generations to overcome challenges in the future and bring the family business to new European and international markets.

### 4.3. “VSE SHTORY”: the case of the Russian family enterprise

#### 4.3.1. From emergence till the present days: history of the “Vse shtory” Company<sup>26</sup>



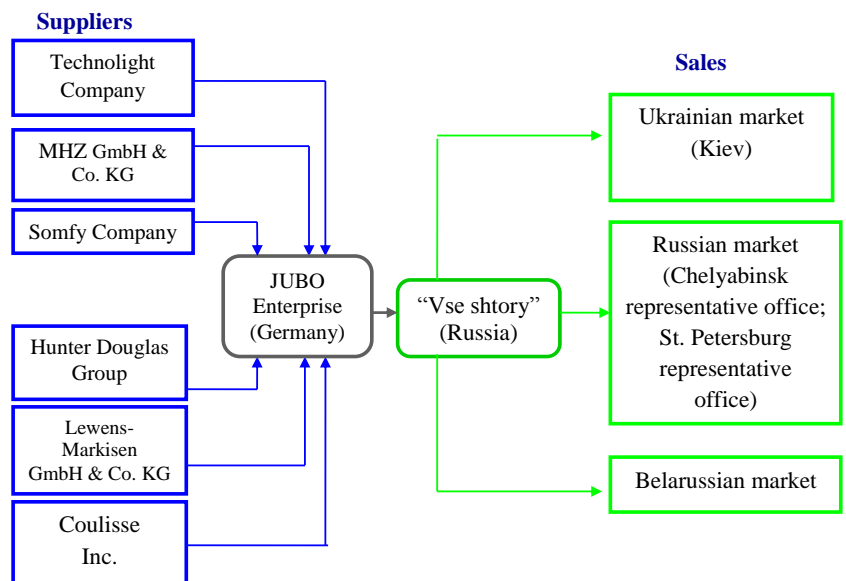
**Figure 4.14. Panel blinds of the “Vse shtory” Company<sup>27</sup>**

The family company “Vse shtory” (“All curtains”) was founded in 2003 in Moscow by two brothers-entrepreneurs with the aim to manufacture electro cornice with the radio control as well as the black-out systems, shading and awning installations for different types of windows construction (inclined window, dormers, oriel window, winter gardens, round-headed window etc.) (Fig. 4.14, 4.16, 4.17).

The “Vse shtory” Company offers to customers a wide range of solutions for internal and external windows design and decorations covering systems and hence, enables customers to choose those shading installations that would fit the best under all customers’ most exacting requirements. A wide assortment of manufacturing materials, finished products and intermediate devices for inward and outward windows decorations and ornamentation installations, as well as for the black-out systems, are provided by the cooperation of the “Vse shtory” with such well-known international brands as MHZ, Lewens, Somfy, Coulissee, Hunter Douglas, Technolight. Worth to mention, that the “Vse shtory” Company is linked with its suppliers by the German business partner – JUBO (Fig. 4.15).

After the two years of its operations on the home market, the company has found its target customers, become able to satisfy their wishes in inward and outward windows design and decoration, and hence, has formed its own loyal segment of consumers. The demand for the extraordinary orders for the complicated windows awning systems started to increase.

Having considered all possible alternatives for further development, the company has come to the conclusion that the enterprise needed its own production facilities (Fig. 4.18).



**Figure 4.15. The chart of business connections of the “Vse shtory” Company and its foreign business partners**

Source: developed by the author based on the obtained materials from the family company

<sup>26</sup> Official page of the company “Vse shtory”. See more at: <http://www.plissee.ru/about/>

<sup>27</sup> <http://www.plissee.ru/catalogue/japanese-panel/>

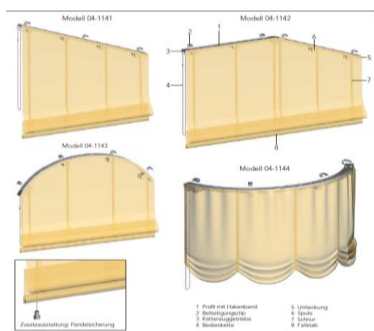
Own manufacturing capacities allows the family enterprise to fulfill customer requirements faster, to meet consumers specific individual needs more accurately and, thereby, to increase its competitiveness among companies with the similar specialization in the segment of interior and exterior design.

In such state as the Russia Federation, the enterprise should have its own style of business performance, due to a great number of competitors, including the representatives of the world famous companies. At the time of company's foundation,



**Figure 4.16. Awning system-Micro200** Source: company's portfolio

a representative of various well-known brands of black-out, shading, awning installations and windows covering manufacturers – JUBO was looking for partners in the post-Soviet region to penetrate the market of the Eastern part of Europe and to supply its innovation awnings systems across its national borders. Meeting of the companies has occurred at the international exposition of Textile and Design in Germany. After business negotiations about the future potential mutual collaboration, representatives of the JUBO Company and the “Vse shtory” Company had signed an agreement for cooperation. This point in the “life” of the Russian company has become a point of business reloading and has provided a new stage for the Russian family business development. Due to the contractor's terms, production lines of the “Vse shtory” Company had become equipped with the new professional machines and engineering tools, which allowed executing multiple complex orders simultaneously.



**Figure 4.17. Cornice for various types of windows**  
Source: company's catalogue.  
Technical part

New production conditions required more experienced employees. Hence, the current staff of the company has achieved an additional opportunity to be professional trained in exploitation of the modern foreign manufacturing equipment. High-quality customer services and unique business performance of the company in terms of complicated windows constructions brought the family business to the next level of its development and identified the name of “Vse shtory” brightly at the Russian market of interior and exterior windows ornamentation. Because of the increasing demand

for the smart house devices and consulting supplemental services, the company has introduced its products within internal market and opened new representative-offices in other regions of the country.

Due to the similarities of business performance conditions in Russia and other CIS countries, the family enterprise had been considering the possibilities of finding new customers in the similar regions with the similar purchasing power of the marker segment: in Ukraine, Belarus, Moldova. But this idea was implemented partially, because of a great financial crisis of 2008, which to great extend made even large-scale business expansion impossible.

However, thanks to the family support of the business initiators' and previous performance knowledge obtained while operating within domestic market, the decision to expand and become well-known international family company was not forgotten. The searching of reliable foreign business partners in the CIS countries did not lead to results, despite the numerous suitable companies for the potential future business collaborations. Each company had different unique obstacles, such as: uncompleted staff, unsatisfied location, decreasing financial figures, low volumes of sales etc.

Though, the "Vse shtory" Company had been supported by its constant loyal client, who had been opening a new office in Ukraine and needed black-out installation and windows decoration system in its Ukrainian business office. Due to this chance the "Vse shtory" Company was able to find advisors and partners within the Ukrainian region in the segment of awning systems. Consequently, the brothers-founders decided to establish representative office in Kiev, which was an initial step to bring the "Vse shtory" enterprise within an international context.

The "Vse shtory" Company now has an extensive dealer network in Russia, a broad base of customers, its own production plant and three representative offices, two of which are located in Russia (St. Petersburg and Chelyabinsk), and one of the representatives is situated in Ukraine (Kiev). This is a very good result for the Russian family business, which have to overcome high competition of smart house devices and the competition in the services segment of inward and outward windows ornamentation within internal as well as on the external markets.

#### **4.3.2. Family business today: the core competence and the philosophy of the "Vse shtory" Company<sup>28</sup>**

*4.3.2.1. Family traditions embedded in the products of company.* The philosophy of the Russian family enterprise has been identified according to the following three main concepts:

- quality in all manufacturing devices of awning, shading and black-out systems for the interior and exterior windows decoration and ornamentation, as well as quality in providing supportive services for consumers;
- reliability within the entire business performance and in all aspects of the family enterprise;
- service in execution, installations, supply and guarantee.

Quality is one of the major priorities for the family enterprise, as it is a visiting card of the family business. In the "Vse shtory" Company high quality devices are manufactured by the reliable professional equipment supplied from Germany and over the control of the retrained and advanced professional team. The family enterprise always tries to recognize innovations at the market of inward and outward windows solar protection installations and ornamentations in order to be in trend within industrial renewals. Moreover, with the aim to guarantee high quality customer support and compliance of finished products in

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<sup>28</sup> Official page of the company "Vse shtory". See more at: <http://www.plissee.ru/about/>

concordance with the customer ideas and wishes, the family enterprise has given its employees professional development opportunities.

The principle of reliability is ensured, first of all, by the moral qualities of founders and employees of the family enterprise. The “Vse shtory” Company always tries to fulfill its obligations to employees, business partners, agents and customers. The company launches only proven shading products and decoration accessories for the windows ornamentation, not to risk their reputation and not lose the benefits that have already been acquired during the diligent work. Using of foreign high-quality equipment ensures the company reliability as well.

Special attention is also paid to the company service. Ordering and product manufacturing procedures are multi-step process that may not always go the way it was initial planned. Nevertheless, the family enterprise cares about the quality of its provided services at all stages of work with the clients, starting from the selection of optimal solutions for the customers’ requirements, taking into account wishes and ordering budget of the clients, till the stage of the complete after-sales services.

#### **4.3.3. Family business exploring the world: the sequence of stages over the process of “Vse shtory” internationalization**

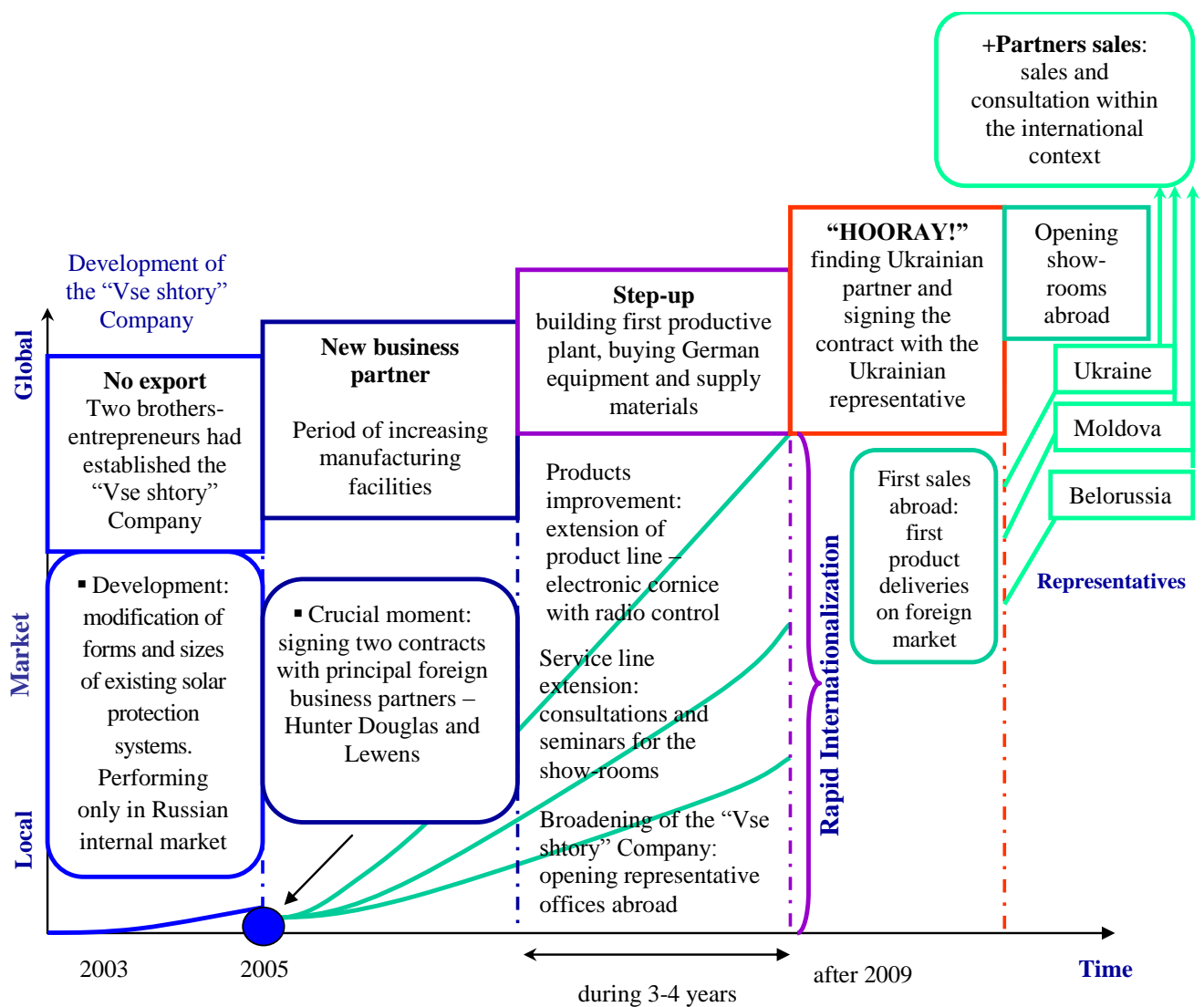


**Figure 4.18. Manufacture facilities of the “Vse shtory” Company<sup>29</sup>**

From the position of the integrative model of small firm internationalization (Bell et al., 2001, 2003), the “Vse shtory” Company can be identified as the family business with the born-again global internationalization trajectory (Fig. 4.19). Though, the “Vse shtory” Company is at the beginning of its internationalization process (performing in the region of CIS countries), originally, at the moment of launching the family enterprise, there were plans of founders to introduce its business performance within international level in due course.

*4.3.3.1. What is the turning point for the “Vse story” Company progress? As we can conclude from the conversation with one of the owner of the family company: “... the crucial moment for the internationalization development of the “Vse shtory” Company was the signing in 2005 of two important contracts with our German business partners – Hunter Douglas and Lewens, which helped our enterprise to enter the international level. This successful collaboration gave the company great potential to the development within international context, because the exploitation of qualitative supply materials and reliable manufacturer equipment from well-known brands leaded to more efficient performance”.*

<sup>29</sup> <http://www.plissee.ru/about/process/>



**Figure 4.19. Born-again global trajectory of the “Vse shtory” internationalization process**

Source: developed by the author according to Bell et al. (2003, 2004); Mets (2009).

After the construction of its own production plant and mastering its own manufacturing facilities, the family company was able to find customers in all regions of the country, to meet customers’ requirements and to open representative offices and show-rooms in two regions.

