# The role of board of directors in the internationalisation process of small and medium sized family businesses

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**Abstract:** Internationalisation is one of the biggest challenges for family businesses. Although prosperous locally, many of these firms often face several difficulties in entering foreign markets. To date, there are contrasting results with respect to the internationalisation behaviour of family businesses and the role of boards of directors in this process. Adopting the resource-based view of the firm, the paper focuses on the determinants of the internationalisation pathways taken by family businesses. Basing on a sample of 146 small and medium sized Norwegian family businesses, we find that the board is an important strategic resource contributing to their international expansion. The results highlight the existence of various relationships between board member characteristics, board tasks performance and the export intensity. In particular, we find that family businesses with higher levels of non-family board members are more likely to be international. Moreover, we find that boards' involvement in advisory tasks contributes positively to the export intensity. The implications for theory and practice and future research directions are discussed.

**Keywords:** family business; export intensity; internationalisation; board of directors; non-family board members; advisory tasks.

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## 1 Introduction

In the past several years there has been a notable increase in family business research (Aronoff and Ward, 1991). The internationalisation process of family businesses and its determinants are becoming important topics for both research and corporate practice (Olivares-Mesa and Cabrera-Suárez, 2006). However, the field of international business (IB) has largely been investigated in relation to large corporations and new ventures (Coviello and Munro, 1997; Lu and Beamish, 2001, 2006) and little attention has been given to the international activities of family businesses. However, recent studies (Fernández and Nieto, 2005, 2006; Graves and Thomas, 2004) suggest that family businesses face unique barriers to international expansion and that the inherent nature of family businesses may deter some firms from seeking international involvement (Gallo and Sveen, 1991).

Despite the recognition of unique characteristics of family owned businesses (Tagiuri and Davis, 1996), matters concerning board structure and tasks related to international processes remain still understudied (Hitt et al., 2006). Additionally, some researches have pointed out a list of variables that delay or make difficult internationalisation pathways of family businesses (Gallo and Pont, 1996). The boards of directors' lack of support for internationalisation are listed among these variables. In this paper we explore boards of directors as strategic resources, focusing on their contribution to the internationalisation behaviour of family businesses.

Moreover, many studies on family business have consistently pointed out the need for increasingly large, active, skilled and external boards, even in closely held family businesses (Corbetta and Salvato, 2004). In addition, when involving closely held family businesses, internationalisation processes expose them to different governance systems, hence increasing the pressure towards open and professional governing bodies (Charkham, 1995).

The theoretical perspective adopted in this paper is based on the resource-based view (RBV) of the firm (Alvarez and Busenitz, 2001; Barney, 1991; Sirmon et al., 2007; Arend, 2006). Based on this theory, we analyse whether and to what extent the board of directors is a strategic resource that contributes to the international expansion of family businesses.

Our findings suggest that with high level of non-family board members (%), family businesses have higher degree of internationalisation. Moreover we find that board's involvement in advisory tasks contribute to their export intensity.

The contribution of the paper is threefold. First, we explicitly link such board characteristics (existence of resources) and functioning to the internationalisation behaviour of family businesses. In particular, the exploration of these relationships contributes to the existing literature in the field of IB. Second, it adds new findings into the family business domain about the international expansion behaviour. Third, it contributes to family business practice identifying some aspects of board of directors' composition and functioning which play a surprisingly important role in their successful internationalisation. These include high number of non-family board members and more attention to board's involvement in advisory tasks.

The paper is organised as follows. First, the theoretical foundation and the internationalisation pathways of family businesses are presented. Second, we introduce the research model. Third, the empirical analysis is presented. Fourth, the results of multiple linear regression analysis are commented. Findings and conclusions are then discussed, including their implications and ideas for future researches.

## 2 Theoretical background

### *2.1 Internationalisation, RBV, boards of directors and family businesses*

Internationalisation has been defined as "the process by which firms both increase their awareness of the direct and indirect influence of international transactions on their future, and establish and conduct transactions with firms in other countries" [Beamish, (1990), p.77].

