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FAMILY FIRMS AND THEIR INTERNATIONAL SUBSIDIARIES: DOES SUBSIDIARY PERFORMANCE DEPEND ON FAMILY INVOLVEMENT?

Abstract:

A systematic review of the family firm literature reveals little more than a handful of scholarly papers investigating the international subsidiaries of family firms. This absence of investigation is especially troublesome given that international subsidiaries face dual institutional pressures coming from the host country environment to adapt to their rules, norms, and expectations about business practices, and a dual pressure from the parent business to adopt standard best practices and ways of doing business set in place by its history, traditions, and tried-and-tested routines and procedures. This institutional duality exerts great pressure on the subsidiary. The source of greatest institutional pressure applies coercive and mimetic forces on international subsidiaries to behave in particular ways to secure legitimacy with its institutions. But for family firms, families seek to maintain control over the business to protect nonfinancial, socioemotional wealth (SEW) to do with the primacy of preserving familiness and family control. In this situation, the preservation of SEW risks dysfunctions in the operation of the subsidiary. Maintenance of family control would lead it to behave in ways that prioritize and protect family characteristics and decision rights over its actions. International subsidiaries set up by family firms risk overbearing family control, which risks the subsidiary underperforming in international markets. This study explores the potential consequences of family involvement for the performance of family firms' international subsidiaries, contributing substantively to IB theory and family firm research.