Cooperation with representatives of the foreign company in the segment of interior and exterior windows ornamentation was going well, and over time the family enterprise had come to the idea of international expanding again. At the first stage of its internationalization process, the company was looking for such courtiers which had similar market conditions. CIS markets were very appropriate: countries have similar demand and the supply level was not sufficient to meet all the consumers needs, besides the “Vse shtory” Company was ready to introduce high-quality products for all types of windows, including complex window constructions, as well as to present the fresh device in the segment of black-out installations for smart houses – the electro cornice with radio control.

However, plans of offices opening in some CIS countries did not come true because of the worldwide financial crisis in 2008. After the crisis, in 2010, the company decided to realize its plans of



foreign markets entering again. According to the words of one of the company leaders: *“The decision was made as a result of continuous discussions within the family, as future large expenses for the further family business development could compromise the family business performance in general”*.

After the decision was made and the policy for further internationalization process had been elaborated, the next stage was looking for opportunities to represent products of the family enterprise over the national border. Hence, the process of searching the foreign business partners in other countries had begun. The first contacts were found within representatives of companies from Belarus and Ukraine. A final decision about the new office location was made thanks to the existence of business relations of company clients, who had already had experience of working in a segment of devices for the smart houses with a company from Ukraine.

Thus, the “Vse shtory” family enterprise started its business performance on the Ukrainian market in cooperation with the Ukrainian company in a similar market segment – awning, shading and black-out systems for the inward and outward windows decoration. The result of such fruitful cooperation is expanding customers’ base and new business partners.

#### **4.3.4. Nature of social capital over the process of “Vse shtory” internationalization**

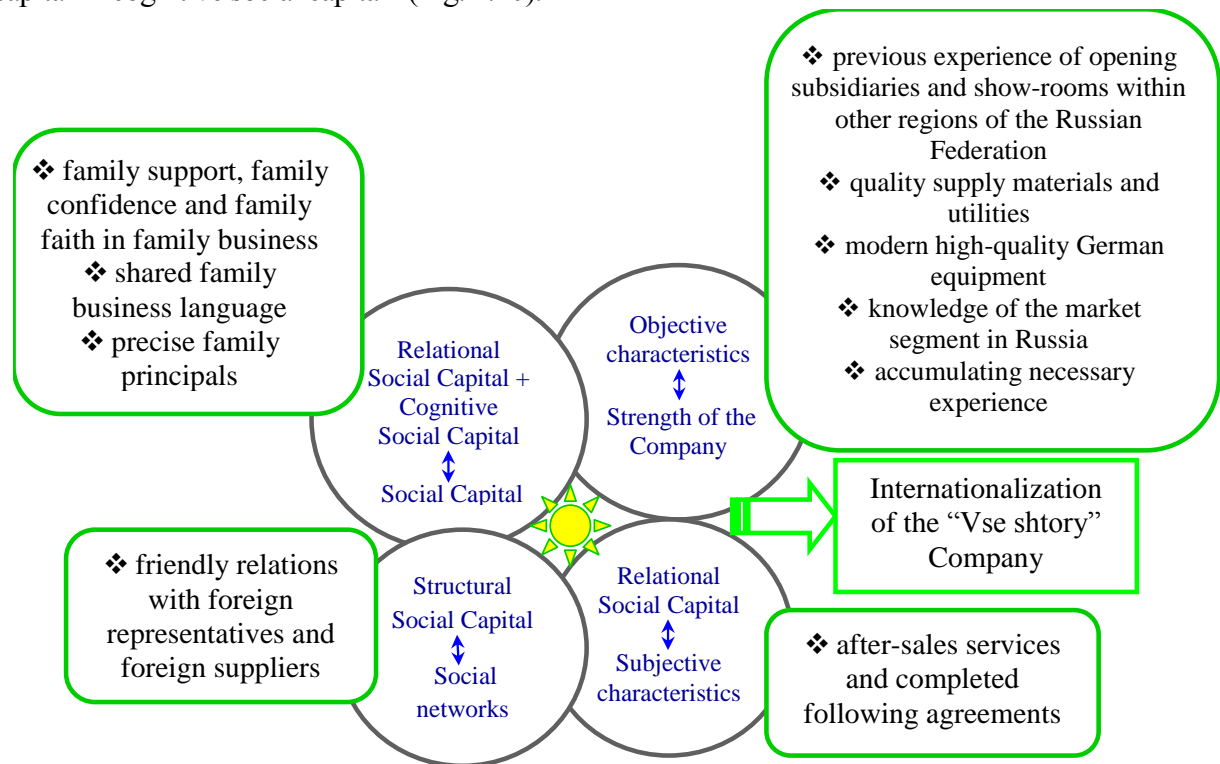
Being asked question about the factors that have led the family enterprise to the success in its business performance within the internal market, as well as allowed to penetrate into the foreign market, the entrepreneur of the family enterprise listed the various key factors. However, the entrepreneur could stress the most important factors, which in his opinion, had provided the current progress of the family business: *“The first of such success factor was an indication of the right business partners in the CIS countries. The right business partner means the company which has the same view on business development and being guided in its business performance by the similar business principles and values to the principles and values of our family enterprise. The second, but not least significant progress factor was an aspiration, the desire to grow and faith in the business performance”*.

Other important factors of the internal and external environment of the company with the help of which the “Vse shtory” enterprise has achieved advanced success in business activities across its national borders, were indicated by the family business initiator as:

- knowledge of the market segment of the awning, shading and black-out systems for the interior and exterior windows ornamentation within domestic market and hence, accumulating necessary experience for the international market entrance;
- quality supply materials and utilities for the manufacturing process;
- modern high-quality German equipment, which enables to launch its own productive facilities;
- experienced managerial staff and executed employees with the high professional qualities that correspond to the hi-tech modern German equipment;

- previous experience of opening subsidiaries and show-rooms within other regions of the Russian Federation;
- after-sales services and complete following insurance agreements;
- family encouragement, family support, family confidence and family faith within the whole history of the family business development.

As before, these progress factors for the foreign market penetration, named by the owner of the “Vse shtory” Company, we propose to cluster in terms of the presented parameters for the cross-border expansion illustrated in the work of Coutinho and Moutinho (2012): “social network, objective and subjective characteristic, social capital” (pp. 3-4). Applying the studied social capital phenomenon from the position of content approach (Yli-Renko et al., 2001; Nahapiet and Ghoshal, 1998, Granovetter, 1992), the elements of social capital can be grouped in the frame of such progress factors for international development as: “objective characteristics – strength of the company”, “subjective characteristics – relational social capital”, “social network – structural social capital”, “social capital – relational social capital + cognitive social capital” (Fig. 4.20).



**Figure 4.20. Linking internal and external environment factors and types of social capital of family business over the process of “Vse shtory” internationalization**

Source: developed by the author based on the obtained materials from the family company

All these factors have made its own significant contribution into the family business evolution of the “Vse shtory” enterprise, helping to strength company’s business performance in the domestic market of Russia, as well as encourage launching the internationalization process and finding new customers and business partners within the Ukrainian market.

#### **4.3.5. Elements of social capital in action: the revelation over the process of “Vse shtory” internationalization**

While performing the conversation with one of the founder of the “Vse shtory” family enterprise, we can infer, that components of the social capital has been also manifested to a great extent over the internationalization process of the investigated family company. The ingredients of the familiness concept had been already recognized at the initial stage of the family company foundation – precise, when the idea to establish the family enterprise had occurred as the desire to launch the family business. Lately, the familiness more than once had been displaying itself while providing opportunities for further family enterprise development.

*4.3.5.1. Cognitive social capital over the process of “Vse shtory” development.* Precise behavioural rules, that are traditional for the family of founders of the company, can be called as vivid manifestation of elements of social capital within the frame of the family enterprise “Vse shtory”. Accurate lifestyle and particular importance of the familiness per se in the life of each member of the family of initiators were decisive in creating the family enterprise. An older brother, who was a business founder from the early beginning of the family business, had to work industriously to create the thorough base for further family business development, so the second brother at the launch stage of the family company just volunteered to help. With a time, the junior brother started to show his interest in production technologies and materials for the interior/exterior awning installations and window decorations systems. As a result, brothers’ co-operation has grown into a new family enterprise. Future strategic and operational plans for the business development brothers built together, consulting with older relatives and taking into account their advices for the business performance. Such revelation of social capital can be identified in terms of a shared vision and shared language of the family company. The decision about increasing manufacturing capacities, which is resulted in establishing their own production plant, and entering new foreign markets were collaborated and taken together by brothers.

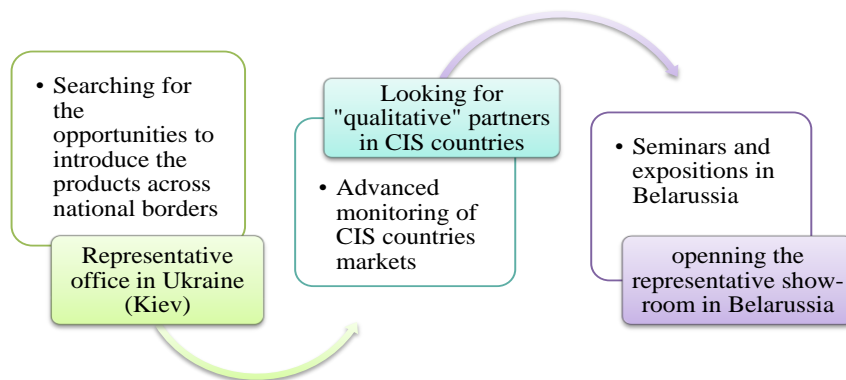
*4.3.5.2. Relational social capital over the process of “Vse shtory” development.* As in the previous cases, the idea of trust has been mentioned several times. Without trust within the family, within the company and in the relations of the company with its suppliers, customers, designers, architectures and other business agents and partners it is difficult to perform business efficiently, as the values, norms, commitments and obligations of the one business side have to be accepted, appreciated and supported by the other one.

Family understanding, support and confidence in the future of the family enterprise, had been greatly revealed in the company activities over the period of a financial crisis in 2008, when the family enterprise found forces not only to continue its further business development, but even to search for new opportunities for the international market expansion.

4.3.5.3. *Structural social capital over the process of “Vse shtory” development.* Network ties – structural element of social capital have been used when the leaders of the family company were searching for the capabilities of expanding its family business performance into new external markets. A successful choice in favor of the Ukrainian region and the Ukrainian business partner was made on the basis of former clients’ relations, which had provided information about strong reputation of the Ukrainian family company business performance.

Currently, the “Vse shtory” enterprise manages successfully several offices in two CIS countries, and is going to open new offices in Belarus. For searching new business partners and establishing new business contacts, as well as to reach the target markets of the family enterprise, personal qualities of both brothers are significant. For instance, such personal features have revealed itself while helping the businessman from Belarus to equip, ornament and introduce the first show-room, where models of the internal and external awning, shading and black-out systems for the windows decoration were presented directly to the final consumers.

After giving high-quality consultations and holding comprehensive seminars about the entire complex of awnings installations, leaders of both enterprises (Russian and Belorussian) discussed plans for the future development of each company. Later it was decided to create a new representative office of the “Vse shtory” Company in Belarus. That is, the personal and professional qualities of brothers have helped to find a new business partner, establish trustful relationships across borders and to promote the process of internationalization. In this case, the element of identification of the relational social capital has been used, which benefited the whole company, and resulted in the progress towards a common goal of the family business – its foreign market expansion (Fig.4.21).



**Figure 4.21. Tactical plan of the cross-border extension of the “Vse shtory” Company (2007-2015)**

Source: developed by the author based on the obtained materials from the family company

In the process of the “Vse shtory” Company’s internationalization it is observed the same tendency as in the previous cases concerning Thesis suggestions.

4.3.5.4. *Interconnection of three types of social capital.* Structural elements of social capital enabled the family company to enter the Ukrainian market, as well as provided the opportunity to introduce the devices of the black-out systems for the windows ornamentation at the Belarussian market – network ties in action (S2 confirmed). Family support of brothers, their passion and common views on the further family business development are important assets for the company’s internationalization process (S1 confirmed), and the combination of social capital components, starting from the trust within the family business and ending with the network channels of the family company, have become the internal elements for the trigger point, which helped the “Vse shtory” family enterprise to extend its business performance over the national markets (S3 confirmed).

#### 4.4. Resume of the empirical investigation

From the analyzed cases, we have obtained outcomes about the processes of the foreign market expansion of the family businesses based on the examples and experiences of the real family-owned and family-governed companies from three different regions of the world. All three cases have made its own contribution into the revelation of primary suggestions of the Master Thesis while studying the familiness concept in terms of the social capital phenomenon in order to interpret the family business internationalization process. By the means of studying three family companies, we were accumulating materials to answer four sub-questions in order to dig down to the answer of the main study question of the Master Thesis. The major results of the current chapter are described in the tables below (table 4.1-4.3).

**Table 4.1**

**The case of MHZ HACHTEL GMBH & CO. KG: principal empirical evidence**

Elements of social capital and their occurrence		
Relational social capital	Cognitive social capital	Structural social capital
“Starting” social capital		Business relations with entrepreneurs from industrial exhibitions
Family confidence	Two generations are interested in chemistry	Finding business partners through the business partner – the “chain” method of cooperation
Family support	Regeneration after the Second World War	Possibilities to present black-out systems via the Ukrainian market to the Italian market
Trust among family members and family business agents	Every member has its own specialty within the family enterprise	Chances to introduce its manufacturing plant and supply engineering tools across national borders
Special attention to manufacturing details and attentiveness in meeting customers demand	Over the renewal period after the Second World War each member of the Hachtel family had clear common vision about the future of family business	Chances to introduce professional advanced trainings to the required staff and hence, to represent business activities over the international context
Innovative spirit: mechanical curtain, wooden + plastic cornice, sunscreens etc.	Shared Hachtel family language	Forming reputation of the company with the strong family name
Resources		Capabilities
Familiness		
Family business internationalization		

**Table 4.2****The case of “ARTES-UKRAINE” Company: principal empirical evidence**

<b>Elements of social capital and their occurrence</b>		
Relational social capital	Cognitive social capital	Structural social capital
Family support	Founders had common ideas and common vision about the future of family business	Relations with entrepreneurs while business performance within Italian market
Family confidence	Two generations working together	Accumulating experience, knowledge, creating family business reputation
Trust among family members and family business agents	Collaboration of the shared language of business within managerial teams while professional retrainings	Opportunity to represent German and Russian devices, innovations, services within Italian market
Innovations and continuous development: pleated curtains on the Ukrainian market	Foreign liabilities of the company are always executed completely	Chances to be represented by the Italian business partners to more external regions
Strong family values and principals	Accurate social norms	Developing business contacts while national/international expositions
Resources		Capabilities
Familianness		
<b>Family business internationalization</b>		

**Table 4.3****The case of “VSE SHTORY” Company: principal empirical evidence**

<b>Elements of social capital and their occurrence</b>		
Relational social capital	Cognitive social capital	Structural social capital
Family support	Precise behavioural rules, norms of the family of founders	Relations with the entrepreneurs from Ukraine and other CIS countries
Trust among family members and family business agents	Each family member is decisive in creating the common family business	Relations with former clients
Continuous development: electro cornice with radio control	Common business language has been found with representative office in the Belorussian region	Chances to be represented by the Ukrainian enterprise on the Italian market
Exceptional personal and professional qualities	Manufacturing plant with German equipment and German supply materials parts for the black-out installations	Providing seminars and organizing show-rooms within CIS countries
Resources		Capabilities
Familianness		
<b>Family business internationalization</b>		

Source: all three tables developed by the author based on the obtained materials from the family companies

Equipped with the obtained materials, we can illustrate the answer for the principal research question of the inquiry. The next chapter summarizes the performed investigation based on which the trigger mechanism for the internationalization process of family business will be presented.

