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Intergenerational inheritance and international performance of international family firms

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Abstract: *The relationship between intergenerational inheritance and performance of international family firms is an emerging and important research topic. According to the economic and institutional environment of the destination of intergenerational transmission, we divide intergenerational transmission into expansion to emerging economies and expansion to developed economies. On this basis, according to the advantage utilization and exploration logic of enterprise internationalization, the expansion to emerging economies or developed economies will bring outstanding international performance to international family enterprises, but the rapid expansion to developed economies will bring better international performance to these enterprises. Based on the framework of resource choreography, resource synchronization will help these enterprises to achieve superior international performance from intergenerational inheritance, but it will help family enterprises expanding into developed economies to achieve better international performance.*

Keywords: *international family firms; international performance; intergenerational inheritance; Resource Synchronization*

1. Introduction

Research on international family firms brings intergenerational inheritance- a certain state of internationalization achieved by an firm in a specific period since its first entry into the international market- to the forefront of academic debate (Hsieh et al. , 2019)[1] . From a theoretical perspective, internationalization is a prominent feature of international family firms (Knight & Cavusgil, 2005) [2]. Intergenerational inheritance is the most important concept in studying the internationalization process of international family firms (Casillas & Acedo, 2013) [3]. From a practical perspective, in today's dynamic and changing business environment, managerial practices have changed significantly from the traditional focus on cost (providing the maximum value at the minimum cost) to the modern focus on time. Accordingly, intergenerational inheritance can become an important source of time-based competitive advantage and can influence the performance of international family firms. Therefore, it is of great theoretical and practical significance to understand the intergenerational inheritance and performance outcomes of international family firms.

The literature of International Family Firms has been arguing over the nature of the relationship between International Family Firms and performance, and it is believed that International Family Firms may be a double-edged sword (Hilmersson & Johanson, 2016)[4]. Although some studies of international International Family Firms have empirically tested the relationship between International Family Firms and performance, they have reported mixed results (Zahra, 2000)[5] . In order to resolve these inconsistencies, some scholars began to distinguish the dimensions of International Family Firms, and believed that the impact of International Family Firms on performance depends on the type of being tested. In other words, different dimensions of International Family Firms have different effects on performance. Recent literature, though, has begun to classify the dimensions of International Family Firms according to direction, but insufficient attention is paid to directional International Family Firms and its impact on performance. These literatures mainly divide the directional dimension of International Family Firms from the perspective of institution and geographical distance without considering the combination of economic perspective and institutional perspective.

According to the absolute level and relative of economic development and the free market governance system, the world economy can be divided into emerging economies and advanced economies. Generally speaking, emerging economies are characterized by large economic growth potential, but low level of economic development, weak institutional support and high political uncertainty. In contrast, advaned economies are characterized by relatively high level of economic

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development, relatively stable economic growth, strong institutional support and relatively stable politics (Yamakawa, 2013) [6] . Based on this classification of world economies, we divide the rate of intergenerational inheritance into the rate of expansion into emerging economies and the rate of expansion into advanced economies. The former refers to a certain state of internationalization achieved by a company in an emerging economy in a certain period of time since it first entered the economy. The latter refers to a certain state of internationalization achieved by a company in a developed economy (excluding the domestic market) in a certain period of time since it first entered the economy. Will rapid expansion into emerging economies or advanced economies bring higher international performance to International Family Firms?

This paper makes several contributions to the related literature. First, on the basis of identifying the unique types of intergenerational inheritance and considering the unique characteristics of international family firms and the preconditions for first export, by examining and comparing the impact of different types of intergenerational inheritance on international performance, This article provides a nuanced understanding of the performance outcomes of intergenerational inheritance, thereby deepening the literature of international family firms. Second, based on the resource orchestration framework, by examining and comparing the moderating effect of resource synchronization on the relationship between intergenerational inheritance and international performance, this research not only provides a new perspective on the circumstances under which intergenerational inheritance will bring higher performance. It also provides a fine-grained understanding of the relationship between resource synchronization and the performance of intergenerational inheritance, thereby expanding the literature of international family firms. Third, from the perspective of theoretical internal integration, this study provides a more comprehensive understanding of the impact of resource performance by examining the different processes of resource orchestration, namely resource leveraging and resource synchronization, on corporate performance. Advance the development of resource orchestration framework. According to the resource orchestration framework, the implementation of rapid internationalization strategy by international family firms is a resource utilization behavior .Resource utilization refers to a series of processes of applying firm capabilities and taking advantage of specific market opportunities .Although the resource orchestration framework believes that resource leveraging or resource synchronization is an important driver of superior performance , but did not explain how they affect corporate performance together. Understanding this issue is important not only because previous research has shown that resource leveraging and resource synchronization are key elements of the resource orchestration framework , but also because doing so can expand our knowledge about the relationship between resource leveraging, resource synchronization and firm performance.

