The role of cooperation agreements in the internationalization of Spanish winery and olive oil family firms

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Abstract

Purpose – This study aims to identify the mediating role of cooperation agreements in the relationship between family involvement in international firms and their level of international commitment.

Design/methodology/approach – The study focuses on Spanish international wine and olive oil companies that have varying levels of family involvement. The final sample consists of 263 companies. SmartPLS was used to perform the analysis.

Findings – A higher level of family involvement in business implies greater difficulties with cooperation agreements. Additionally, family involvement is negatively associated with the firm's level of international commitment, and the perceived difficulties of cooperation agreements mediate this relationship.

Practical implications – This study is of interest to business managers with different levels of family involvement. The study clarifies their perceptions of cooperation agreements and international business commitment. Managers of firms with a high level of family involvement should emphasize the multiple benefits of cooperation agreements for international strategy performance rather than the drawbacks of cooperation. Additionally, through cooperation, companies can learn about destination markets, which may help them to focus their resources effectively in those markets.

Originality/value – This study contributes to the literature on the internationalization strategies of family businesses. This study is the first to address the mediating role of cooperation agreements in the relationship between family involvement and international commitment.

Keywords Family firm, Strategic alliances, Wine industry, International commitment, Cooperation agreements, Olive oil industry

Paper type Research paper

1. Introduction

Internationalization is one of the main challenges that family businesses (FBs) must address to remain competitive and thrive in an increasingly global and complex environment (Fernández-Olmos *et al.*, 2016). Additionally, given the demands of global competition, firms are increasingly engaging in a variety of collaborative agreements (Madhok, 2006).

The internationalization of FBs is an increasingly recognized field of inquiry for international business scholars (Stieg *et al.*, 2018). Prior research analyses several FB-

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associated subjects, such as the influence of the family on the business through ownership and/or the participation of family members in the board of directors, (Sciascia *et al.*, 2013) the generations that run FBs (Fernández and Nieto, 2005) or the founder's characteristics (Davis and Harveston, 2000).

The findings in the literature are on occasion, contradictory, which could be due to a lack of unanimity in these studies when conceptualizing FB (Cano-Rubio *et al.*, 2017; Kraus *et al.*, 2017; Pacheco, 2017). Additionally, while many studies compare the internationalization strategy of FBs and non-FBs (Fernández and Nieto, 2005; Gomez-Mejia *et al.*, 2010; Pacheco, 2017; Zahra, 2005), others consider how the level of family involvement applied as a continuous variable, influences this strategy (Mitter *et al.*, 2014; Sciascia *et al.*, 2013). These last studies consider dissimilar levels of family involvement in businesses and examine the heterogeneity in a wide group of FBs (Berrone *et al.*, 2012). Therefore, future research should consider the family nature of companies as a continuous variable and define the dimensions under consideration (ownership, management, the desire of continuity and self-identification), and the degree to which each, whether individually or collectively, influence FBs' international strategies (Cano-Rubio *et al.*, 2017).

Regarding international strategy, firms have several modes to enter international markets, including exports and foreign direct investment, either individually or through cooperation agreements (Fuentes-Lombardo and Fernández-Ortiz, 2010). Additionally, all of the arguments justifying internationalization through cooperation agreements apply to FBs. Companies mainly use strategic alliances for internationalization to share resources with partner companies, which improves the competitive position of all partners in the target market (Glaister, 2004; Townsend, 2003), distributes risks (Varadarajan and Cunningham, 1995), minimizes the costs of developing the international strategy (Glaister, 2004) and provides access to information and know-how that may speed up each firm's international growth (Glaister and Buckley, 1996). Sirmon and Hitt (2003) note that the majority of FBs tend to lack all of the resources needed to compete effectively. Therefore, they must develop their capabilities or gain access to necessary resources, such as knowledge (Basly, 2007) and strategic alliances are an alternative means to do so. Kontinen and Ojala (2010) note that FBs make agreements with foreign partners for internationalization purposes and to meet their demands for information about international markets. FBs can gain such knowledge through previous agreements or establishing joint ventures (Lin, 2012).