## V. INTERPRETATION AND DISCUSSION OF THE STUDY RESULTS

The three companies, that have been investigated, pay particular attention and emphasize on such concept as familiness. The respondents' answers did not always include the familiness term per se, but the references were made on the specific elements of social capital, which, as theoretical studies showed (Venter, 2007; Van Wyk, 2013), can be treated as the familiness.

Conducted investigation showed that the family-owned company has not only material capital, but also the non-material, the major part of which is social capital. Special element of social capital is, buy the words of agents of family enterprises, a faith in the incredible success of new businesses. All interviewees accentuated the special importance of the family over the process of optimum planning and execution of the tasks within every business process of the family company. This particular importance can be called as the "soul" of the company. As well, Venter (2007) faced with the same determination of the familiness concept in the enterprises development. His research confirmed that familiness is an essential and unique resource of the family business development, and the family business progress depends on the familiness appereances in a particular family business (Venter, 2007).

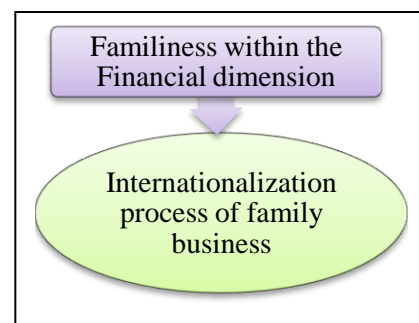
### 5.1. Familiness and the strategic management

The current Thesis investigates such unique concept as familiness from different points of views: as a special resource, as opportunities, as a combination of social capital elements for the family business development, as a part of scientific models. Therefore, we propose to analyze the significance of familiness over the process of family business internationalization in the context of the strategic management technique – the Balanced Scorecard (BsC) (Kaplan and Norton, 1992), to assess its impact on the strategic direction of the family business in terms of its access to international markets. Within the BsC model the company performance are described in terms of four blocks: "Customer", "Financial", "Internal Business Processes", "Innovation and Learning" (Kaplan and Norton, 1992, p. 72). Creating any company founders determine its basics for further performance: mission, vision, principles and business strategy. Strategic plan is a special kind of planning that quantifies the cherished dreams of the company executives about its future development (Balan, 2011). As the performed study illustrated, the family business is not an exception: according to agents, the family business progress is in its internationalization as well. In the context of the BsC such success of the family business is embedded in the unit of "Vision and Mission", in which the main activity of the company is fixed in terms of international business. Within the trigger mechanism, the desire to launch the family enterprise has the direct influence on the future strategy of the family business, which in turns is recognized in vision, mission and philosophy of the company. Modern conditions of the international market, the level of information technologies development, quick delivery services and other factors automatically provide the opportunity to enter the markets of other foreign countries for any company with any products, and the company leaders should only accept or reject such possibility. However, such evident opportunities have appeared only at the last of 15-20 years, in the case of the the Ukrainian and Russian markets even later – at the last of 10-12 years.

The international market penetration was not pointed as the main goal of none of the investigated family companies. Only after the first commercial success and being under special conditions, the family enterprises have started planning the cooperation with foreign business partners and forming thorough customers' base. It is known, that the company development and its access to the international level are complex process, covering all major company activities. And in the case of family business such concept as familiness and its influence should be taken into account.

### 5.1.1. Familiness and the first quadrant of the BsC: the financial dimension

The process of financial management with the aim of internationalization had its own characteristics for each of the investigated family companies. Financial management in German company was carried out by one brother, while the improvement of products, materials and innovative development of the company were done by another one. A high degree of trust and responsibility helped brothers to develop the optimal format for the family business performance: the concentration of one family member on the material welfare, and the other one on the competitiveness of the family enterprise, allowed making the right management decisions about the family business cross-border expansion.



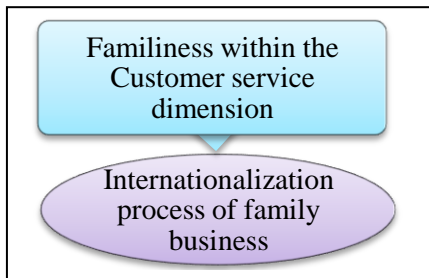
Financial management always has a special significance for the Ukrainian company, as it has to work at the market with the high risks. Dependence on the national and foreign currencies inflation, great risk of banks and partners bankruptcy in comparison with the German enterprise explains the company shift towards its financial flows. Thanks to partners, who provide the Ukrainian company with the best and high qualitative materials, mechanisms and components for the black-out installations in the world, founders and staff of the Ukrainian family business can pay more attention to pricing and marketing policies. The similarity of views and previous experience of the performance at the Ukrainian market allow managers to create the program of cooperation for the benefit of companies, both within national and foreign markets.

As well, partnership with foreign suppliers of high qualitative materials and components in the field of inward/outwards windows ornamentation systems allows the Russian family company to concentrate special attention on the commercial objectives and to respond to the unforeseen circumstances in the financial sector effectively. As a principal feature of the financial management in the Russian family enterprise can be marked out a strong motivation to save resources for the continuation and expansion of the family business at the international level. This kind of motivation was formed under the influence of two major financial crises in less than 15-year-old practice of the company. Despite this, a positive attitude and active work of the whole family helped the Russian family enterprise not only to keep the business, but also to internationalize it.



Family businesses have an important peculiarity in the aspect of finance: both financial success and financial difficulties will influence on all family members. Thus, the success of the family enterprise provides its members a dignified existence, and it means that all family agents of the family business will be productive in creating an effective family business.

### 5.1.2. Familiness and the second quadrant of the BsC: the customer service dimension



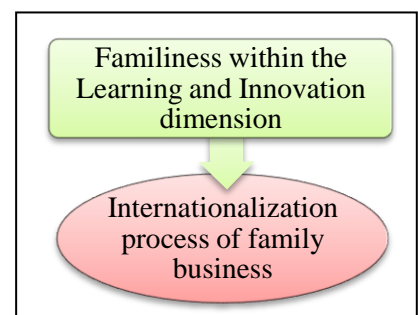
Considerable forces of all investigated family-owned companies are devoted to the work with clients. And the principle of the qualitative interaction with customers, which is enshrined in the philosophy of the studied family companies and which is successfully implemented both at the international and domestic markets, proved this fact.

For many years German family company brought to the market innovative inventions and materials drawing an attention of many customers who want to receive high-quality products. Hard work of family members allowed to keep a position of market leaders, and led to the creation of a special technological centre within the family enterprise. Such elements of social capital as the commitment and innovation, made it possible to get a high products evaluation from customers in Germany and abroad.

Customer relations in the inquired Russian and Ukrainian family companies are very similar. On the basis of high-quality components and mechanisms of the foreign suppliers there is a task to design and manufacture the product according to the customer's wishes. Sometimes it is not very easy because of the high requirements and low budget of the customer, but finally companies offer the best solution for the window ornamentation that distinguishes them among the many competitors. Thanks to the special policy of working with clients, and formed on this basis trustful personal relationship, the family enterprises have attracted the attention of foreign business partners who expressed a desire and were able to provide family businesses with innovative materials, components and equipment. These factors made possible the qualitative development of the Ukrainian and Russian family companies in the chosen niche.

### 5.1.3. Familiness and the third quadrant of the BsC: the learning and innovation dimension

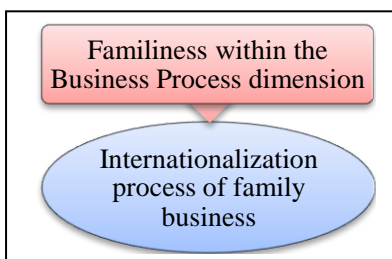
Training and improvement in the German family company are the resources of familiness that opened the potential of every brother. Continuous improvement of products quality and products properties has turned into the main life purpose for one of the brothers, which in turns, appeared as the driving force for the progress of the German family business. However, it became possible only with the support of another brother, who was responsible for the products sales, and only thanks to him all the improved installations for windows decoration could find their client in different countries around the world. To ensure constant



innovation of solar-protect systems and qualitative development of the family company, the brothers had to improve, learn and develop constantly both professional and personal aspects. Familiness in this case acts as a catalyst. According to the obtained materials while conversation, we can state that the relatives have “sporting interest” among themselves, especially when it comes to siblings. Mutual support and willingness to “finish” together eliminated fears of the company’s founders on the way of the development of the family business. Later, professional training and staff development had been also carried out on a regular basis, and resulted in the creation of a separate department of clients counseling, which has become an integral component of the German family business success.

For the Russian and Ukrainian family enterprises learning and familiarization with the foreign experience in the field of awnings internal/external windows installations have become important elements of the progress at the domestic market. Peculiarities of the new for the internal market black-out installations and components of windows design materials, as well as new technologies and foreign manufacture equipment are required knowledge and comprehension of all companies’ employees. The process of continuous professional development is a part of the internal policy of studied family enterprises due to the rapid development of the global markets and production techniques. An important aspect for employees while studying the foreign experience in the segment of solar-protect installations was the difference in functioning of markets in Europe and the CIS countries, as well as the specifics of the demand for windows design installations in Russia, Ukraine and Germany. Realizing this, the companies’ leaders raise constantly the level of their personal and professional knowledge, showing a good example for their employees, as well as for the next generation of business heirs.

#### 5.1.4. Familiness and the fourth quadrant of the BsC: the business processes dimension



Business process management in the family business can also be more efficient due to the familiness influence: similar views among family members on the business processes within the family enterprise, the business experience of previous generations in the processes of the family business evolution, optimal risk assessment in the family business, based

on the common family decision and other examples show that familiness is the guaranty of the family business stability. Familiness positive impact on the development of the family company in the course of the investigation was recognized as: 1) creating the wealth of the family enterprise; 2) enhancing the goodwill of the family company; 3) supporting the family business over its cross-border extension.

#### 5.2. Pitfalls over the performance of family business

The involvement of successors in the training, and then enhancement to work from an early age increases the likelihood of effective inheritance and development of the family business, avoiding the possible succession crisis (Hamilton, 2011).

In family businesses, in contrast to non-family business, there is a risk of transferring personal relationships on the working process. Such risk has double effect: if a family is friendly and close-knit, company's problems will be solved softly. However, if the family is unfriendly, it can reduce the performance efficiency of the entire family enterprise. But even in the case of misunderstandings in family relations it is possible to turn negative implications into a positive, including international operation of the company. It is necessary to separate the warring relatives and send them to various departments, branches or countries. As a result, the degree of wariness decreased and everyone will perform his or her liabilities more effectively. "Sporting interest" can also push for the greater development of the personal responsibility area within the family enterprise. From this point of view, familiness contributes one more component that shape the further trigger that can bring family business to the level of internationalization.

Analyzing the process of entering the international market in the context of the strategic matrix Balanced Scorecard, it can be concluded that familiness is an essential resource for the family business progress, both within the home-country and abroad. Family is always more interested in the success of the company, as the desire to ensure a decent future for heirs encourages representatives of the family business to work with greater dedication, finding within themselves untapped resources and using external opportunities for the business development. The increase of the capitalization of the family business due to the moral qualities of the founders and its family members (which, in turns, generate goodwill of the family company), as well as the effective use of any non-material assets of the family business are driving force for the development of the family enterprise. During the interviews with the business partners of family enterprises it was repeatedly pointed at the increase of trust, reliability and carrying out the obligations of family companies because of their familiness. So, familiness is a unique resource of family businesses, which influences positively on the development of the company, helps to fulfill the strategic tasks, including such strategic tasks within the international level.

### **5.3. Familiness is real, isn't it?**

Contribution of familiness into the development of the investigated family businesses within the local and cross-border context, is big enough. The confirmation of this statement is found in the survey of René van Wyk (2013). The scholar formed the model of familiness capital, where links the progress of the family business with its family capital, which, in turn, depends on such elements as: optimism, self-efficacy, resilience and hope. Each of these elements is divided into smaller components, which are unique resources that shape familiness (Van Wyk, 2013).

#### **5.3.1. Social capital of the investigated family companies in action**

The principal findings about the manifestation of social capital within three investigated family enterprises are presented on figures 5.1. and 5.2. Due to the congeniality in market conditions, similarities have been found in the social capital appearance within the Ukrainian and Russian family businesses' performance.

**HOPE:** development and continuous improvement of the entrepreneurial qualities by the representatives of the family business;

- a desire to raise the welfare of the own families, which very much motivates and disciplines the family members involved in a common joint venture.