2. Intergenerational inheritance and performance of International Family Firms International Family Firms

The research on International Family Firms can be traced back to the groundbreaking papers of Oviatt and McDougall in 1994. Now this field has gained legitimacy in academic research. The study of International Family Firms explores the themes of conceptualization, emergence, internationalization process and performance of International Family Firms. One of the core concepts in the internationalization process theme is intergenerational inheritance (Kenny, 1979)[7]. It is a multi-dimensional concept. There are two main bases for classifying the dimensions of intergenerational inheritance: one is the breadth, depth and diversity of internationalization. For example, Sadeghi et al. identified three dimensions of intergenerational inheritance: increasing of international intensity, increasing of international width and increasing of international diversity. The second is the direction of internationalization. For example, Mohr et al. divided the intergenerational inheritance into intra-regional internationalization and inter-regional internationalization based on geographic distance. For another example, Deng et al. divided the intergenerational inheritance into upward (countries with high trade openness) expansion and downward (countries with low trade openness) expansion according to the degree of trade openness. Existing literature conceptualizes the of intergenerational inheritance based on directions from the perspectives of geography and system, but has not considered the combination of economy and the system(Khanna, 1997)[8] .

The literature of International Family Firms believes that rapid internationalization can benefit International Family Firms through first-mover advantages, learning advantages of newness and economies of scale (Chetty et al., 2014) [9] . However, rapid international expansion may impair the performance of International Family Firms or even endanger their survival due to the disadvantages of new firms, foreignness, small firms and diseconomies of time compression .Relevant empirical research results show that the intergenerational inheritance internationalization and performance of

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International Family Firms may be positively correlated , not significantly correlated , negatively correlated, u-shaped or inverted u-shaped Relationships. In order to solve the inconsistent results, existing studies only identified a small number of transient factors affecting the relationship between intergenerational inheritance and performance, such as slack resources and innovation resources, learning orientation and the level of market liberalization. It can be seen that the boundary condition literature of intergenerational inheritance affecting performance has not been fully developed.

The resource-based view has always believed that owning valuable, scarce, imitable and irreplaceable resources is crucial to the sustainable competitive advantage of firms (Barney, 1991).However, the resource-based view focuses too much on the general characteristics of rent-seeking resources and ignores a deep understanding of how to use resources to create competitive advantages. As Hansen stated, how a company uses its resources is at least as important as the resources it owns. By integrating resource management perspective and asset orchestration perspective , proposed a resource orchestration framework. This framework introduces clearly the importance of the resource orchestration process of the manager to the competitive advantage of the firm, thus expands the resource-based view in theory. The resource orchestration process includes: structuring, bundling and leveraging of firm resources, searching/selecting, allocating/deploying assets, etc. The importance of these resource orchestration processes for firms developing and implementing different strategies, firms at different life cycle stages, and managers at different levels varies. The sequencing of these resource orchestration processes is also important for improving competitiveness.

Resource orchestration literature holds that: each process of resource orchestration and its accompanying sub-processes are important, but the development of competitive advantages and the creation of value require the synchronization of these resource-related processes, i.e., resource synchronization .Due to synchronization, collaborative and interdependent resource bundles are more difficult to be imitated by competitors than the sum of individual resources or independent resource combinations, so they are more valuable for obtaining performance advantages. However, resource orchestration studies pay insufficient attention to resource synchronization .Further, resource orchestration studies only implicitly and implicitly assume that each process of resource orchestration is interdependent and complementary did not explicitly explore how resource synchronization and resource leveraging jointly affect the realization of competitive advantage.

3. Intergenerational Inheritance expansion into emerging and advanced economies and international performance

Rapid expansion into emerging and advanced economies enables these International Family Firms to: (1) Rapidly realize economies of scale. Accelerating the intergenerational inheritance can help International Family Firms to enter more markets and obtain larger customer groups in a certain period of time. This provides an opportunity for International Family Firms to reduce unit output costs, because fixed costs can be spread to more markets and outputs . (2) Gain the first mover advantage. Rapid internationalization may enable International Family Firms to enter foreign markets before their competitors and become the first important occupants of the market, thus enjoying the first mover advantage . (3) Update foreign market knowledge and upgrade internationalization capabilities. Rapid internationalization enables International Family Firms to constantly be exposed to new knowledge, as well as various stimuli and uncertainties brought about by the new market environment, so that they can maintain learning flexibility and avoid structural rigidity. This helped them to learn and upgrade knowledge of foreign markets before their knowledge was devalued and to develop new practices and structures to seize international opportunities (Autio et al. 2000)[10] . (4) Quickly disperse market risks. (4) Quickly disperse market risks. International Family Firms that rapidly increase the number of exporting countries are less sensitive to market fluctuations because risks can be quickly dispersed in different countries. (5) Quickly capture arbitrage opportunities. International Family Firms that rapidly increase the scope of internationalization tend to profit rapidly from the arbitrage of factor markets (e. g. , low-cost suppliers), output markets and political systems . Due to their youth and lack of resources, most International Family Firms adopt export as their main international entry mode , and do not adopt over-rapid intergenerational inheritanceinternational. This: (1) Reduce the complexity of coordination among multiple countries. It is much easier to export than to establish new firms in foreign markets, because exporting firms do not need to integrate and coordinate procurement, production, marketing and human resources functions in host countries. Digital technology (Internet) provides a means for International Family Firms to coordinate effectively among multiple countries. Although International Family Firms may be exported to several countries in a short time, the number of foreign markets will not be too large, which will not lead to high coordination costs and failure rates (Li et al. , 2012)[11] .