However, the current literature lacks research on cooperation agreements as a method of FB internationalization (Debicki *et al.*, 2009; Kontinen and Ojala, 2010), few works examine cooperation agreements by FBs as a way to access international markets (Niemelä, 2004; Pongelli *et al.*, 2016; Roessl, 2005). The subject is interesting because it overlaps with different systems within FBs, such as family, business and ownership (Tagiuri and Davis, 1996). This overlap has distinct characteristics that may impact FB internationalization, and specifically, the creation and development of cooperation agreements (Claver *et al.*, 2007; Niemelä, 2004). The specific features of FBs could favor or hinder cooperation. On the one hand, these firms are characterized by long-term relationships, loyalty and trust. On the other hand, they are also characterized by opaqueness, secrecy and nepotism (Poutziouris, 2001). Authors such as Stewart and Hitt (2012) refer to this as the FB dichotomy.

This study examines the relationship between cooperation agreements and international strategy in FBs by considering FB managers' reluctance to engage in cooperation agreements as an international strategy. Thus, this study:

- examines how the particularities of FBs may become obstacles in the development of cooperation arrangements;

- analyzes certain idiosyncratic features of FBs that hinder the use of cooperation as a mode of entry abroad, noting a lack of will among executives for setting up alliances (Fernández and Nieto, 2005; Gallo and García-Pont, 1996); and
- explores the reasons behind this lack of will and how this influences FB's level of international commitment.

Some previous studies note a non-linear relationship between family involvement and international business activities (Abdellatif *et al.*, 2010). The present study, therefore, answers calls for further research, such as that by Cerrato and Piva (2012) to study various dimensions of FB internationalization strategy, and specifically, cooperation agreements, which several authors, including Arregle *et al.* (2012), consider particularly important. Recognizing executives' perceptions of the difficulties or obstacles associated with cooperation agreements could improve the international success of FBs.

All of the factors above are of interest as an FB's long-term orientation (Gallucci and D'Amato, 2013) requires that they set business growth and/or survival goals (Bañegil Palacios *et al.*, 2013). Operating in multinational markets may be critical to growing and meeting profitability objectives for many businesses, even for FBs (Lu *et al.*, 2015). Internationalization is one strategic option that can guarantee growth (Hynes, 2010) and the firm's long-term survival (Donaldson and Lorsch, 1984), both of which are priorities among FBs (Claver *et al.*, 2007; Koiranen, 2001). Cooperation agreements may be an alternative international strategy for growth and survival for several reasons (Townsend, 2003).

This study examines a sample of 263 wine and olive oil firms in Spain. We used a structural equation model with a PLS-SEM technique to test the proposed model and to compare the mediating effect of cooperation difficulties with the relationship between family involvement and international commitment.

The findings are consistent with prior research suggesting a negative relationship between family involvement in the firm and the firm's level of international commitment. The perceived difficulties of cooperation agreements mediate this relationship. In this sense, firms with high family involvement may perceive more difficulties with cooperation, which lowers their level of internationalization. These findings contribute to the literature on family firms' international strategy, but the findings provide more information on the cooperation, these firms require to achieve internationalization.

2. Literature review and research hypotheses

Operating in multinational markets may be critical for the growth and profitability of many businesses, including FBs (Lu *et al.*, 2015). Internationalization is one strategy that can guarantee growth (Hynes, 2010) and the long-term survival of companies (Donaldson and Lorsch, 1984).

2.1 Family involvement and international strategy

FBs implement an internationalization strategy to guarantee business continuity for the long term (Fuentes-Lombardo and Fernández-Ortiz, 2012). Fuentes-Lombardo and Fernández-Ortiz (2012) consider different reasons why companies internationalize paying attention to the level of family involvement measured by the percentage of ownership and executive posts in family hands (Rutherford *et al.*, 2008).

Other studies on FB international strategy also consider these variables (ownership and/or management). Zahra's (2003) results show that the number of family members on a firm's board and family ownership and involvement interact positively and significantly to influence internationalization. However, Fernández and Nieto (2005) confirm a negative relationship between family ownership and international involvement, while Mitter *et al.* (2014) shows a different perspective by finding an inverted U-shaped relationship between family influence and internationalization. FBs with a medium level of family influence is the most internationally active companies. Mitter *et al.* (2014) consider that this family influence corresponds to firms with limited family ownership share and involvement in management and governance boards.