Entrepreneurial Development	Customer Service	Moral Values
<ul style="list-style-type: none"> <li>• Entrepreneurial development in MHZ is maintained, thanks to the excellent combination of business and inventive qualities inherent in several generations of this family company.</li> <li>• The entrepreneurial spirit is intrinsic to all generations of the company: from the moment when the idea of the family business creation was generated till the MHZ entrance on an international level and further penetration into the foreign markets.</li> </ul>	<p>The high level of customer service in the company has always distinguished MHZ from its competitors:</p> <ul style="list-style-type: none"> <li>• special department of consultants and</li> <li>• installation department provide quality customer service, which helps to maintain the loyalty of regular customers and provides an opportunity to attract the new customers to the company.</li> </ul>	<ul style="list-style-type: none"> <li>• High moral qualities,</li> <li>• strict adherence to internal historically established rules of the company, commitment,</li> <li>• courtesy,</li> <li>• distinctive German accuracy and precision – these components of relational social capital provide regular customers for the company for many years, which in its turn, forms a solid foundation for further development of the family business.</li> </ul>

Trust	Innovation	Generation Succession
<ul style="list-style-type: none"> <li>• Trust in the activities of the company itself from the business agents of MHZ.</li> <li>• Trust among employees of MHZ are stipulated by the high quality of products and responsible attitude toward work and execution of various kinds of agreements at all levels of business processes.</li> </ul>	<p>Innovation is one of the main components of the progress of the German family company:</p> <ul style="list-style-type: none"> <li>• innovations in materials, products and technologies for manufacturing devices for windows ornamentation and solar protection installations led to the international success of the company.</li> </ul>	<ul style="list-style-type: none"> <li>• Generational change was not felt, as at the time of the company transferring, a new generation had already been working with the founders in the production, marketing and implementation of the best ready-made solutions for the inward/outward awning windows design systems.</li> <li>• At the time of the company transferring, brothers had already found their places in the business segment of solar-protect installations.</li> </ul>

**OPTIMISM**

without **RESILIENCE** it is impossible to function optimally in the current market conditions that are constantly changing. It is a necessary condition for the survival on the domestic markets as the performance within the internal markets is always associated with high risks.

**SELF-EFFICACY** manifestation in the studied companies is found within the history of family business development of all three family enterprises:

- the faith in own strength helped to restore the manufacture after the World War II;
- the faith in own strength helped to to begin the full-scale production;
- the faith in own strength helped to to continue to perform within the international market.

Founder Legacy	Distinctive Identity	Advanced Results	Leadership
<p>The inheritance of the company founders' sons was</p> <ul style="list-style-type: none"> <li>• the developed enterprise with specialized goods, demand for which was growing in connection with the country's release from the post-war crisis.</li> </ul>	<ul style="list-style-type: none"> <li>• The first invention of the enterprise – a special mechanical curtain.</li> <li>• Being still a company with the strong innovative spirit: constant development of the black-out windows installations.</li> </ul>	<ul style="list-style-type: none"> <li>• Each new success is related to the new inventions, development and new partnership with designers, architects and foreign business partners.</li> </ul>	<ul style="list-style-type: none"> <li>• Respected leaders: in addition to concerns about the commercial success of the business, brothers draw attention to the relationships within the company, set the working atmosphere and inspire the team.</li> <li>• The executives are representatives of the transformational leadership (in the modern circumstances more often the transformational leaders are met rather the transactional (Seidman and McCauley, 2011))</li> </ul>

Competitiveness	Risk Aversion	Strategic Flexibility
<p>MHZ is a powerful enough competitive company, first of all, thanks to its</p> <ul style="list-style-type: none"> <li>• special innovative products,</li> <li>• quality service and dedication to its affair on the part of the owner's family.</li> </ul>	<ul style="list-style-type: none"> <li>• High risk is unacceptable for the company, as the management understands the extent of their responsibility for the family, employees and reputation of the family enterprise.</li> <li>• Attention is paid to the risk aversion while preparing the tactical and strategic plans of the company development.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic flexibility component has been clearly manifested over the history of the family business. For example, over the postwar period, as a way out of the severe crisis – it is almost always a period of lack of information in order to make an optimal management decision. Therefore, both the plans and tactics of the family company development had to be reviewed and changed depending on the current situation.</li> <li>• Since the company has managed not only to reconstitute the business, but also to bring it to an international level, we can state: the component of strategic flexibility is not only present, but it also actively manifests itself over the performance of this enterprise.</li> </ul>

**Figure 5.1. Clustering elements of social capital within the MHZ Company** Source: developed by the author based on the obtained materials from the company and Van Wyk (2013)

**HOPE:** development and continuous improvement of the entrepreneurial qualities by the representatives of the family business;

- a desire to raise the welfare of their own families, which very much motivates and disciplines the family members involved in a common joint venture.

**SELF-EFFICACY** manifestation in the studied companies is found within the history of family business development of all three family enterprises:

- choosing a new niche at the national market, Ukrainian family enterprise believed in the success of cooperation with new business partners and promotion of unknown to the Ukrainian market product – the pleated curtains;
- the founders of the Russian family company demonstrated their confidence in the family business by creating its own manufacture facilities.

Entrepreneurial Development	Customer Service	Moral Values
<ul style="list-style-type: none"> <li>• <b>Consistent improvement</b> of windows devices.</li> <li>• For instance, for the Ukrainian family enterprise it is a control gear development for the solar protection systems.</li> <li>• For the Russian - modification of forms and sizes of existing solar protection systems.</li> </ul>	<ul style="list-style-type: none"> <li>• Both companies have been operating on the market for over 10 years, and for this period they have produced a variety of products and continue to implement new orders. Thus, we may conclude that <b>the quality of end-devices and customer services satisfy current clients</b> of family enterprises.</li> </ul>	<ul style="list-style-type: none"> <li>• The moral qualities that are inherent to the founders and, as a result, form the backbone of the family business are: <ul style="list-style-type: none"> <li>• <b>discipline,</b></li> <li>• <b>mutual readiness to help, responsibility,</b></li> <li>• <b>diligence and hard work</b> – these elements of social and family capital single the companies under examination out among the competitors.</li> </ul> </li> </ul>

Founder Legacy	Distinctive Identity	Advanced Results
<p>In the context of the inherent elements of intangible assets:</p> <ul style="list-style-type: none"> <li>• an actively functioning enterprise with <b>the developed and well-established relationships with foreign business partners, suppliers and customers</b> within the national and international markets.</li> </ul>	<ul style="list-style-type: none"> <li>• Expressed in <b>constant improvement of products’ characteristics, subjecting to fashion trends in decoration and providing quality services.</b> To provide the European quality of components, of which the products are manufactured, as well as to provide the European quality of the finished devices – can seem, at the first glance, an elementary task, but in Ukraine and Russia it can be executed at a professional level only by the few companies in the segment of the internal/external windows design and decoration.</li> </ul>	<ul style="list-style-type: none"> <li>• The possibility to provide customers of the Ukrainian and Russian markets with the multiple solutions for the problem of the sun protection, as well as the multiple solutions for the various windows ornamentation, which is highly appreciated by the companies’ customers;</li> <li>• “Artes-Ukraine” and “Vse shtory” have a <b>wide network of dealers and branch offices</b> in the regions of their countries, which has allowed them to become one of the leaders in the local market of “curtain business”, and later – to adequately introduce companies’ devices and services on the foreign markets.</li> </ul>

Trust	Innovation	Generation Succession
<ul style="list-style-type: none"> <li>• <b>Trust</b> is a mandatory element while performing in the local markets of the CIS countries.</li> <li>• Companies try to preserve <b>loyalty and confidence</b> of its customers, as without these elements business would suffer losses as a result of the enterprise close nature.</li> <li>• <b>Inside the companies trust</b> is also very much appreciated, for instance, the <b>joint work of two generations</b> in the studied companies, form <b>an atmosphere of peace, understanding and certainty.</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Innovativeness</b> in companies’ performance is often inherited from foreign business partners and suppliers in the context of <ul style="list-style-type: none"> <li>• <b>new materials, devices, mechanisms or appliances.</b></li> </ul> </li> <li>• Ukrainian and Russian companies broadcast their innovations on the local markets, which were not previously familiar with such novelty types of installations in the field of the internal/external windows decoration.</li> </ul>	<ul style="list-style-type: none"> <li>• Currently, in both companies there is a tendency to <b>attract the younger generation</b> to work together with the founders of the family business: <ul style="list-style-type: none"> <li>• <b>skills of working with target customers,</b></li> <li>• <b>the expansion of the dealer network,</b></li> <li>• <b>awareness about the specifics of the devices and services – this complex of knowledge is transferred from the creators to their children.</b></li> </ul> </li> </ul>

Competitiveness	Risk Aversion	Strategic Flexibility	Leadership
<p>Companies have clear competitive advantages:</p> <ul style="list-style-type: none"> <li>• <b>collaboration with the world leaders in the “black-out curtain systems” business,</b></li> <li>• <b>the use of advanced technologies and special attention to the needs and desires of customers.</b></li> </ul>	<ul style="list-style-type: none"> <li>• Both companies have a <b>certain stabilization fund</b> in the event of abrupt changes both within the internal and in the external environment of the company.</li> </ul>	<ul style="list-style-type: none"> <li>• Without awareness and readiness for the strategic flexibility the companies experience difficulties in their performing in the markets of Ukraine and Russia. Hence, <ul style="list-style-type: none"> <li>• <b>the combination of work at the international and national markets dictates the need to respond quickly and efficiently on a variety of internal and external circumstances.</b> Both companies in times of serious financial crises managed to survive and keep their customers, which mean the flexibility in management.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Transformational leadership.</b> However, because of the complicated business environment in Ukraine and Russia, there is a small percentage of the administrative decisions that are taken in terms of <ul style="list-style-type: none"> <li>• <b>the transactional leadership.</b></li> </ul> </li> </ul>

**OPTIMISM**

**RESILIENCE** is a necessary condition for the survival on the domestic markets as the performance within the internal markets is always associated with high risks. Risks are an integral part of the activities in Ukraine and Russia. Therefore, entities of business should always be prepared for the unexpected changes.

Figure 5.2. Clustering elements of social capital within the “Artes-Ukraine” and “Vse shtory” Companies Source: developed by author on materials from the companies and Van Wyk (2013)

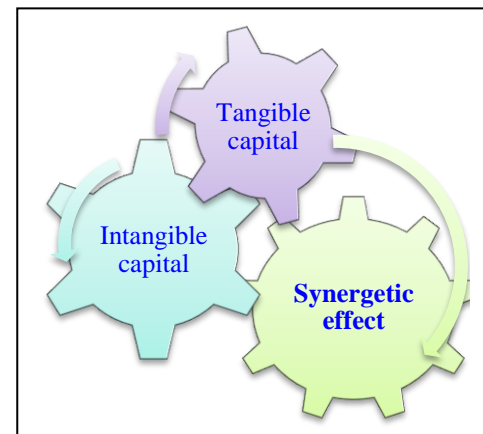
Based on the presented outcomes, we can conclude, that all an estimated elements of the social capital phenomenon, which provide the companies a real progress (Van Wyk, 2013), are present in German, Ukrainian and Russian family enterprises. Specific components of social capital form a complete family capital, which brings a significant positive result of the family businesses' performance for already many years. Thus, familiness of the investigated companies has made an important contribution to the company's development, also including its international level entrance.

#### **5.4. Internal strategic potential of the family business from the familiness view**

Having assessed the impact of the “familiness” for different business processes within the family enterprises and its environment, it is easy to conclude that “familiness” is a distinctive internal component within the strategic framework of the family company, expressed in the presence of a particular singular set of resources and possibilities for the family business development. For example, such element as a family culture in the work generates automatically the organization of a family business, which has clearly defined roles and each individual executes it effectively. Reputation of family companies is formed for many years, which enables the next generation to pay attention to other aspects of production. The shared vision of the objectives of family company, certainly facilitates the path to these goals, and a special family atmosphere helps to socialize outside employees for whom a special climate in the office may be an important aspect of non-material motivation (Habbershon et al., 2003).

#### **5.5. Synergy of the family business is driven by the familiness**

In addition to examining the individual elements of “familiness”, which form a special capital for family businesses, it is necessary to take into account the effect of the interaction of these elements, as well as the interaction of “familiness” with other resources of the company. In case of productive management and the right combination of the “familiness” elements and other capitals, one may observe the synergistic effect of these assets (Stan and Jivan, 2012). Particularly, by their means the development of the family business in the local and foreign markets being ensured. The synergetic effect is characterized by the inequality of “ $2+2>4$ ” (Balan, 2011, p. 433), which assumes that the cumulative effect of the cooperation of two or more potentials, as well as it result, is higher than the aggregated outcome of the separate performance of these independent potentials (Balan, 2011). Thereby, the synergy can be expressed as the process of increasing the efficiency while applying two types of resources: material (tangible) and non-material (intangible). An appearance of the synergetic effect causes the productive usage of the intangible assets, such as the trade mark, the reputation of the company, the company value of brand etc. The unique effect of familiness, in terms of the non-material resources, is seen in its ability to create those assets of the family enterprise that cannot be easily replicated by the competitors (Balan, 2011). Sum-up, for the family business the synergetic effect is achieved because of the possession of the internal distinctive components, which due to the reciprocal action create familiness.



## **5.6. The trigger mechanism for the internationalization process of family business in terms of the familiness concept and social capital phenomenon**

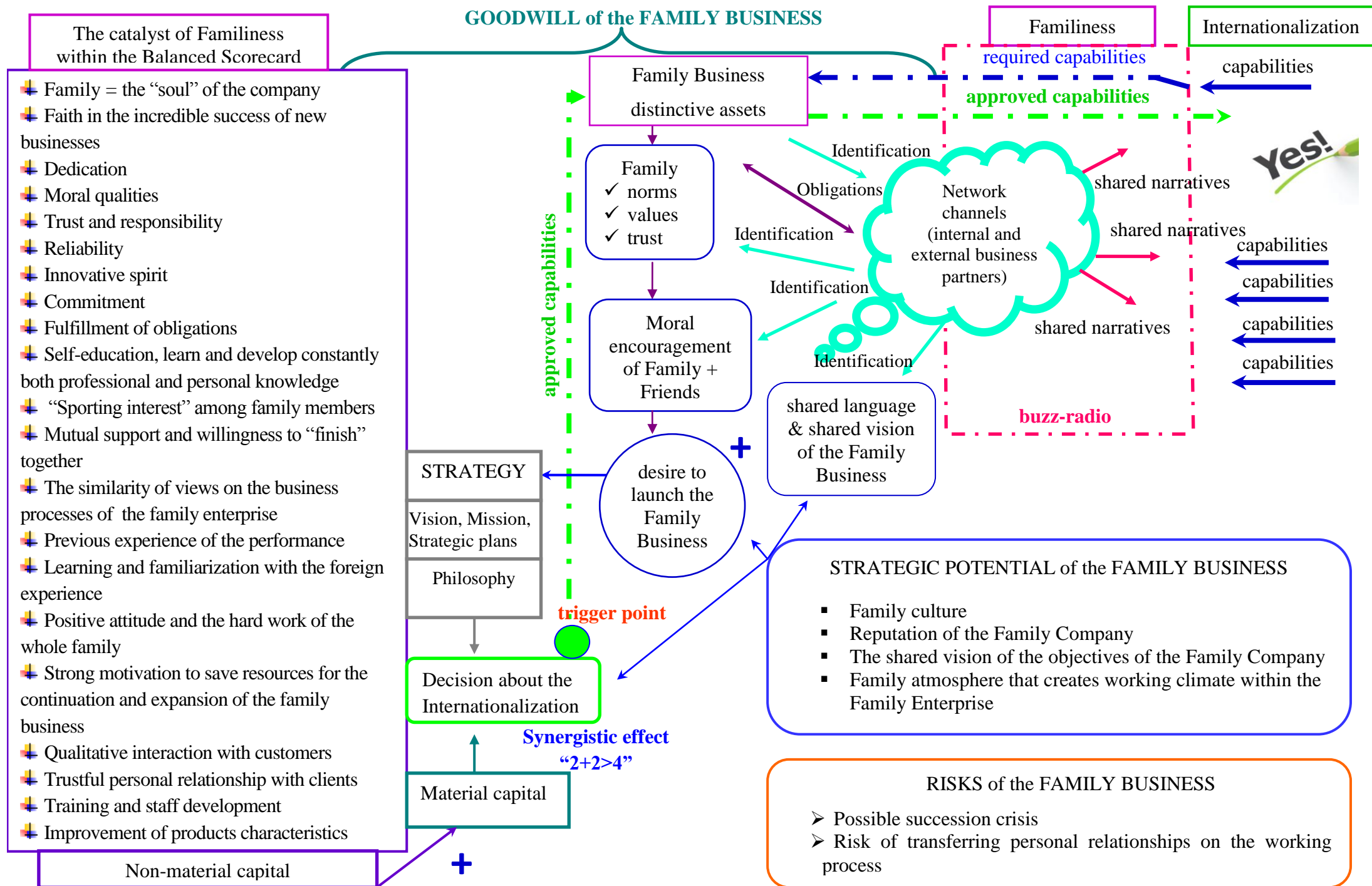
According to the studied materials, as well as to the performed conversations with agents of three international family businesses, we can give an answer to the main research question: *what is the trigger mechanism for the process of family business internationalization from the perspective of familiness concept in terms of the social capital phenomenon?*, and to consider those internal components of social capital that form and actuate the trigger mechanism for the internationalization in the context of familiness (Fig. 5.3).