Although firms engage in a range of different internationalisation strategies (e.g., export, establishing an overseas sales office or a manufacturing plant), exporting is considered the most common foreign market entry mode for SMEs, due to the minimal business risk and capital required (Leonidou and Katsikeas, 1996). Different theoretical frameworks have been used in the IB literature, including economic theories such as transaction cost economics (Brouthers and Nakos, 2004; Erramilli and Rao, 1993), stage model theory (Bell, 1995; Graves and Thomas, 2008), network theory (Coviello and Munro, 1995), and RBV (Peng, 2001; Graves and Thomas, 2006; Knudsen and Madsen, 2002). In this paper we mainly lean on RBV, exploring the board as a strategic resource for family businesses internationalisation (Barney, 1991; Sirmon et al., 2007).

RBV considers the board as a firm-internal resource of competitive advantage (Barney, 1991). RBV has been suggested as a realistic approach to study boards. Especially recent developments of RBV in relation to a competence based view, absorptive capacity, and dynamic capabilities (Arend and Bromiley, 2009; Sirmon et al., 2007), offer a more dynamic perspective than most other theories used to understand boards of directors. If the board has to contribute to competitive advantage, it will need to provide resources that are valuable, rare, inimitable and difficult to substitute. Starting from a RBV perspective, the paper highlights that the firm's ability to successfully expand internationally is dependent on such board characteristics [non-family board members (%)] and board functioning as board's involvement in advisory tasks. Definitely, the board is seen as a strategic resource which enables a firm to craft and implement strategies thus improving its efficiency and effectiveness, and exploiting opportunities or neutralising threats in the competitive environment (Huse, 2007). The board as a strategic resource can be considered as a source of firms' competitive advantage, especially in family businesses. Indeed, experiencing successful internationalisation patterns, they acquire that competitive advantage making them different from other family businesses with similar characteristics. They have a rent deriving from international positions, and the board as a strategic resource in its double face of presence and use of internal resources, makes possible to reach this advantage. However, there are many criticalities when linking firms' internal resources to competitive advantage. Indeed, concerning this point there is often an intrinsic paradox when relating to the RBV perspective (Lado et al., 2006).

However, several studies have used the RBV in the analysis of the impact of firm's internal characteristics on its internationalisation process. These studies can be divided referring to family and non-family businesses. For example, in non-family businesses resource based variables have been found to be significantly associated with the propensity to export (Westhead et al., 2001), as well as with the extent of internationalisation (Dhanaraj and Beamish, 2003). Andersen and Kheam (1998) reported that firm resources were useful for finding firms with international growth ambitions and intended international growth strategy. Knight and Cavusgil (2004) found that resource-derived capabilities drive the international expansion of born global firms.

On the other hand, in family business research internationalisation has not yet been closely studied. Nevertheless, some studies have found that upon internationalising through export initiatives, family businesses maintain their distinct features; they remain cautious and emphasise long-term performance. Some studies have also indicated that family businesses tended to internationalise later and much more slowly than non-family businesses (Gallo and Estapé, 1992; Thomas and Graves, 2005). Davis and Harveston (2000) found that the internationalisation of family business was strongly associated with the founding family owner's characteristics (age and education) and the firm's information technology resources. Fernández and Nieto (2005) and Gallo and Pont (1996) argued that succession was associated with internationalisation because of the relevant skills that the next generation brought to the family business.

Using a RBV of internationalisation, it is argued that the firm's ability to grow successfully in the international marketplace is dependent on its ability to configure its resources to create globally relevant competencies. These competencies need to be dynamic as internationalisation activities take place in a rapidly changing competitive global marketplace (Knudsen and Madsen, 2002). Although family businesses are argued to possess unique resources (Habbershon and Williams, 1999; Sirmon and Hitt, 2003), to date, only a limited number of studies have examined the link between these unique resources and international growth.

Our study aims at filling this gap by introducing arguments which link boards as strategic resources to internationalisation. Particularly, the paper focuses on the relationship between the existence of such resources and firm performances. Even if recent studies on RBV focus more on the use of resources, in this study we prefer focusing on resources existence, which is always a difficult and not so obvious condition for family businesses. Future extensions might consider how those resources are used in a family business context.