Despite these varying results, most studies including some mentioned in this review, note a negative relationship between family involvement and internationalization. Alayo *et al.* (2019) focus on family involvement in top management teams (TMTs) and note that a high concentration of family members in managerial positions hinders the international entrepreneurship process. Pacheco (2017) obtains similar results, showing that the degree of internationalization depends negatively on the owners' involvement in management. Arregle *et al.* (2017) note a negative relationship between FBs and internationalization when a firm is family controlled; that is, the family has a substantial ownership and executive managerial presence. Sciascia *et al.* (2013) note that when family involvement in the board of directors is absolute, some negative effects may reduce the firm's capability to internationalize its sales as exclusive family involvement may constrain board capital by limiting human and external social capital.

Gómez-Mejia *et al.* (2011) explain these negative results by noting that FBs prefer not to internationalize because this could dilute ownership (requiring a greater volume of capitalization) and lead to a loss of power as management passes to other geographical centers. This also leads to increased information asymmetry between managers and family.

The main reference point for FBs' strategic decisions are not the financial aspects, but the loss of socio-emotional wealth (SEW), which meets the family's affective needs such as identity, the ability to exercise family influence and the perpetuation of the family dynasty (Gómez-Mejía *et al.*, 2007). Therefore, the SEW perspective notes the desire of family members for control as one of the priorities of the FB (Berrone *et al.*, 2012; Scholes *et al.*, 2016). This family control could decrease when family members and outsiders share ownership and management. In this sense, Gomez-Mejia *et al.* (2010) note that publicly traded family firms already lost some control by accepting external shareholders, whereas Arregle *et al.* (2012) consider that FBs will not recruit non-family external managers because doing so would jeopardize family influence and SEW.

Wąsowska (2017) notes that to expand abroad, FBs should consider including outsiders (i.e. non-family investors and non-family managers) in their ownership structure and executive management teams. Kraus *et al.* (2016) also allude to the presence of these outsiders and conclude that despite the importance of external resources (external ownership, a non-family CEO, non-family members on the advisory board and international networks) in the internationalization of FBs, family firm owners face a constant trade-off between benefiting from external resources and jeopardizing their SEW endowment.

Thus, the ownership and management structures of FBs seem to have a significant influence over their international expansion, implying that a high presence of family members in both ownership and management would not lead to growth through the development of an international strategy. Therefore, we formulate the following research hypotheses:

H1. Family involvement is negatively related to international commitment.

2.2 Cooperation agreement difficulties (versus disadvantages) in family businesses' internationalization

Numerous factors inhibit the international strategies of FBs (Kontinen and Ojala, 2010). One notable factor is the unwillingness of such firms to involve external shareholders (Fernández and Nieto, 2005) because FBs prefer not to use non-family human capital extensively

(Gomez-Mejia *et al.*, 2010). FBs shows a lack of will to set up alliances (Fernández and Nieto, 2005; Gallo and García-Pont, 1996). Other obstacles/difficulties related to the extended use of cooperation agreements, independent of whether the firm is an FB. However, FBs take a different approach when engaging in this type of agreement compared to non-FBs. For example, FBs are characterized by their independent decision-making process (Poutziouris, 2001), and such independence could be an obstacle as cooperation implies sharing decisions on certain agreed activities. Additionally, family-controlled firm dominance can potentially create an organizational culture of secrecy, a lack of information sharing, and the tendency to make decisions in the interest of shareholders (particularly the family) rather than addressing the interests of all stakeholders (Alleyne *et al.*, 2014), including the cooperating partner.

The literature on FB cooperation agreement difficulties is scarce (Arregle *et al.*, 2012). Moreover, the contributions on the internationalization strategies of these companies focus on the level of ownership and management in family hands, which may lead FBs to fear losing their freedom in the decision-making process (Abdellatif *et al.*, 2010; Fernández and Nieto, 2005), and thus, hesitate to place trust in a business partner (Swinth and Vinton, 1993). This leads to a lack of international experience (Kuo *et al.*, 2012), organizational rigidity and slowness (Lui and Ngo, 2004).