Based on the obtained results from the practical part of the inquiry, we can conduct: the significance of familiness over the process of family business internationalization is equal to the significance of magnifying lens while reading the manuscript. It serves as an appliance, where the core of the family business performance is accumulated and reproduced in terms of tacit distinctive assets (relational and cognitive social capital). These tacit distinctive assets assist representatives of family company while recognizing opportunities for the family company development and hence, tacit distinctive assets provide capabilities (structural social capital) for the Internationalization process of family business.

All identified capabilities are verified by familiness on subject of conformity to relational and cognitive social capital. If requests for international cooperation, provided by structural social capital via the networks of family company, are acceptable and appreciated by the family enterprise in terms of its relational and cognitive social capital, than the familiness can be identified as the trigger mechanism for the process of family business internationalization. Therefore, the significance of familiness over the internationalization process of family company is to recognize opportunities for cross-border cooperation and to refract opportunities for Internationalization through the lens of social capital, which is originated and inherent to the family enterprise.

### **5.6.1. The trigger point for the family business internationalization process**

As the investigation illustrated, the trigger point is hidden in the family *decision* either to receive capabilities from the “outside” or not. The decision about the internationalization process of family business is enclosed within the non-material capital, within the strategy and within the strategic potential of the family company. Intangible capital of family company is shaped by numerous elements that can be recognized as social (family) capital. Strategic potential of the family enterprise in combination with the non-material capital serve as the assistant tool for making the decision about foreign-market expansion. If the capability to the internationalization is accepted, than the strategic potential and non-material capital create the unique, high-reconstructed assets of the family company, facilitating the development of family business.





We can conclude, the internationalization process of the family company consists of several steps:

1) each family business has been established from the desire to improve, or to innovate (in case of the MHZ Company) products at the market of black-out internal and external solar-control systems;

2) each family enterprise has been sure in strong moral encouragement of their family and close friends;

3) primary basis of each family enterprise in terms of social capital were shared vision of business activities and shared language among family members how to launch and develop their family enterprise;

4) family norms, family values and trust that were inherent among family members have frequently been adopted and implemented in the “life” of family business;

5) the process of identification future foreign business partners has been conducted on the basis of family language, family vision of business performance, family trust, norms and values that are appreciated and shared by business partners – that are the “lighthouses” of the family business identification;

6) development of obligations between the family enterprise and its foreign partner is based on the identified shared language, shared vision and appreciated family norms, values and trust;

7) shared narratives about the family enterprise activities, products, performance as well as about the manners of doing business and developing relationships with agents of family enterprise have frequently served as the sign-posts for establishing new business contacts and cooperation;

8) business network channels have played the role of “buzz-radio” as shared narratives about family business performance and related information of the way of doing business by particular family company (what norms and values underpin the company business? what are the language and vision of doing business inside and outside the company? what about the trust inside and outside the family enterprise? etc.) have been spread among potential business partners of family enterprise with lightning speed. Repeatedly the effect of spreading narratives within network channels is identification of opportunities for the internationalization process of family business.

After analyzing all three studied family businesses within the frame of the strategic management technique as well as within the frame of the model of family capital, we may conclude that the results obtained in the course of the investigation make it possible to formulate a response for the principal research question of the inquiry and state, that familiness, as an element of family capital, or as a complex of elements of social capital can express itself as the trigger mechanism for the improvement of well-being of family companies, including their access to international markets.

## VI. CONCLUSIONS OF THE INVESTIGATION

### 6.1. Summing-up the conducted research

We can identify three ideas, which have shaped the search directions in order to present a new look on the topic of “familiness in international business” and to study internal components of familiness in terms of social capital in order to investigate the internationalization process of family business.

Initial idea #1: to discover *some notions* that notably distinguishes the performance of family companies from non-family. And we have found the answer for it within the concept of familiness, which recognizes family business as an enterprise that possesses unique resources and capabilities, which inherent only to family business (Habbershon et al., 2003).

Initial idea #2: what about the process of foreign market expansion (the internationalization process) of family enterprises? The process of cross-border expansion of family business has been illustrated within the integrative model of small firm internationalization, in the frame of which there are three trajectories for becoming international company: born-global companies, traditional/gradual companies and born-again global companies (Bell et al., 2001, 2003, 2004).

Initial idea #3: what is the nature of familiness over the process of family business internationalization? The answer for this question we have introduced through the lens of the phenomenon of social capital (Coleman, 1988; Putnam, 1995). In the current Master Thesis we have presented the content approach to social capital in terms of which, social capital is identified as relational (trust, norms, obligations, identifications), cognitive (shared vision, shared narratives, shared language) and structural social capital (network ties) (Yli-Renko et al., 2001; Nahapiet and Ghoshal, 1998; Granovetter, 1992).

To find the answer for the fundamental inquiry question: *what is the trigger mechanism for the process of family business internationalization from the perspective of familiness concept in terms of the social capital phenomenon?* all three initial ideas have been implemented in the research model, where the familiness concept is studied in the light of the phenomenon of social capital in order to expound the process of family business internationalization.

The purpose of the Master Thesis: *how the significance of familiness can be interpreted over the process of family business internationalization?* The answer for the heart of the entire inquiry Thesis we have found within the frame of strategic management of the family companies. Precisely, in order to shade the light on the essence of familiness over the process of foreign market extension of family business, we have applied the *balanced scorecard strategic approach* (Kaplan and Norton, 1992) and adapt it for the peculiarities of family business. Principal revelations of the conducted investigation:

1) family business performance within the international context is recognized as an implemented *strategy* of the family business development, even though the family enterprise does not intend to become an international company from the beginning of business launch.

2) Pattern and components of social capital, which are frequently identified as the family social capital, create the *internal strategic potential* of the family business. As we have studied, this strategic potential of the family enterprise is embedded in singular resources, which are distinctive and intangible assets of the family company, intrinsic solely to the family company and cannot be readily reproduced by other types of business.

3) The effect of familiness over the process of family business internationalization is seen in the *synergistic effect*. Intangible assets, which are created by the elements of social capital, originate the value of the family company. That is, the family social capital is goodwill of the family company, as the intangible and distinctive assets are the superstructure over the material assets of the enterprise. Hence, the familiness is an additional major component of the family business that favours and speeds up the internationalization process of family enterprises.

Empirical part of the Master investigation has been designed as the descriptive-explorative research project. Within the frame of the Master Thesis we have combined several methodological treatments: narrative investigation, phenomenology inquiry and the grounded theory exploration. Subjects of the inquiry are three family enterprises that operate within international scope in the segment of awning, shading and black-out internal and external solar-control systems. Conversations have been performed with seven agents of family companies: two successors, two founders, one founder/owner and two business partners of family companies. Observation of the manifestation of social capital “in action” has become possible while attending the negotiation process between the agent of family company and its foreign business partner. Becoming familiarized with the essence of familiness and significance of social capital over the internationalization process of family companies has become possible due to the opportunity to investigate family-owned artifacts from the firsthand of agents of family enterprises.

Each studied case of the family enterprise is unique per se. Consequently, each studied family company has passed over different stages in the process of cross-border expansion and has its own trigger factors for the internationalization process. Nevertheless, we can identify common components of the trigger mechanism for the process of family business internationalization within all presented family enterprises: 1) to accumulate strong social/family capital: to have the desire and to be confident in the family encouragement. 2) To have clear vision about the business and to implement in this vision the internationalization performance. 3) To engage the support from business partners by way of mutual cooperation. 4) To shape “strong name” of the family business while collaborating with business partners and clients. 5) Business network serve as buzz radio, which spread the “strong name” of the family company among potential future business partners. 6) Potential business partners provide potential capabilities for the family business internationalization. 7) Potential capabilities are identified through the statement of familiness. 8) If the intangible assets are strong enough and the potential capability is found within the strategy of the family business, the decision to start the internationalization process is accepted.

In order to perform thorough investigation and to consider in detail the keynotes of the Master Thesis, the fundamental question have been resolved into components – four inquiry sub-questions.

Sub-question of the Master Thesis #1. *What are the stages in the process of family business internationalization?* The stages of international development of the family companies have been studied in the context of the integrative model of small firm internationalization (Bell et al., 2001, 2003). We have recognized key events that contribute to search for opportunities to expand family business. Two of the identified family enterprises have passed born-again global pathway of the internationalization process. Crucial points for it were: 1) innovation product development that was caused by the restoration process after the Second World War (in case of the MHZ Company); 2) signing of a contract with foreign business partners, increasing manufacturing facilities and launching its own product lines (in case of the “Vse shtory” Company). The Ukrainian family enterprise has passed gradual internationalization pathway.

Sub-question of the Master Thesis #2. *What are the elements of social capital in the process of family business internationalization?* All elements of social capital, that have been revealed while studying three family enterprises, have been identified as non-material capital of the family business (Fig. 5.3), which in the frame of the trigger mechanism have been determined in groups of components as trust, norms, obligations and identifications in terms of relational social capital; shared language, shared vision and shared narratives in terms of cognitive social capital and network ties as the component in terms of structural social capital (Yli-Renko et al., 2001; Nahapiet & Ghoshal, 1998; Granovetter, 1992).

Sub-question of the Master Thesis #3. *In what way identified elements of social capital accompany the process of family business internationalization?* The manner in what elements of social capital accompany the process of family business internationalization is varied in each inquired family company. Nevertheless, we have identified common pattern of revelation of social capital components over the of internationalization process of family business (Fig. 5.1-5.2.). It has become known, that each particular stage of the internationalization process of family business is followed by particular element of social capital, or sometimes even is accompanied by the mix of complex of social capital components.

Sub-question of the Master Thesis #4. *How social capital can manifest itself over the process of family business internationalization?* Based on the performed investigation, the manifestation of social capital over the internationalization process of family business has been recognized by various activities of the family enterprises: for instance, in the process of business negotiation, while participating in industrial and business exhibitions, in the process of team-building inside the family company, while developing remuneration and rewarding programmes for employees, business partners and other agents of family enterprise, while collaborating and signing contracts with business partners etc. Revelation of social capital differentiates form case to case, but still remains within terms of three key concepts of social capital: relational, cognitive and structural.

## **6.2. Contributions to the study field of the internationalization process of family business**

The footprints of the current Master Thesis in economics science can be recognized from theoretical and empirical perspectives.

### **6.2.1. Contributions from the conceptual perspective**

While elaborating the survey issue at the beginning of the Master Thesis, one special proffer to refresh existed inquires in the field of the internationalization process of family business in terms of the improved theoretical framework Kontinen (2011) has found resonate in our drafts.

Here the idea was born: to integrate several perspectives of theory in order to renovate economic studies of the family business internationalization process. Consequently, the familiness concept (Habbershon et al., 2003) has been presented in order to study the internationalization process of family enterprises. Other inquiry statement of the Master Thesis has been identified as the social capital phenomenon (Bourdieu, 1986; Coleman, 1988; Sirmon and Hitt, 2003) over the process of family business internationalization. The result is the research model, with the frame of which the relational and cognitive social capital are recognized as distinctive assets, that are resources in the frame of the familiness concept, while structural social capital is recognized as capabilities in the frame of the familiness concept for the process of internationalization of family business. The research model is attended with suggestions for exploration.

Additional, to discuss the attained results of the Master Thesis it was necessary to employ one approach of the strategic management – the balanced scorecard (Kaplan and Norton, 1992) – and readjust it to the features of the family business. Hence, theory of the strategic management, statement of the strategic potential and notion of the synergy effect have been considered in order to interpret the process of family business internationalization from the perspective familiness concept in terms of social capital.

### **6.2.2. Contributions from the empirical perspective**

As the feedback of representatives of the studied family companies has shown, the principal results of the Master Thesis are interested for practical aspects of family enterprises within the next dimensions:

*1) Management of the family company.* The investigation of three inquired family companies has provided valuable information on the process of internationalization by the possibility to get an inside view by the “eyes” of representatives of family enterprises on the significance of social capital over the process of foreign market expansion. Hence, based on the feedbacks, an obtained information can be employed over the process of organizational cultural creation/cultural transformation within the family enterprise, while planning organizational changes of the family company, as well as over the processes of delegating, communicating and coordinating activities among agents within the family company (especially in the process of extending from internal into external family business).