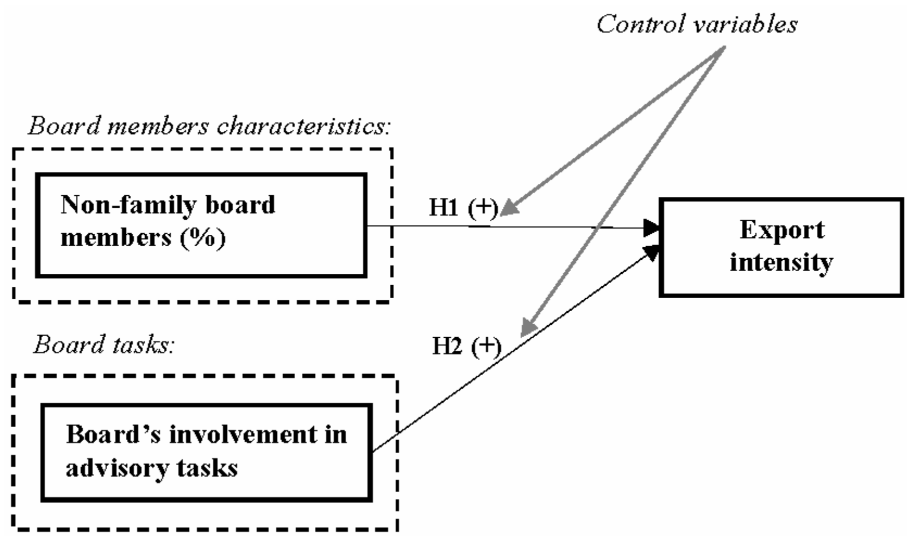
We analyse small and medium sized family businesses through their governance mechanisms, in particular boards of directors (Corbetta and Montemerlo, 1999). It seems to us that the link between the board of directors and the internationalisation of family business may give interesting results. Moreover, boards of directors have received little attention in small firms (Gabrielsson and Huse, 2005; Huse, 2000) and even less in relation to their internationalisation. Studies about the internationalisation of small firms have mostly used the management, senior managers, and top management teams, as main independent variables (Fernandez and Nieto, 2005). The potentiality of the board and its members as strategic resources are thus not explored in relation to internationalisation. However, the board of directors in family businesses is expected to contribute with broad knowledge, experiences, and skills that the founder, owners, or the top management team is not likely to possess by their own (Gabrielsson, 2003; Gabrielsson and Huse, 2005). Furthermore, boards in family businesses behave in a different way. That is due to the fact that family firm business derives from the interaction among three different systems: the family, the business and the ownership (Tagiuri and Davis, 1996). Indeed, in some studies a family business is often defined as a firm where one family has the majority of ownership even if various family business definitions are in use in practice and in research (Haalien and Huse, 2005). In this paper we define, for practical reasons, a family business as a firm where the majority of ownership is held by one family, and there is at least one member from this family being a board member.

### *2.2 Board of directors as a key resource for internationalisation pathways of family businesses*

Interesting questions arise from the above mentioned reasoning. For example whether boards of directors within family businesses face other prerequisites and circumstances compared to boards in other firms (Corbetta and Montemerlo, 1999; Huse 2007; Huse and Mussolino, 2008) and how boards influence the internationalisation process of family business. This paper aims at emphasising those aspects, also underlining that board of directors is an important factor and a strategic resource for family businesses international expansion.

The RBV stresses the importance of resources and strategic capabilities for internationalisation (Hitt et al., 1997). That need of extra-resources is more perceived by family businesses which generally act locally, in the domestic environment (Gomez-Mejia, 1988). One of the typical features of a family business is its embededdness in the local society. That commitment to the local society and employees seems to be particular high and important, indeed the local knowledge and reputation are an advantage for family businesses. But internationalisation strategies need other resources in comparison to those needed for local and domestic business (Peng, 2001). It is argued that the firm's ability to successfully expand internationally is dependent on having and managing specific resources. But a family business is poorly positioned to obtain these resources, particularly in the case of small and medium firms. Probably that explains its lack of international outlook. Boards in small and medium family businesses can provide these kinds of resources getting non-family board members with different knowledge and competences used in advising the owning family and the management. Following a RBV approach, the presence of non-family board members and board's involvement in advisory tasks, such as the use of these resources, might contribute to successful internationalisation patterns for such family businesses. Hence, considering these aspects we formulate our research model and our main hypotheses (see Figure 1).

**Figure 1** Research model and hypotheses




The research model shows that the export intensity is influenced both by the level of non-family board members (%) (board member characteristics) and board's involvement in advisory tasks (board functioning). Various control variables are included: firm size, firm age, industry type, board size, and CEO tenure.