First, the search for an appropriate partner is crucial (Baum *et al.*, 2000). Partner selection is a key component of successful cooperation agreements (Arranz and Fdez. de Arroyabe, 2008; Doz *et al.*, 2000). Successful cooperation occurs when partners build trustful and honest relationships, set common strategic goals, and share resources and competencies (Solesvik and Westhead, 2010). Shah and Swaminathan (2008) consider related facets such as confidence. These factors are complementary in terms of skills and resources that stimulate commitment and financial payoff. Shah and Swaminathan (2008) consider all of these conditions as determinants of whether the initiating firm finds a partner firm suitable or the degree to which the initiating firm in a particular alliance project sees a partner as desirable, favorable, appealing and valuable.

For FBs, the priority is to set up alliances with other family-based business partners (Gallo and García-Pont, 1996) as it increases the likelihood of success (Swinth and Vinton, 1993). Shared values, commitments, goals and strategies favor both the formation and the development of alliances (Roessl, 2005). Therefore, not finding a suitable partner or lacking trust in possible candidates may be arguments that drive FBs to internationalize without cooperation agreements.

Commitment-trust theory (Morgan and Hunt, 1994) addresses the relationship factors among cooperative partners (shared values, complementary objectives in terms of resources and capabilities, commitment and trust). Commitment and trust lead directly to cooperative behaviors. This theoretical approach recognizes that the emerging interdependence among partners due to their complementary resources should reduce the probability of behaviors reflecting self-interest and improve trust among partners. In commitment-trust theory (Lohe and Calabro, 2017; Morgan and Hunt, 1994), shared values become the precursors of both relationship commitment and trust, and express the extent to which partners have common beliefs about behaviors, goals and policies, and whether those goals and policies are relevant and suitable.

Second, the desire to undertake an internationalization strategy *independently* damages cooperation. Cost transaction theory explains this difficulty as the international business activities that external parties conduct for the firm (the market) are costly and inefficient. Therefore, a firm stands to benefit by internalizing activities (i.e. doing the work itself). The cognitive theory of trust and the resource-based view also explain this difficulty. On the one hand, the cognitive theory of trust (Hill and O'Connor, 2006) explains how trust can result when one party is dependent on the other in a relationship. When the firm does not perceive this dependency because it believes that it possesses the necessary resource endowment to develop its international strategy independently, trusting in a potential business partner may be less likely.

On the other hand, the resource-based view (Barney, 1991) addresses the types of resources that could provide a competitive advantage in a foreign market and justifies internationalization to acquire and manage these resources (Fuentes-Lombardo *et al.*, 2011). The resource profile of FBs differs from that of non-FBs in terms of the intangible resources that can become a competitive advantage in the international expansion (Graves and Thomas, 2006). Gallucci and D'Amato (2013) show that the family endows a company with inimitable resources composed of relationships, reputation, and values that facilitate customer relations. Fuentes-Lombardo *et al.* (2011) find significant differences in the endowment of technological, relational and organizational resources between FBs and non-FBs when they develop an international strategy. Sirmon and Hitt (2003) and Drakopoulou Dodd and Anderson (2013) assess FB resource management in terms of the unique features of the resources and attributes of FBs that grant potential advantages to non-FBs (human capital, social capital, patient capital, survivability capital and governance structure). Tsang (2001) notes that if a business with the required capital and technology invests alone, it prefers wholly owned subsidiaries to joint ventures. However, even if a firm believes that it has the necessary resources to undertake an internationalization strategy independently, Tsang (1998) notes that it makes more sense to involve one or two other companies in the project to share the risks.

Third, cooperation agreements require that businesses set s*imilar objectives to achieve through cooperation* or at least, avoid conflicting objectives (Arranz and Fdez. de Arroyabe, 2008). Franco (2011) justifies the need for compatible goals to realize successful cooperation as divergent objectives may generate a high level of conflict (Madhok, 2006). Other authors also studied cases in which partners pursued similar and congruent objectives (Parkhe, 1993).

FBs typically set non-economic objectives that they prioritize over economic objectives because preserving the family's SEW is a key goal (Gómez-Mejía *et al.*, 2007). In some cases, the FB's partner may not share these non-economic goals.