2) *Marketing of the family company.* Owners, founders and management teams of family enterprises can employ major findings about the uniqueness of familiness and the sense of social capital with the aim to elaborate strong relationships with business partners (both internal or external), to shape consumers' loyalty to the family company worldwide and to originate strong brand recognition of family business in international context. Market positions of the family enterprise, as well as awareness about the family enterprise among consumers, can be associated with singular social capital possessed by the family company and recognized in practice via trust that exists to the products of family company, or via trust cultivated between consumers and the company, through the norms of the company, or via mutual vision of business actions between representatives of the family enterprise and business partners.

3) *Investment in the family company.* The familiness and generated social capital owned by the family company can be considered as goodwill while evaluating the family business and estimating the investment attractiveness of the family enterprise.

4) *Personal management of the family company.* Social capital is originated by the staff and members of the company. Hence, it deserves great attention from managerial teams while designing personal management frames, over elaborating coaching programmes for employees, upon the process of personnel selection in the company, personnel adaptation to the circumstances of work and personnel professional development within the company.

5) *Strategic and tactics planning of the family company.* Comprehension of the familiness and conscious about the elements of social capital of family company can play crucial role over elaborating SWOT, PEST, GAP-analyzes for the process of foreign market extension, upon forming and sharing the vision and mission of the family business, while designing the competitive power of the family enterprise, over the process of opportunity recognition for the family business cross-border expansion, while developing balanced scorecard and in the process of designing the benchmarking of the family enterprise. Hence, by the words of agents of studied family enterprises, the interpretation of the essence of familiness, and the revelation of the social capital impact over the phases of the internationalization process of family business, can be taken into consideration by family members and managerial teams of family enterprises while collaborating strategy and tactics for the international development of family business.

Core findings of the Master Thesis can be taken into account over the process of internal evolution of family companies, as well as over the internationalization process of family business due to the fact, that social capital and familiness of the family enterprise are equally important on the entire stages of the family business development.

### **6.3. Narrowness of the investigation**

Within the time and frame constraints of the Master Thesis it is difficult enough to highlight the study issue in corpore. Therefore, delimitations of the research investigation can be performed.

➤ The form of government of the inquired subjects. We have chosen for exploration family companies with family representatives in the management of the company as we had curiosity to conjoint two theoretical perspectives in one research model, which will enable to investigate the phenomenon of social capital over the process of internationalization in terms of the familiness concept.

➤ Business industry of the inquired subjects. The phenomenon of social capital exists on different levels among all agents in every company. In this Master Thesis we have studied the phenomenon of social capital over the internationalization process on cases of family enterprises in one concrete segment – in the segment of solar-control internal/external installations within the frame of one industry – the industry of home design and decorations.

➤ Size of the inquired subjects. The current Master Thesis has investigated social capital over the internationalization of family enterprises on instances of small- and medium-sized family companies.

➤ Nature of the inquiry design. In terms of the Master Thesis, the descriptive-explorative design for the exploration has been chosen due to several reasons: 1) social capital over the internationalization process of family enterprises has appeared for us as absolutely fresh inquiry field. 2) The research model, presented within the Master Thesis, had been specially developed for the purpose of the current Master Thesis. 3) Within the purpose of Master Thesis, we as inquirers had been motivated to *explore* something new in the field of family business internationalization. Developed research model required first in its “life” approbation in action. In accordance, we assumed that the pilot version of investigation of the family business internationalization process from perspectives of social capital and familiness concepts has to be performed through *description*.

✚ Count of the inquired subjects. We have not identified the quantity of inquired subjects as the narrowness of the Master Thesis, because we assume that social capital is generated, accumulated and exploited by individuals in every business and it doesn't depend on either the business is family or non-family. Moreover, evolution of social capital and its application in business is unique for each company. Thus, the revelation of social capital over the process of internationalization of business can be various from company to company. Exploration of the significance of social capital over the internationalization process of enterprise can be performed either on the case of several companies or on the instance of even one company (but still with enough quantity of representatives from the inquired enterprise).

#### **6.4. Further directions for the topic investigation**

Limitations of the current Master Thesis provide opportunities for further investigation progress.

In consideration to marked narrowness of the current Master Thesis, we propose further directions for the investigation.

➤ The form of government of the inquired subjects. To inquire the phenomenon of social capital over the process of internationalization of non-family business. With this aim the research model of the

present Master Thesis in terms of relational, cognitive and structural social capital can be practically employed in order to explore the significance of social capital over the internationalization process within the scope of companies, the government structure of which is different from the family enterprises.

➤ Business industry of the inquired subjects. Family enterprises for exploration can be picked out from various business industries. For instance, it should be interesting to study the concept of familiness and the phenomenon of social capital over the internationalization process of family business on cases of food family companies (food industry), or on examples of textile family companies (light industry).

➤ Size of the inquired subjects. Incredibly curious should be to perform exploration of the significance of social capital over the internationalization process of family business on instances of large world-known family companies with a reach history, where the family enterprise is a business of several generations: for instance, on cases of family fashion houses, family restaurants, family furniture production etc.

➤ Nature of the inquiry design. As the research model of the current Master Thesis has illustrated its suitability for application, it should be interesting to employ the research model under investigation in order to perform comparative inquiry of family companies. As well, it should be interesting to perform causal investigation of the Internationalization process of family enterprises from perspectives of social capital and the familiness concept.

➤ Qualitative vs quantitative investigation. The phenomenon of social capital (as well as familiness concept) is difficult to perform in measurement scale, as well as difficult to calculate mathematically the range and to present in numbers the significance of social capital over the process of family business internationalization. In accordance, we suggest to develop (or adopt if it already exists) the measurement scale for each element of social capital (trust, network ties, obligations, common vision etc.) particularly and the measurement scale for the phenomenon of social capital in general in order to be able to transform words into numbers and count, for instance, the integral value of social capital over the internationalization process for particular family enterprise.

➤ Count of the inquired subjects. In order to study the significance of social capital phenomenon over the internationalization process of family business any quantity of family companies can be investigated. It should be interesting, for instance, to study the phenomenon of social capital on the case of one family company and on the case of maximum possible numbers of family enterprises. Later, principal outcomes of the conducted inquiries can be compared.



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APPENDIXES

Appendix A.1: “Artes-Ukraine” diplomas from participation in national exhibition of  
Construction and Architecture (Ukraine, Kiev, 2002)



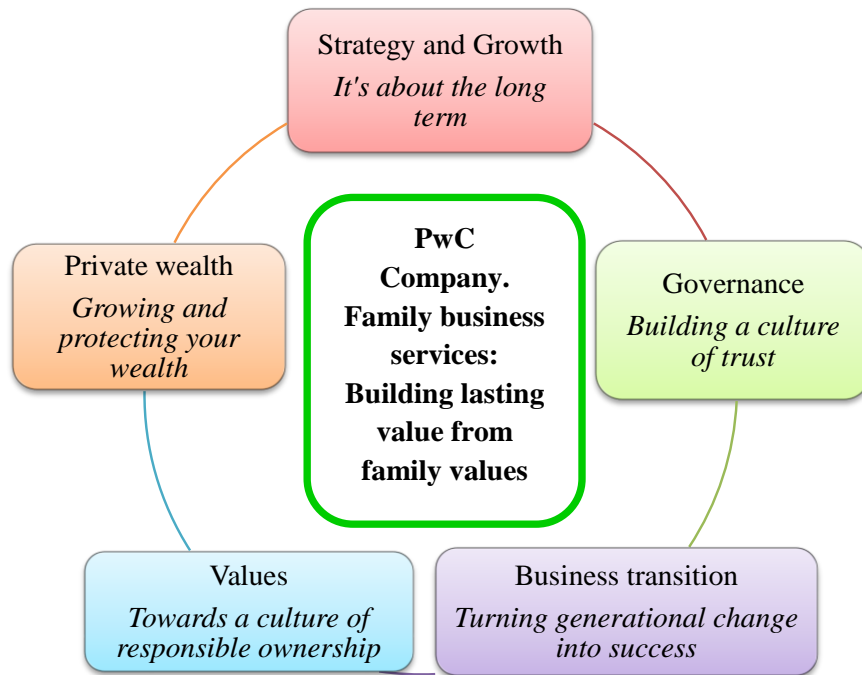
Source: materials owned by the family company “Artes-Ukraine”

Appendix A.2: “Artes-Ukraine” diplomas from participation in national exhibition of  
Construction and Architecture (Ukraine, Kiev, 2005)



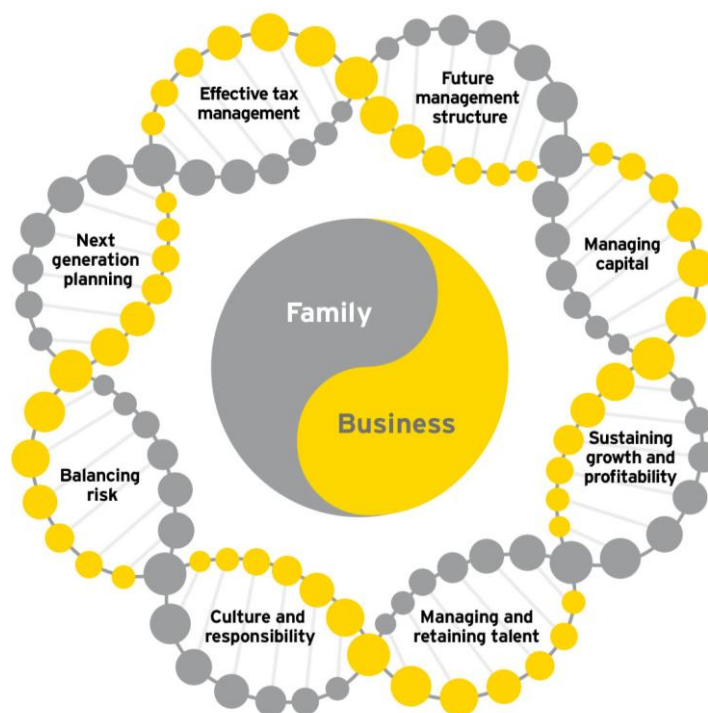
Source: materials owned by the family company “Artes-Ukraine”

**Appendix B: Main directions of the family business department of the PwC Company**



Source: developed by the author on the basis of PwC Family Business Services, 2014.

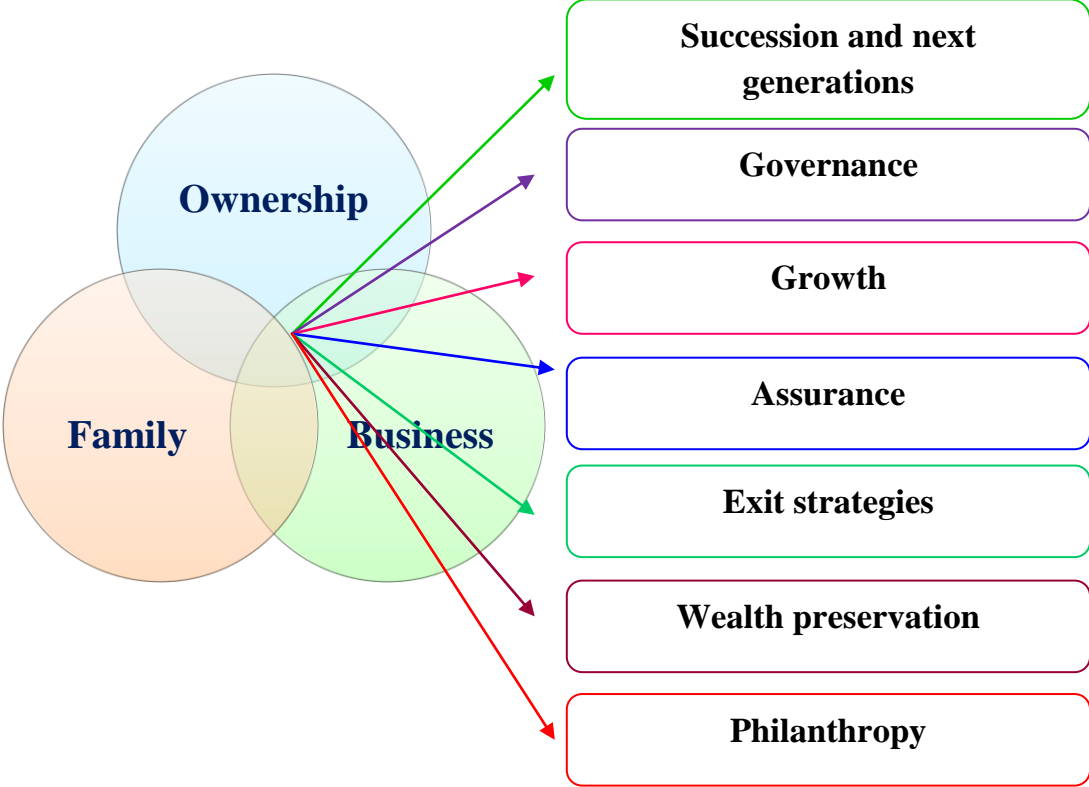
**Appendix C: The Growth DNA model of family business according to the Ernst&Young Company**



Source: Ernst&Young. Family Business Services, 2014.