## *2.3 Non-family board members*

Some studies show positive relations between internationalisation and board compositional measures (Sanders and Carpenter, 1998). A high ratio of outsiders or external board members is a suggestion or requirement often met in discussions about boards of directors [Huse, (2007), pp.83–86]. An external board member is usually somebody that is not working in the firm or not being a part of the top management team. However, there is a different definition in family business. An external board member in family businesses is somebody not being a member of the owning family.

Moreover, looking at different theoretical perspectives we find differences in the use and meaning of outside directors. Agency theory has usually been adopted as the dominant theoretical perspective arguing for external board members (Fama and Jensen, 1983). The core in agency theory is independence. Resource dependence theory argues that the long-term survival and success of a firm is dependent on its abilities to link the firm with its external environment (Pfeffer and Salancik, 1978), therefore the focus is more on legitimation, networking and co-opted directors. Then the core in the arguments from a RBV perspective is knowledge and experience (Gabrielsson and Huse, 2005).

Following the RBV approach the presence of non-family members could be seen as a form of strategic renewal inside the board of directors (Johannisson and Huse, 2000). Prescriptions of effective board characteristics are dominated by suggestions to adopt skilled and external boards, the latter characteristic usually meaning in the family business setting that non-executive board members should not have personal or professional relationships with the family or the firm (Gabrielsson and Huse, 2005). Non-family directors may give more knowledge and competences to the board. But even if that is often known by the owner-family, the family would be reluctant to the recruitment of professional directors (Astrachan and Kolenko, 1994). Dunn (1995) found that the goal of employing family members could lead to hiring suboptimal employees. Furthermore, family businesses frequently have trouble attracting and retaining highly qualified directors. Qualified directors may avoid family businesses due to the exclusive succession, limited potential for professional growth, lack of perceived professionalism, and limitations on wealth transfer (Covin, 1994; Burack and Calero, 1981; Sirmon and Hitt, 2003). Hence, adoption of skilled and external boards is typically explained or justified by family leaders' inability to perceive the limitations of their behaviour (Alderfer, 1988), by the biased selection of a family member as director without taking into account his/her skills and competencies, by the risk a director runs of allowing his or her personal values and preferences to unduly impact ethical and economic rationality, especially in an IB (Graves and Thomas, 2006).

In this respect it has been considered important to have a board with experienced non-family directors in order to overcome this internal lack of resources and complement the management with experience, knowledge and skills (Castaldi and Wortmann, 1984). Hence, the board of directors, and especially non-family directors, may be considered as a bundle of strategic resources to be used by and within the small and medium family business. Indeed, they can provide timely advice and counsel to the owner, the CEO and the management in areas where internal firm knowledge is limited or lacking. The RBV consequently recognise that they can be a valuable source of competitive advantage through their professional and personal qualifications. Therefore, we consider non-family board members as resources which may bring useful knowledge and skills to the internationalisation process of family businesses. Thus, we can formulate the following hypothesis:

*Hypothesis 1* There will be a positive relationship between high level of non-family board members (%) and high level of export intensity in family businesses.

### *2.4 Board advisory tasks*

In this section, we show why board's involvement in advisory tasks may have an influence on family business internationalisation. First, board advisory tasks are more in line with RBV prescriptions. Indeed, RBV requires the use of knowledge and skills, and directors use their knowledge in performing their advisory tasks. Second, advisory tasks seem to be important when studying small family businesses (Castaldi and

Worthman, 1984). Moreover, the board is expected to have relatively little potential influence as the owner-manager often exercises power over the board through his or her central role in the selection and remuneration of directors, and by shaping the information provided to them (Ward and Handy, 1988; Johannisson and Huse, 2000). Hence, it seems more logical to focus on the advisory tasks rather than on the strategic and control ones. Finally, the inclusion of the strategic and the control tasks might mean too lengthy and complex discussions; thereby we prefer to focus only on advisory tasks. We also know that boards of directors typically are considered important service resources in small firms. These resources may be particularly important in family business, especially in relation to international issues (e.g., the export decisions). Indeed, compared to domestic strategies, an international growth strategy may be more complex (Gomez-Mejia, 1988). Moreover, family founders, other family members and TMT's members are the key decision-makers, thus it seems reasonable that boards in family businesses are more involved in advisory tasks. Therefore, it would be of interest to analyse whether these tasks contribute to internationalisation.