Fourth, the fear of potential opportunistic behavior from the business partner is another obstacle to cooperation. Transaction cost theory (Coase, 1937; Williamson, 1975) draws attention to the cost of controlling a partner to reduce the likelihood of opportunism. White and Siu-Yun Lui (2005) note managers' perceptions of the likelihood that a partner will act opportunistically. Franco (2011) finds that trust among partners is the most significant factor as it minimizes uncertainty and reduces the threat of opportunism, which is understood as the likelihood that one partner improves its performance at the expense of the other partner. Madhok (2006) also notes the relevance of trust among partners as being perceived as the likelihood that the other will not behave in a self-seeking manner.

Sanchez-Famoso *et al.* (2014) argue that trust, as relational social capital can lead to information sharing that, in turn, creates value. However, despite the fact that trust by FBs becomes a real strength (Steier, 2001), the contrary effect occurs when trust implies disclosing information to unaffiliated third parties (Wu, 2007). When sharing their key secrets, FBs face the risk of opportunism (Strike, 2012). The reluctance to disclose certain information will negatively influence FB cooperation (Fuentes-Lombardo and Fernández-Ortiz, 2010).

Finally, a significant determinant of cooperation agreements is keeping *business control* in the hands of family members (Calabrò *et al.*, 2016) for future generations. The SEW perspective explains this desire for control, arguing that owners of family firms frame decisions to protect their SEW because they value maintaining control in their organizations. Therefore, there is substantial effort to self-finance and invest retained earnings into their businesses (Michiels and Molly, 2017). FBs are aware that their independence, which results from preserving control of the equity ownership, allows them to ensure that the firm continues in the hands of family members (Abdellatif *et al.*, 2010; Scholes *et al.*, 2016). This avoids participation by outsiders, and/or offers only a minimum of ownership shares to outsiders. Merging the business ownership and management grants FBs a high level of autonomy while simultaneously protecting it from issues such as the divergence of goals between management and ownership that may arise when they are clearly separated.

The exclusive use of self-financing for international expansion results in lower commitment in international markets as it reduces the likelihood of adopting entry modes that involve a higher resource commitment (Claver *et al.*, 2009). Hence, allowing external financial resources may increase the level of international commitment, but it may decrease the family control of the global business.

In short, the effort implied in the search for a suitable partner, the preference to develop an independent internationalization strategy, the disparity in goals to achieve through the alliance, the fear of potential opportunistic behavior by the business partner, and the will to keep control of the business are obstacles that may prevent FBs from embarking on cooperation agreements as their internationalization strategy.

Despite these difficulties, cooperation has multiple advantages in an internationalization strategy. Prior works analyze these advantages from several theoretical perspectives (Hoffmann and Schlosser, 2001): the economic perspective (Imai and Itami, 1984; Meiseberg and Ehrmann, 2013); the strategic approach (Harrigan, 1988); and the organizational perspective (Lyles, 1987; Hamel *et al.*, 1989).

From the economic perspective, transaction cost theory (Coase, 1937; Williamson, 1975) explains cooperation as an organizational structure halfway between hierarchy (with internal transactions) and the market (with full outsourcing of transactions). This theoretical framework supports cooperation based on the economic efficiency criterion of cost minimization.

Under the strategic approach, the firm seeks to maximize profits in the long term by improving its competitive position and justifying cooperation as a strategic option that aims to improve the level of business competitiveness. From this perspective, the resources and capabilities approach highlights the benefits of business cooperation (Meiseberg and Ehrmann, 2013).

From an organizational perspective, cooperation is an organizational learning tool (Pucik, 1988) that is useful for transferring skills and know-how from one business to another (Hamel *et al.*, 1989). Cooperation helps firms learn processes from another firm, and subsequently, improve their own management processes, which may improve the firm's competitiveness (Lyles, 1987). Additionally, as Townsend (2003) notes, cooperation accelerates the internationalization process, which reduces the business risks or diversifies the business.

Cooperation offers advantages such as access to certain markets and distribution channels; the acquisition of more fashionable, updated or new technologies to improve scope and scale economies; and the necessary skills to develop new products and reduce risks (Varadarajan and Cunningham, 1995).