**Appendix D: Beams of the family business according to the KPMG Company**



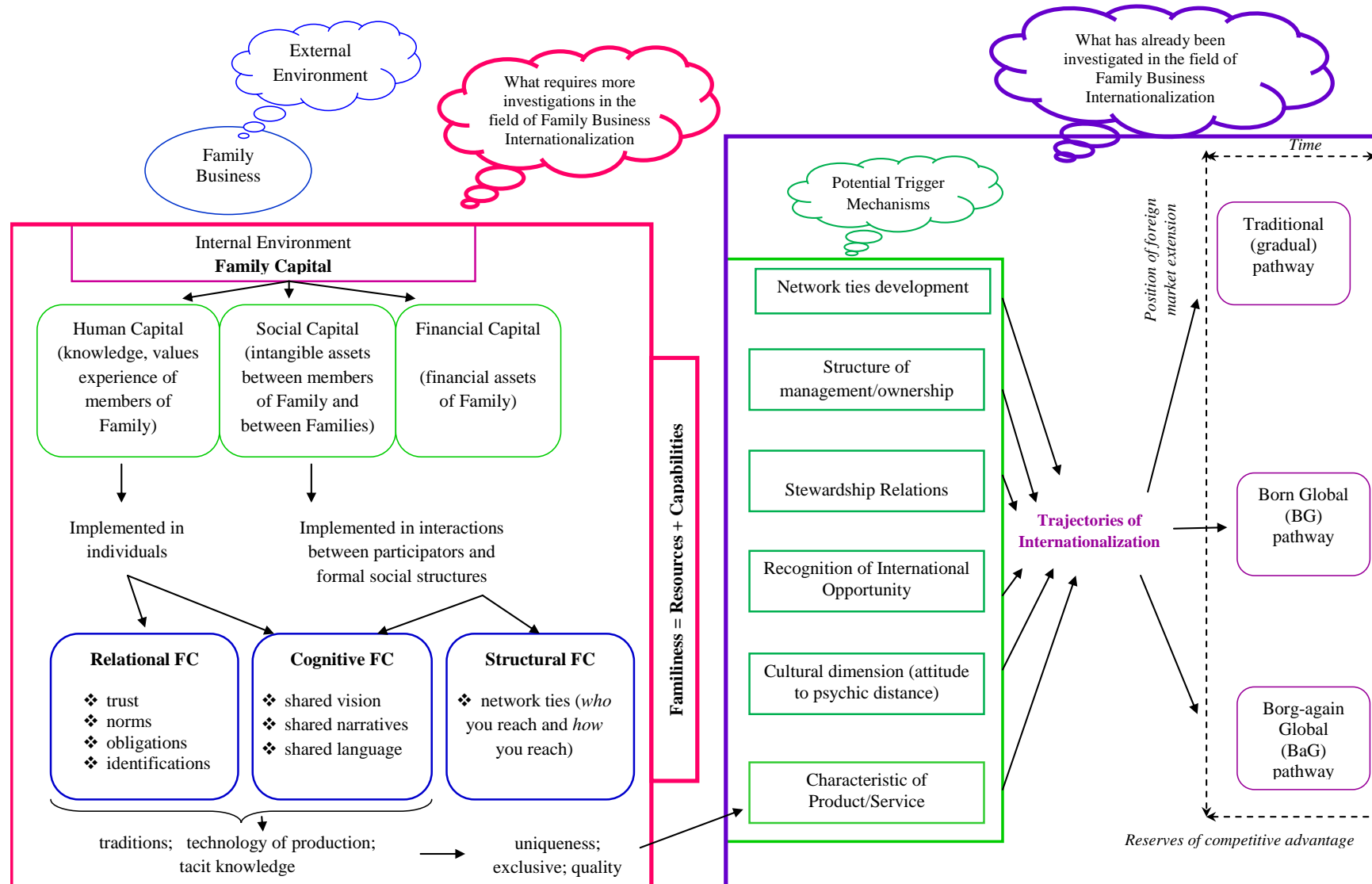
Source: KPMG Family Business, 2014.

### Appendix E: Main distinctions among family and non-family business

<b>Distinctive feature</b>	<b>Family Business</b>	<b>Non-Family Business</b>
The main purpose	Continuity	Short-term share prices increase
The main task	Preserve the values and reputation of the family owners	Meet the expectations of the investor
The fundamental belief	The priority is to maintain the business	More risk, more return
The strategic orientation	Adaptation	The continuous growth
The basis of management	Continuous improvement	Innovations
The most important stakeholders	Customers and employees	Shareholders and management
The way the business is considered	As a social institution	As the liquid assets
Leadership	Service	Personal charisma

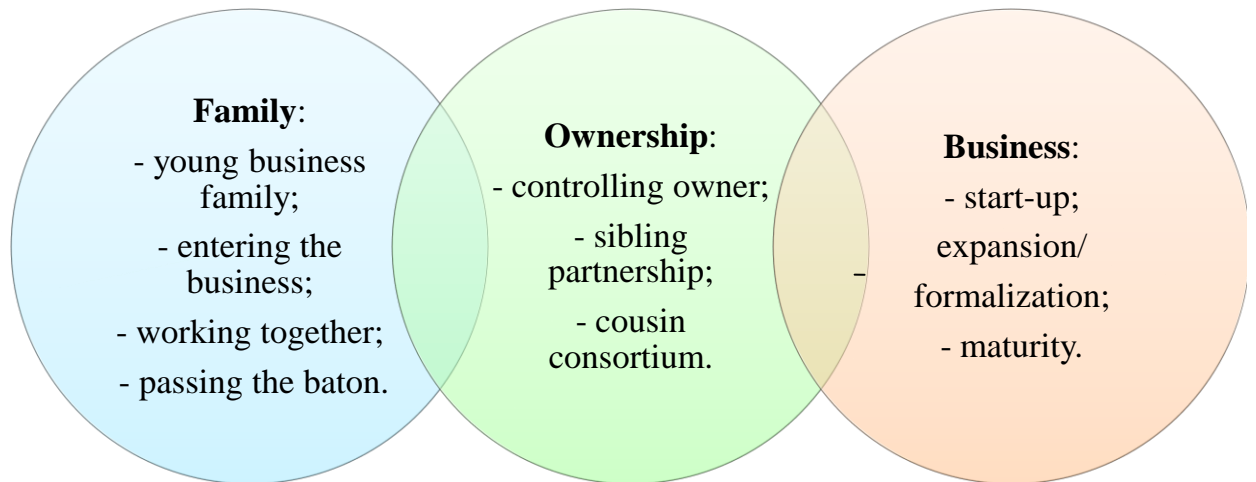
Source: Burda (2009, p. 23, translated from Russian).

**Appendix F: What is already known and what requires further investigation in the field of family business internationalization**



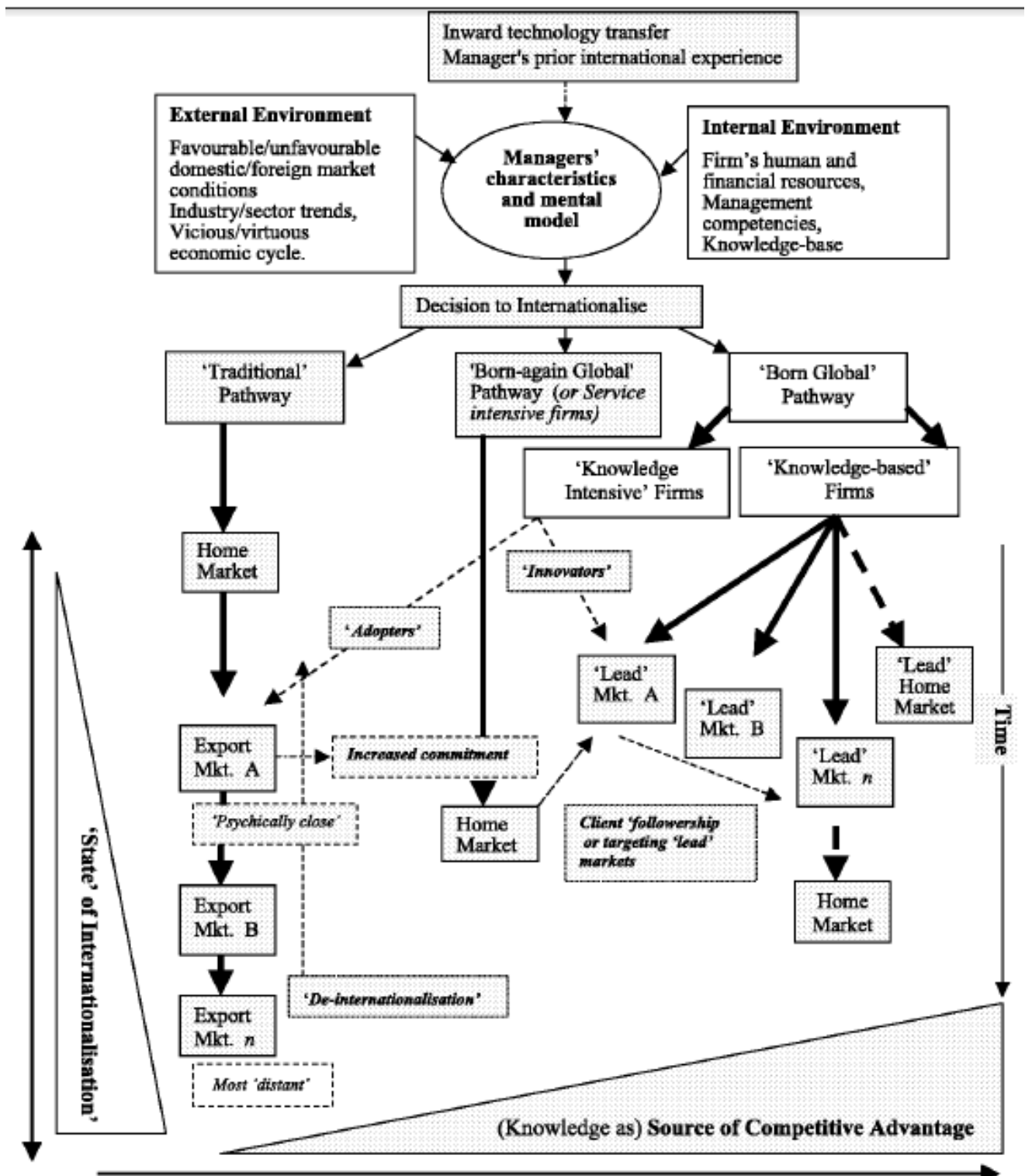
Source: developed by the author on the basis of Bell et al. (2003); Granovetter (1992); Habbershon et al. (2003); Kontinen (2011); Nahapiet and Ghoshal (1998).

## Appendix G: Three principal vectors of family business and stages of its life-cycle



Source: adapted from Gersick et al. (1997, p.6, p. 17).

Appendix H: An integrative model of small firm internationalization



Source: Bell et al. (2003, p. 350).

## Appendix I: Major phases of the inquiry project within the timetable of the Master Thesis

<p><b>Phase of the inquiry #1. Formulation:</b> <i>illuminating the theme for investigation.</i>            Substantiate the need for the study; recognize the issue; observing the literature and studying theoretical concepts; forming questions and goals for the study; point out the suggestions; enunciate the inquiry design.</p>	
03.09.2014-22.09.2014	Scanning the subject-matter for the forthcoming investigation. Identifying the purpose of the study. Literature review and theoretical observation.
23.09.2014-03.12.2014	Cultivating the research suggestions and conceptualizing the study.
04.12.2014	Handing in two first parts of the forthcoming inquiry project.
12.01.2015-27.01.2015	Specifying the purpose and inquiry objectives of the study. Deliberating questions for the survey, thinking over the methodological aspects and the inquiry design for the investigation. Establishing connections with entities of the inquiry.
<p><b>Phase of the inquiry #1. Formulation:</b> <i>obtaining replies from inquiry parties and designing the survey.</i></p>	
28.01.2015	Submitting Work Requirements #1.
29.01.2015-26.03.2015	Accounting of annotations, commentaries, notes and remarks of the supervisor. Making amendments and rectifications in the research project. Acquisition of necessary materials from the secondary information generators. Processing acquainted materials. Elaborating themes for negotiations, composing questions for the interviews with the inquiry participators, preparing for the observation business-communications. Stating the research design and working on with the third chapter of the Master Thesis – “Methodological items”.
27.03.2015	Submitting Work Requirements #2.
<p><b>Phase of the inquiry #2. Execution:</b> <i>information capturing, materials acquisition and data storage.</i>            Recognize mode of sampling; construct manners for information acquisition; assemble information; control for inaccuracy; code information; store information + <b>Phase of the inquiry #3. Analytical:</b> <i>information processing and progressing proper inferences.</i> Assay information; explanation and conclusions; recognize restrictions; developing the Final Master Thesis.</p>	
28.03.2015-26.04.2015	Working on the practical field of the inquiry Thesis. Materials accumulation: arranging meetings and carrying out conversations with agents of family businesses and their foreign business partners. Artifacts exploration. Attending the business negotiation process, observing social capital in action. Document investigation. Processing acquainted materials form the primary information generators and developing interpretational part of the Master Thesis. Creating experiential part of the Thesis. Maintain connections with agents of family enterprises: handing interpreted materials from interviews, observation and document explorations; making edits.
27.04.2015	Submitting the rough copy of the final Master Thesis to the tutor.
28.04.2015-30.04.2015	Obtaining comments, alterations and notations from the tutor.
<p><b>Phase of the inquiry #4</b> (added by author due the course of investigation). <b>Closing:</b> <i>drawing up of inferences of the research Thesis.</i></p>	
01.05.2015-17.05.2015	Working on with final chapters of the Thesis: consolidating all the events that have happened with the accumulated information over the inquiry period. Ordering materials. Amending and performing final reclamations. Designing the list of bibliography. Editing.
18.05.2015	Submitting the Master Thesis.

Source: adapted and developed by the author based on Hair Jr. et al. (2011, p. 28); Saunders et al. (2012, p. 236).

## Appendix J: Qualitative research as the major mode for studying familiness over the process of family business internationalization

<i>Determinative factor</i>	<i>Necessities within the frame of the current Master Thesis</i>
<p>“Emic” versus “etic” approach to the inquiry (Merriam, 2009, p. 14): the phenomenon of social capital and the familiness concept have to be recognized and realized comprehensively in terms of inwards views of respondents (Ritchie and Lewis, 2004; Creswell, 2013)</p>	<p>The concept of familiness and the phenomenon of social capital call for the qualitative inquiry because the elements of social capital as well as the components of familiness are rather embarrassing to quantify and rate in the numeric scale. That is, the phenomenon of social capital and its development over the internationalization process of family enterprises has to be investigated from sources of origin: by voices of founders and owners of family companies telling unladed novelettes about the internationalization process. Hence, we as investigators have to get into the field of inquiry and look at the subject-matter (familiness concept over the internationalization process) in terms of inwards, namely, by the “eyes” of founders/owners/successors of the family enterprises.</p>
<p>The inquirer as the initial device for the inquiry (Merriam, 2009; Creswell, 2013)</p>	<p>In the course of getting inside to the essence of social capital over the internationalization process of family business we have enabled participants to become an active part of the investigation. In order to make the intercourse less formal between us as inquirers and respondents of the investigation, we have included founders/owners/successors of family companies in the process of information explanation and materials processing by illustrating previous terminations of the inquiry, shortly discussing it and making all necessary adjustments based on the annotations of the respondents.</p>
<p>Proficient in the field of investigation (Ritchie and Lewis, 2004)</p>	<p>In order to illuminate the concept of familiness in corpore, we have to resort to the help of masters in this theme – that are founders, owners, successors and/or current managers of the family companies that can highlight the internationalization process of their companies in great details, observe the consequences of stages over the internationalization process and recollect the essence, appearance and significance of social capital elements upon the foreign market expansion of family businesses.</p>
<p>Elucidate the arrangements in descriptive-explorative research model or the abduction approach of the survey (Merriam, 2009; Creswell, 2013; Ritchie and Lewis, 2004)</p>	<p>Descriptive-explorative theories present the development of familiness and the appearance of social capital over the internationalization process of family business within broad outlines, with deep immersion into the nature of concrete elements of social capital, their role over the process of internationalization, the way components accompany the internationalization process and the interrelation between resources, capabilities and the internationalization process of family enterprises. That is, the investigation for the current Master Thesis has been implemented by constructing step-by-step the integral scene of the essence of familiness over the foreign market expansion from the parts till the integrity and then again going to the parts, verifying the integrity of accumulated portions of materials.</p>
<p>Supplement theoretical development and answer theoretical requirements (Creswell, 2013; Ritchie and Lewis, 2004)</p>	<p>Conducting the study on the mentioned theme, we as inquirers have accepted challenges of several limitations of the present theoretical frameworks: expressing the familiness in terms of social capital and inquiring its revelation over the process of foreign market expansion of family enterprises. It is obvious, that quantitative gauge is just inapplicable to comply with the existing gap in knowledge.</p>
<p>Abundant exposition of the inquiry (Merriam, 2009; Creswell, 2013; Ritchie and Lewis, 2004)</p>	<p>Verbal specifications and graphical portraying of the main outcomes of the performed inquiry are much more preferable than numerical and statistical depictions of the results. Thus, in the Master Thesis there are quotations from conversations with owners, successors, founders and foreign business partners of the family companies, interpretations of the heard stories, applications of items from the field documents etc.</p>

Source: developed by the author based on Creswell (2013, pp. 47-48); Merriam (2009, pp. 14-17); Ritchie and Lewis (2004, pp. 32-33).