As showed in Hypothesis 1, competing successfully in an international arena means that a small and medium sized family business should possess the ability to manage, leverage and evaluate its resources (e.g., recruitment of expert non-family board members). Indeed, advisory tasks may also include the effect of how non-family board members are involved in providing advice and guidance through their experience and expertise, and how they interact in performing those tasks.

Moreover, boards are evaluated base on their contribution to value creation and performance, and not only to control (Huse, 2007). Indeed, previous studies have also provided evidence that boards may help, by acquiring critical resources, to reduce uncertainty as a source of information (Huse, 2007). Following this streamline, we think that board advisory tasks could contribute to the internationalisation strategy of the firm (Gallo and Sveen, 1991). Improving directors' skills and board's involvement in advisory tasks (for example, regarding technical issues such as production, products, markets and marketing) may stimulate more dynamic decision-making processes with beneficial effects for the export activities. Indeed, the board members' knowledge and competency may be combined through board members interactions, thereby supplementing existing knowledge and creating possibilities for more successful international strategies.

RBV emphasises that non-executive directors are able to contribute positively to corporate decision-making as sources of knowledge (Huse, 1998; Zahra and Pearce, 1989). Huse (2005, 2007) identifies the internal advisory tasks of non-executive directors. The internal advisory tasks emphasise corporate value that is created by non-executives by providing advice and counselling to executive directors. In the same directions, also in family businesses the introduction of non-family members within the board may give the opportunity to develop better the board's involvement in advisory tasks. Hence, it is possible to emphasise value that accrues from the internal position of non-family directors. With their competence, experience, industry knowledge they provide valuable advice and counselling during the decision-making processes (Bezemer et al., 2007; Johnson et al., 1996; Pettigrew and McNulty, 1995; Rindova, 1999; Stiles, 2001); thus giving support to better international decisions, overcoming the high "commitment to the status quo" (Hambrick et al., 1993) which generally characterises family businesses.

Therefore, following this logic we formulate:

*Hypothesis 2* There will be a positive relationship between the board's involvement in advisory tasks and export intensity in family businesses.

## 3 Methods

### *3.1 Data collection and sample*

From a unique survey database about actual board behaviour (Huse, 2009) we selected a sample of Norwegian firms. Data from CEOs were collected in 2004 and in 2005, and the overall response rate was 33%.

We use this database because it contains data about measures of internationalisation, family businesses, board member characteristics and board advisory tasks.

The independent variables are measured in 2004 and the export intensity in 2005. Indeed, it seems logical to think that the effect of the independent variables on export behaviour requires time; it will not appear immediately, but after a delay. We use one year in view of our wish to overcome the problems of causality inherent in cross-sectional data referred to in the literature (Salomon and Shaver, 2005). Thus, for the purposes of our research the dynamic perspective is obviously preferable to the static perspective implicit in cross-sectional analysis. Moreover, this study focuses on linking some firms' internal characteristics to its overall international performance to discern a general pattern of relationships among the analysed variables. In this respect, one-year time lag between the independent variables and the dependent variable seems appropriate, also because some changes and industry adjustments may happen suddenly, not necessary requiring a long time to be manifested. Yet, there are previous internationalisation studies that use one or two-year lags (Tallman and Li, 1996; Samhharya, 1995). However, we are conscious that many studies measure performance two years after collection of data on the other variables (Hitt et al., 1997). Prior studies of SMEs' internationalisation have also used a three-year time lag (Zahra et al., 2000; George et al., 2005).

Hence, we have selected the firms that have CEO answers for both the year 2004 and 2005. Three hundred forty-two firms met this selection criterion.

From the 342 firms we selected 150 family businesses which met the following two criteria: having a family with majority ownership (>50%) and having a family member in the board of directors (Graves and Thomas, 2006). After that we controlled for firm size, considering employment size class divided into two groups 10–49, 50–249, which is the European Union's cut-offs for small and medium-sized enterprises, respectively. One hundred forty-six small and medium sized family businesses are included in our final sample. Among the 146 family businesses, there are 30 cases in which exists CEO duality.

The responding firms were small and medium sized with a majority of very small firms (36.1% with ten or less employees, 43.1% between ten and 50, and 20.8% between 50 and 250 employees). The mean age of the firms was 42.2 years (median age 26), and the mean number of board members was 3.5 (median 3.0).

### 3.2 Variables

From the "Value creating board" database (Huse, 2009) we integrated the results from two surveys; the original database (Haalien and Huse, 2005) and the follow-up survey (Sellevoll et al., 2007). Measure for the export intensity (dependent) variable was constructed for 2005, while measures for the independent and control variables were developed for 2004.