This view is supported by the empirical study by Sleuwaegen & Onkelinx.(2) It will not bring serious outsider disadvantages to International Family Firms. Export is a simple mode of operation that requires only a small amount of international experience or knowledge. The large amount of information provided on the Internet also reduces the possibility of operational errors in the export process. (3) Reduced time compression uneconomical. The cost of developing internationalization capabilities is not too high, since the entry of International Family Firms will not be too fast, nor will the conventions and capabilities required for internationalization be developed too quickly.

4. Resource synchronization and international performance

Sirmon et al. believed that only when the strategy was effectively implemented could it generate positive returns. To ensure effective implementation of the strategy, we need appropriate capabilities. Synchronizing the various processes of can produce this ability. On the one hand, the higher the degree of resource synchronization means the higher the degree of matching between the corporate business achieved by the manager through the synchronization process and the needs of international customers (for example, time requirements) (Knight, 2004)[12] . Implementing a rapid internationalization strategy can help International Family Firms enter many international markets and gain many international customers, and International Family Firms with a high degree of resource synchronization can meet the needs of these international customers more quickly and effectively. Therefore, International Family Firms with a high degree of resource synchronization will gain a greater share of the international market from the rapid internationalization strategy(Knight, 2005)[13] . On the other hand, if International Family Firms synchronize their activities with those of their most important international customers, they will gain more tacit knowledge from these customers. Rapid internationalization strategy can make International Family Firms have come into contact with new knowledge, a high degree of synchronization and resources of firms showed a high level of flexibility, flexibility is good for them to absorb the new knowledge and alleviate the outsiders disadvantage, thus allowing them to gain higher yields from rapid internationalization strategy.

We believe that with the increase in resource synchronization, the speed of international family firms expanding into advanced economies has a more positive impact on international performance than the speed of their expansion into emerging economies. The reasons are as follows: First, due to institutional constraints and deep-rooted cultural norms in emerging economies, customers in advanced economies tend to have stricter time requirements than those in emerging economies .For example, customers in advanced economies impose huge contract fines on delayed or missed deliveries, and these delayed or missed deliveries are not as negotiable as with customers in emerging economies .international family firms with a high degree of resource synchronization can quickly respond to the time requirements of international customers. With the improvement of resource synchronization, the satisfaction of customers in advanced economies will increase significantly in terms of time, while the satisfaction of customers in emerging economies will increase less significantly. Rapid expansion into advanced economies has allowed international family firms to reach more international customers than rapid expansion into emerging economies. With the increase in resource synchronization, customers in advanced economies are more satisfied in terms of time than customers in emerging economies. Satisfaction has improved even more, so the international performance of these international family firms from rapid expansion into advanced economies has improved more than the international performance gained from rapid expansion into emerging economies.

Second, customers in advanced economies often have higher technical requirements than customers in emerging economies .international family firms with a high degree of resource synchronization can meet these technical requirements well by maintaining a high level of flexibility. As the degree of synchronization of resources increases, the degree of technical satisfaction of customers in advanced economies will increase significantly, while the degree of customer satisfaction in emerging economies will not increase significantly. Rapid expansion into advanced economies has allowed international family firms to access more technical knowledge than rapid expansion into emerging economies .With the improvement of resource synchronization, international family firms that are rapidly expanding to advanced economies absorb and apply more technical knowledge than international family firms that are rapidly expanding to emerging economies. The degree of satisfaction of customers in advanced economies on technology has improved more than that of customers in emerging economies.

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5. Conclusions

In summary, the impact of the intergenerational inheritance on performance of International Family Firms is an emerging and important research issue in the field of International Family Firms. Our research results show that rapid expansion to both emerging and advanced economies will bring superior international performance to International Family Firms, but rapid expansion into advanced economies will bring better international performance to these International Family Firms. Although resource synchronization will help International Family Firms to achieve superior international performance from rapid international expansion, it will also help International Family Firms expanding rapidly to advanced economies to achieve better international performance. By examining and comparing the impact of the rate of expansion into emerging economies and the rate of expansion into advanced economies on international performance, and the moderating effect of resource synchronization on these relationships, we advance the development of international new venture literature and s. We hope that this research will lead to more theoretical and empirical studies on the intergenerational inheritance and performance of International Family Firms.

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