## **Appendix K.1: Topics for discussion. Conversation Guide. Interview Questions for the representatives of family enterprises**

2 successors of the German family business, 2 cofounders of the Ukrainian family business and 1 founder/owner of the Russian family business.

Good afternoon, Sir/Madam. My name is Mariia. I am the student at the University of Nordland. Currently, I am making the research in the field of international business. More precise, in my investigation I am focusing on the concepts of familiness and social capital. Thereby, today I would like to talk with you about the process of family business development, its internationalization process, to know as much as possible about the history of your family enterprise, what were the milestones over the process of cross-border expansion of your family business and what was the significance of social capital over the process of your family business internationalization.

1. Tell us, please, a little about your family business: when you have decided to start the family business up? What was the primary idea that had inspired you to create/launch/continue/become part of the family business? Who have initiated the foundation of family business?

2. What are the principal phases in the development process of your family business could you single out? Recall it, please.

3. Please, tell us about the pivot (key) moments in the life of your family business, which have served as the department point for the internationalization process of the family business: extending the borders of the domestic market, the search for opportunities to become a family business in the international context and, finally, to reach the international level of operations?

4. Describe the principal phases of your family business international development? What are the major points you would like to highlight directly at the stages of the internationalization process of your family enterprise?

5. What is your role in the family business? Are your direct responsibilities on work connected with the social capital in the company?

6. What types of social capital that are present in your family, have become components of the success of your family business?

7. Do you think that social capital had an impact on the internationalization process of your family enterprise? Why do you think so? Tell us, please, what was the contribution of social capital into the internationalization process of your family business?

8. Tell us a little about how your family enterprise has accumulated the quality and quantity of social capital, which is inherent in the family business now? How do you invest in the social capital of your family company? Are there investments in the social capital of your family enterprise with the purpose of further family business international development? What are these investments?

8. a) What are the strategies for the accumulation of social capital exist in your family company?



9. What forms of social capital more urgent for the international development of your family enterprise? What elements of social capital (norms, trust, values, shared vision, obligations etc.) most properly manifested themselves during the internationalization of your family business? And how do these elements have proved itself during the internationalization? Please, give a descriptive example.

10. What can you tell us about the impact of social networks on the internationalization of your family business? Could you, please, remember, how the network ties have favoured to the development of your family business within the international context?

11. Tell us what the constituent parts (components) of social capital and how have maintained the development of your family business over the various phases of internationalization? In what way you could describe the relationship/interdependence between different types (forms) of social capital and the phases of international development of your family business?

12. How does the familiness of your family affect the resolution of conflicts and crises in business?

13. How do you assess the impact of national mentality features and traditions on the development of your family business in an international perspective?

14. If there were no family expectations on you, would you become a part of the family business?

15. In your opinion, can the social capital serve as the trigger mechanism for the internationalization process of family business? What is this mechanism?

16. How do you see the further development of your family business within the international context? Describe it.

Source: developed by the author

## **Appendix K.2: Topics for discussion. Conversation Guide. Interview Questions for the foreign business partners of family enterprises**

1 foreign business partner of the Ukrainian family enterprise, 1 foreign business partner of the German family enterprise.

Good afternoon, Sir/Madam. My name is Mariia. I am the current student at the University of Nordland. Currently I am performing the research in the field of international business. More precise, in my investigation I am focusing on the concepts of familiness and social capital. Thereby, today I would like to talk with you about the significance of social capital over the internationalization process of family business as well as about the social capital appearance in the business partnership across borders.

1. Tell us, please, a little about the events preceded the partnership with the particular family enterprise? How did you know about this family enterprise and why you have ventured to collaborate?

1. a) What was the department point for the partnership between you and the family company? What were the circumstances under which you and the agent of the family enterprise had met? What was the initial motivation for further cooperation with the family enterprise?

2. What was the significance of the fact that your future business partner – is a representative of the family enterprise?

3. What elements of social organization you can appreciate when working with the family business partner?

4. How can you assess the quality of the social capital of your family business partner?

5. Are there plans to continue the strategic cooperation with the family company? If so, what are they?

6. Do you think there are differences in performing with a family business versus performing with non-family business? Please, give an example.

7. What is the contribution of social capital elements of your family business partner into the process of its foreign market expansion and international development?

7. a) What types of social capital are most perceptible while collaborating with the family enterprise? How these types of social capital manifest itself when cooperating with the agents of family enterprise?

7. b) How differences and peculiarities of national mentality and traditions affect the business operations with the representatives of family business?

8. What would you like to change in the partner work of the affiliate business with the representative of family business? Is it related to the familiness of its family enterprise?

9. What would you like to learn from the performance of your partnership with the family enterprise?

Is it related to the familiness of its family enterprise?

9. a) In your opinion, is social capital important in building business relationships? Why?

9. b) In your opinion, can the social capital serve as the trigger mechanism for the internationalization process of family business to greater extent than for the internationalization process of non-family company?

10. To your opinion, is it important to manage the social capital over the internationalization process of family business?

Source: developed by the author

### **Appendix К.3: Темы для обсуждения. Собеседование. Интервью с представителями семейного бизнеса**

2 наследника семейного бизнеса в Германии, 2 сооснователя семейного бизнеса в Украине, 1 основатель/владелец семейного бизнеса в России.

Добрый день. Меня зовут Мария. Я студент магистратуры университета Нурланд. В данный момент я пишу Магистерскую работу, для которой провожу исследование семейности и роли социального капитала при выходе семейного бизнеса на международную арену. Сегодня я бы хотела поговорить с Вами про процесс развития семейных предприятий, процесс интернационализации семейного бизнеса, узнать как можно подробнее об истории Вашей семейной компании: какие были основные вехи в процессе выхода на международный уровень Вашего семейного бизнеса и какое значение социального капитала во всем процессе интернационализации Вашего семейного бизнеса.

1. Расскажите немного о Вашей фирме: когда Вы решили основать семейный бизнес? Какая основная идея подвигла Вас основать/начать/продолжить/стать частью семейного бизнеса? Кто был инициатором основания семейного предприятия?

2. Какие основные этапы в процессе развития Вашего семейного бизнеса Вы бы могли выделить? Назовите их.

3. Расскажите, пожалуйста, про поворотные (ключевые) моменты в жизни Вашего семейного предприятия, которые послужили отправной точкой для интернационализации семейного бизнеса: расширение размеров внутреннего рынка, поиск возможностей стать семейным бизнесом в международном контексте, и наконец, выйти на международный уровень.

4. Охарактеризуйте основные этапы выхода Вашей фирмы на международный уровень? Какие основные моменты Вы бы могли выделить непосредственно на этапах интернационализации Вашего бизнеса?

5. Какова Ваша роль в Вашем семейном предприятии? Связаны ли Ваши прямые обязанности с работой с социальным капиталом?

6. Какие виды социального капитала, присутствующие в Вашей семье, стали составляющими успеха Вашего бизнеса?

7. Как Вы считаете, социальный капитал оказал влияние на интернационализацию Вашей фирмы? Почему? Расскажите какой именно вклад социального капитала в процесс интернационализации Вашего семейного бизнеса?

8. Каким образом осуществляются инвестиции в социальный капитал Вашей фирмы с целью ее дальнейшей интернационализации? Расскажите немного о том, каким образом Ваша фирма аккумулировала то количество и качество социального капитала, который присущ ей на данный момент? Проводятся ли инвестиции в социальный капитал фирмы с целью ее дальнейшей интернационализации? Каковы эти инвестиции?

8. а) Какие стратегии по накоплению социального капитала существуют в Вашей фирме?

9. Какие формы социального капитала более актуальны для международного развития Вашего предприятия? И какие элементы социального капитала (нормы, доверие, ценности, общее видение, обязательства и т.д.) наибольшим образом проявили себя во время интернационализации Вашего семейного предприятия? И каким образом эти элементы проявили себя? Пожалуйста, приведите пример.

10. Что Вы можете рассказать о влиянии социальных сетей на интернационализацию Вашего бизнеса? Можете вспомнить (привести пример) как именно *network ties* способствовали развитию Вашего бизнеса на международном уровне?

11. Как Вы бы могли охарактеризовать связь (взаимозависимость) между *отдельными видами (формами) социального капитала* и *этапами развития* Вашего бизнеса на международном уровне? Расскажите, *какие составляющие (компоненты) социального капитала* и *как* они сопровождали Ваш бизнес на *разных этапах выхода и развития* Вашей фирмы на международном уровне?

12. Каким образом Ваше семейное родство влияет на разрешение конфликтных и кризисных ситуаций в бизнесе?

13. Как Вы оцениваете влияние особенностей национального менталитета и традиций на развитие Вашего предприятия в международном аспекте?

14. Если бы не было семейного ожидания, стали бы Вы участвовать в семейном предприятии?

15. Как Вы считаете, может ли социальный капитал быть импульсом для интернационализации семейного предприятия?

16. Как Вы видите дальнейшее развитие Вашего семейного бизнеса (на международном уровне)?

Источник: разработано автором

#### **Appendix. К.4: Темы для обсуждения. Собеседование. Интервью с зарубежными бизнес-партнерами семейных предприятий**

Добрый день. Меня зовут Мария. Я студент магистратуры университета Нурланд. В данный момент я пишу Магистерскую работу, для которой провожу исследование в области международного бизнеса. Более точно, в своей работе я исследую концепции семейности и социального капитала. Поэтому сегодня я хотела бы поговорить с Вами про значение и роль социального капитала в процессе международного развития семейного предприятия, а также про формирование и проявление социального капитала в процессе бизнес-сотрудничества с Вашими зарубежными бизнес-партнерами.

1. Расскажите немного о предыстории сотрудничества с данным семейным предприятием? Как Вы узнали о компании и почему решились на сотрудничество?

1. а) С чего началось Ваше сотрудничество с данной компанией семейного бизнеса? При каких условиях Вы познакомились с представителем семейного бизнеса? Каким был начальный мотив для дальнейшего сотрудничества с семейным предприятием?

2. Какую роль сыграл факт, что Ваши будущие партнеры – представители семейного бизнеса?

3. Какие элементы общественной организации заметны при работе с Вашими партнерами?

4. Как Вы оцениваете качество социального капитала Ваших партнеров?

5. Существуют ли стратегические планы по продолжению сотрудничества с компанией? Если да, то какие?

6. Как Вы считаете, отличается ли работа с семейной фирмой от работы с обычной? Приведите пример.

7. Каков вклад социального капитала Ваших партнеров в их развитие на международном уровне?

7. а) Какие формы социального капитала наиболее заметны в Вашем сотрудничестве с семейным предприятием? Как эти формы себя проявляют во время сотрудничества с представителями семейного бизнеса?

7. б) Как различия и особенности национального менталитета и традиций влияют на видение бизнеса с представителями данного семейного предприятия?

8. Что бы Вы хотели поменять в организации работы Вашего партнерского предприятия? Связано ли это с семейственностью этого предприятия?

9. Что бы Вы хотели перенять из работы Вашего партнерского предприятия? Связано ли это с семейственностью этого предприятия?

9. а) По Вашему мнению, важен ли социальный капитал при построении бизнес-отношений? Почему?

9. б) Как Вы считаете, может ли социальный капитал послужить импульсом к интернационализации семейного бизнеса в большей степени, чем для обычной компании?

10. Важно ли, на Ваш взгляд, управление социальным капиталом, при выходе на международный уровень семейных предприятий?

Источник: разработано автором

## Appendix L: Cover Letter



UNIVERSITY OF  
NORDLAND

BODØ GRADUATE SCHOOL OF BUSINESS

### COVER LETTER FOR CONDUCTING RESEARCH IN THE MASTER THESIS

The Master Thesis is a result of the studying process in the field of specialization. Master student of Bodø Graduate School of Business (University of Nordland), specialization of International Business and Marketing, would like to write the Master Thesis in cooperation with your Company as an example for the forthcoming Research.

The topic of the Research is devoted to the role of Social Capital in the process of Family Business Internationalization. The aim of the Research is to inquire in what way Social Capital accompanies the process of Family Business foreign market expansion and to discover causal relationships between Social Capital and Internationalization process of Family Enterprises.

That is, for the Research Project we are looking for the Family Companies operating on the international markets and which can share their history of developing business, becoming international, building networks and establishing contacts with business partners abroad.

It is particularly valuable for the student to gain access to the Company and observe subject of the investigation from the inside. In order to get a full understanding of the Social Capital phenomenon, that is at the focus of the Research, and to make the topic of Study possible, it would be valuable to organize several meetings with Family members who are managing the Family Business at the present moment. As well, any relevant documentations that describe strategy, plans and processes of Family Business Internationalization are very valuable for conducting the Research work.

Over the last years Bodø Graduate School of Business has had a lot of good experiences with students carrying out Projects in the real Enterprises. The Companies are often friendly challenged about the undergraduates' way of working. Responses from Companies to this date are very positive about their partnership with the students.

It is our experience that Enterprises receive value in return for the invested hours since the results of the students' Research Projects are often useful in the managerial tasks of the Company.

Coordinator of the Research Project



Source: collaborated and signed with the supervisor