#### 3.2.1 Dependent variable

Export intensity, our dependent variable, is a measure of internationalisation. The dependent variable was measured by the percentage of revenues on export, the most common measurement of SME internationalisation (Bell et al., 2001; Lu and Beamish, 2001; Samiee and Walters, 1990; Westhead et al., 2001; Zahra et al., 1997). Exporting is considered the most common foreign market entry mode of SMEs (Leonidou and Katsikeas, 1996).

#### 3.2.2 Independent variables

1. Non-family board members (%) were measured in 2004. We built this ratio by considering first the family board ratio (number of family members/number of board members) and then we obtained the non-family board ratio as difference between one and the family board ratio. This variable measures the percentage of non-family board members in the board.
2. We have a hypothesis about board's involvement in various advisory tasks. The board advisory tasks were measured considering six multiple items captured by the following questions: the board members contribute with advice to management on general management issues (personal issues, strategy, organising, etc.), legal and technical accounting issues, financial issues (internal financing and investments), technical issues (both production and information technology), marketing issues; the board and its board members act as mentors for the CEO and the firm. Data from the 2004 survey were used. The variables were measured using a five-point Likert-scale measurement to recode the answers. The lowest value indicates strong disagreement, and the highest value indicates strong agreement. We used factor scores in a principle component analysis to extract two variables resembling general/managerial advice and specialist/technical advice [Huse, (2007), p.258]. The Cronbach's alpha coefficient equals 0.84.

#### 3.2.3 Control variables

- *Firm size* – Firm size was measured by the number of the firm's sales turnover in 2004. A logarithmic transformation was used in the regression analysis.
- *Firm age* – Firm age was measured by the number of years the firm has existed. We expected that well established firms were more likely to gather information about international operations and try to build the infrastructure for internationalisation (Davis and Harveston, 2000; Zahra, 2003). A logarithmic transformation was used in the regression analysis.

- *Industry type* – We classified firms as competing in high (coded 1) and low (coded 0) technology industries. In high technology sectors, an early international presence can enhance firm survival and success (Von Glinow and Mohrman, 1990). In these sectors the high costs of R&D cannot be recovered only by domestic operations and firms need to seek international customers (McDougall and Oviatt, 1996). In growing industries, an opportunity-based internationalisation strategy is often necessary (Andersson, 2004). Incremental internationalisation is more common in mature or low technology industries.
- *Board size* – Board size indicates the number of board members with voting rights. There is expected to be an inverse U-shape relationship between board size and firm performance (Zahra et al., 2000). Therefore, that seems to be related with the operation of internationalising the business. In our study almost all firms had relatively small boards, and we thus expect a linear positive relationship.
- *CEO's tenure* – Tenure was measured in terms of number of years the CEO has held this position.

### *3.2.4 Multiple linear regression analysis*

Multiple linear regression analysis was used to test the hypotheses. We made a hierarchical analysis with three steps. In the first step, we run the regression including the control variables (Model I). In the second one, we run the regression including all the control variables and also entering the independent variable (non-family board members %) (Model II). In the third one, we run the regression including all the control variables, the previous independent variable and also entering the remaining independent variable (board advisory tasks) (Model III).

## 4 Results

Table 1 presents correlations for the dependent, independent and control variables. Intercorrelations among independent variables were generally low thereby minimising the problem of unstable coefficients (because of collinearity) in the linear regression models. Also the VIF test suggests that multicollinearity does not defect results. We also made various residual analyses with loglinear transformation of firm size and firm age. These transformations did not make significant changes in the results.

The results of the regression analysis are presented in Table 2. We used SPSS to run the regression analysis.

Three models are presented. Model I is the regression analysis only with the control variables. Model II includes the independent variable non-family board members (%) in addition to all the control variables. Model III includes the independent variable non-family board members (%) and board advisory tasks in addition to all the control variables.

Model I regressed the export intensity on the control variables, the adjusted $R^2$ is 0.24. Model II regressed the export intensity on the control variables and the independent variable [non-family board members (%)], the adjusted $R^2$ is 0.27.

**Table 1** Intercorrelations for the sample (n = 146)

| | | *Mean* | *Std. deviation* | *1* | *2* | *3* | *4* | *5* | *6* | *7* | *8* | *9* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Export intensity | 12.4 | 27.6 | - | | | | | | | | |
| 2 | Firm size (sales turnover) | 67.9 | 87.2 | 0.28** | - | | | | | | | |
| 3 | Firm age | 42.2 | 42.9 | 0.21* | 0.39** | - | | | | | | |
| 4 | Industry (high-tech) | 0.2 | 0.4 | 0.41** | 0.08 | 0.03 | - | | | | | |
| 5 | Board size (number of board members) | 3.5 | 1.4 | 0.30** | 0.42** | 0.32** | .07 | - | | | | |
| 6 | CEO tenure | 8.6 | 7.4 | –0.01 | –0.06 | 0.26** | 0.03 | –0.09 | - | | | |
| 7 | Non-family board members (%) | 0.5 | 0.4 | 0.24** | 0.15 | 0.05 | 0.11 | 0.25** | 0.05 | - | | |
| 8 | General issues board advisory tasks | 4.5 | 1.4 | –0.03 | –0.25** | –0.09 | –0.07 | 0.03 | 0.06 | 0.11 | - | |
| 9 | Technical issues board advisory tasks | 4.4 | 1.4 | 0.16 | –0.20* | –0.09 | –0.06 | –0.12 | 0.05 | 0.03 | 0.22* | - |

Notes: Pearson's product-moment correlation coefficients.
**Correlation is significant at the 0.01 level (two-tailed).
*Correlation is significant at the 0.05 level (two-tailed).

Model III regressed the export intensity on the control variables and the independent variables (non-family board members (%) and board advisory tasks), the adjusted $R^2$ is 0.32.

Non-family board members ratio is positively and significantly related to export intensity ($P < 0.05$ in Model II and in Model III) supporting Hypothesis 1.

Hypothesis 2 is partially supported. Indeed, there is only a significant relationship between the technical issues related to board advisory tasks and the export intensity ($P < 0.05$ in Model III). We did not find relationships between general management knowledge and export intensity.

**Table 2** Non-family board members (%), board advisory tasks and export intensity

| *Variables* | | | *Export intensity (Percentage of revenues on export)* | | |
|---|---|---|---|---|---|
| *Equations* | | | *Model I* | *Model II* | *Model III* |
| Control variables | | | | | |
| | Firm size (ln sales turnover) | | 0.16 | 0.16 | 0.20** |
| | Firm age (ln) | | 0.16 | 0.18* | 0.18* |
| | Industry (high-tech) | | 0.40*** | 0.40*** | 0.40*** |
| | Board size (number of board members) | | 0.05 | –0.02 | 0.02 |
| | CEO tenure | | –0.08 | –0.11 | –0.11 |
| Independent variables | | | | | |
| 1 | Non-family board members (%) | | | 0.20** | 0.17** |
| 2 | a | General issues board advisory tasks | | | 0.03 |
| | b | Technical issues board advisory tasks | | | 0.25** |
| Adjusted $R^2$ | | | 0.24 | 0.27 | 0.32 |
| F | | | 7.8*** | 7.7*** | 7.4*** |

Notes: *$P < 0.10$, **$P < 0.05$, ***$P < 0.01$.
Table is reporting beta-coefficients (standardised partial regression coefficients).

## 5 Discussion

Internationalisation is a strategy that gives new challenges to family businesses, which often lack managerial and knowledge resources within the family. In this paper we have attempted to examine the export intensity of family business following a RBV approach, considering board of directors as a key strategic resource, and stressing the importance of strategic capabilities and resources for internationalisation of family business (Hitt et al., 1997; Peng, 2001). We tested hypotheses on the relations between export intensity and (H1) non-family board members (%) and (H2) board's involvement in advisory tasks.

We found a positive relationship between the export intensity and the non-family board members (%), thus supporting Hypothesis 1. Indeed, resource and competence give the possibility to have a set of information in relation to the better entry mode (Johanson and Vahlne, 1977). Our key argument is that family businesses need to find extra-resources and they may attract more non-family resources through external board representation, enhancing thus their export intensity. Thus, family businesses need to counterbalance the board composition, including in it both family members (for giving a sense of belonging to what happens in the firm and then supporting the internationalisation strategies) and external board members (able to put into the firm the required knowledge of international situations). That choice may often be difficult for family businesses because their conservative posture is reflected on its governance, strategy and organisation (Miller et al., 2003).

Hypothesis 2 is partially supported suggesting a positive and significant relationship between such characteristics of the board's involvement in the advisory tasks (technical issues related to board advisory tasks) and the export intensity. According to the theoretical descriptions, the board of directors constitutes a source of strategic initiative and relevant information and also a source of expertise and counsel (Huse, 2007).

We have used data from Norway, and we need to interpret the findings based on the Norwegian context. Norwegian family businesses have small domestic markets compared to businesses in the USA and countries in middle and southern Europe. This situation has historically forced entrepreneurial Norwegian firms to increase their international activities in order to grow and increase profits (Huse and Gabrielsson, 2004). Those firms often need possibilities of renewal in foreign markets rather than in the domestic market (Zahra et al., 1997). Therefore, we argue that the internationalisation decision may be influenced by contingency factors which contribute to the understanding of the main reasons that lead Norwegian family businesses to propend to internationalisation and which probably have given them the possibility to develop more international competence and skills.

We have found that a RBV perspective helps us understand the role of boards in relation to the internationalisation of family businesses. Non-family board members may be considered as consultants to the family, and they may themselves provide various kinds of knowledge and competencies (Gabrielsson and Huse, 2005). The inclusion on the board of individuals providing such resources may be a way of providing the family business with sustainable competitive advantage useful in international development. Resources should, however, be valuable, rare, inimitable and non substitutable (Barney, 1991). Offering board membership to these persons may be a way of binding resource to the family business. There are, however, several issues that need to be penetrated further. Among the main questions is the measuring of the dynamic aspects of the board as resources. This includes the understanding if they contribute as dynamic capabilities (Teece et al., 1997) and to increase the businesses absorptive capacity (Zahra and George, 2002). Furthermore, with a starting point in RBV we decided to explore board advisory tasks. However, when going more into dynamic aspects related to dynamic capabilities and absorptive capacity, we will probably learn more by studying the boards' and their outsider members involvement in strategic decision-making.

Other issues are related to internationalisation. Also here we have used a static design, even though our dependent measures originated from a newer data collection than the independent variables. Internationalisation is more than export, and it is likely that other aspects of internationalisation will be more drastic for family businesses than for other businesses. A third question relating to internationalisation is a discussion of the strategic direction of the business and how this may be changing. The introduction of non-family board members may contribute to increase internationalisation, but that may not be the best for the company or the family. There are arguments in the direction that outside board members will focus internationalisation because they have not sufficient knowledge about the firm and its local market to make any contribution there.

Stakeholder approaches (Freeman, 1984) and social identity theory (Ashforth and Meal, 1989) may help us learn more on such questions.

Finally, we may get more knowledge by developing our research model. In our RBV model we have two independent variables plus some control variables that all directly predict one dependent variable. By using a model based on for example team production theory (Blair and Stout, 2001), then we will change the position of some of the variables and include both moderators and mediators.

## 6 Conclusions and future research directions

In this paper we have used the RBV to explore the internationalisation of family businesses. Two hypotheses were tested on a sample of small and medium sized Norwegian family businesses. The dependent variable was export intensity, and the board of directors was the resource being studied. We found that our board of directors' variables were significantly related to export intensity. The paper is thus in coherence with a RBV perspective of the internationalisation of small and medium family businesses.

The findings of this study suggest that the presence of non-family members in the board and board advisory tasks all are key determinants of the internationalisation pathways undertaken by the family business.

The contribution of this study is threefold. First, we explicitly link board characteristics and functioning to the internationalisation behaviour of family businesses. In this way, the exploration of these relationships contributes to existing literature in the field of IB. Second, it adds new findings into the family business domain about the international expansion behaviour. Third, it contributes to family business practice identifying some aspects of board of directors' composition and functioning which play a surprisingly important role in their successful internationalisation. These include high level of non-family board members and the advisory involvement of the board.

In this paper we have only included one aspect of internationalisation – export intensity. Further research should take into account other dimensions e.g., the international scope (the number of countries in which the family business sold its products), direct investment, production overseas, etc. Moreover, future investigations may focus on the inherent differences among family businesses thus suggesting different patterns of internationalisation linked to different characteristics of the firms. Finally, we will recommend based on this study that future research about the internationalisation of small and medium family businesses should continue using the RBV of the firm and its later development, i.e., dynamic capabilities and absorptive capacity.

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