Even considering the benefits of cooperation agreements, higher levels of perceived difficulties will lead to less use of this entry mode to international markets. Therefore, the firm will not gain these benefits of cooperation, which translates to a lesser degree of success in the development of the internationalization strategy. Based on these theoretical arguments, we propose the following hypotheses:

H2. Cooperation difficulties have a mediating role in the relationship between family involvement and international commitment. Specifically:

H2a. Family involvement is positively related to the perceived difficulties of cooperation.

H2b. The perceived difficulties of cooperation are negatively related to international commitment.

3. Methodology

3.1. Participants and procedure

We conducted this study on Spanish wine and olive oil firms listed in the SABI[1] (Iberian Balance Sheet Analysis System) database in 2015. We chose these two sectors because foreign trade operations constitute a significant part of overall foreign trade in these sectors and because Spain is a global leader in both wine and olive oil manufacturing (Cano-Rubio *et al.*, 2017). Additionally, both sectors are closely linked because they belong to the agro-food industry (Spanish Ministry of Agriculture, Food and Environment, 2015). Wine and olive oil were among the leading four agro-food products exported from Spain in 2017 (Spanish Ministry of Agriculture, Food and Environment, 2018). From the companies in these two sectors, we excluded companies affected by insolvency, liquidation or zero activity. Based on these conditions, the sample consists of 3,925 firms, of which 2,659 belong to the wine sector, and 1,266 belong to the olive oil sector.

We collected the data using a structured questionnaire with sections on the FB's characteristics, the firm's expansion strategy and international operations, the firm's willingness to engage in cooperation agreements with other companies and economic dimensions. We reviewed the most relevant literature on internationalization and cooperation between firms for internationalization purposes and chose the most appropriate measures for our research. To ensure that the CEOs (the respondents) would easily and unambiguously understand the questionnaire content and design, we pre-tested it with a convenience sample of 25 wine and olive oil family firms. First, 15 family firm CEOs reviewed an initial draft. Second, after slight modifications to address their comments, we administered the revised draft during in-person interviews of 10 family firm CEOs. This field test resulted in a modification of a few questions to improve their meaning and ease of interpretation by the target CEOs. The pre-test created an instrument with high reliability (Cronbach's α ranging from 0.88 to 0.96). Cronbach's α should be 0.70 for modest reliability or 0.80 to indicate sufficient reliability (Roldán and Sánchez-Franco, 2012). A Cronbach's α greater than 0.90 indicates high reliability (Roldán and Sánchez-Franco, 2012). Many studies report Cronbach's α values of greater than 0.90, indicating high reliability (Sun, 2010; Wu *et al.*, 2009). The final questionnaire was self-administered on-line and the CEOs had to complete them in 2015. After sending the questionnaire, follow-up contact was made by telephone to increase the response rate. The final sample consists of 263 companies, specifically, 185 wineries and 78 olive oil mills. We used G*Power to calculate the sample size based on its statistical power (Faul *et al.*, 2009), which suggests a sample size of 107 for a statistical power of 0.95 to test a model. Additionally, the minimum power required in social and behavioral science research is typically 0.80 (Rasoolimanesh *et al.*, 2017). Thus, we concluded that our sample size was acceptable for the purposes of this study. A brief analysis of our sample shows that the average rate of family ownership is approximately 44 per cent. With respect to managers, the average rate of family members in the TMT is close to 50 per cent. The sample has an average firm size of 19 employees with an average age of 38 years. The sample firms sell their products to an average of four different outside countries. Finally, the average percentage of wine and olive oil exported is 38.75 per cent. Table I shows the descriptive statistics and correlations for all the constructs and control variables in this study[2].

3.2 Measures

3.2.1 Family involvement. Chua *et al.* (2012) highlight that recent studies use continuous measures of family involvement in recognition of FB heterogeneity. Ownership is one of the most common variables to define an FB (Cano-Rubio *et al.*, 2017). We also consider family involvement in management as a relevant variable for our research objectives, as Zahra (2003) notes, family member involvement in the business gives them the necessary information to commit to the objectives and strategies of the firm. Segaro (2012) reports that different levels of family involvement in business ownership and management could lead to distinct degrees of FB internationalization. Therefore, we consider the percentage of family ownership (Gallucci and D'Amato, 2013; Pacheco, 2017) and the percentage of family management (Gallucci and D'Amato, 2013; Zahra, 2003).

3.2.2 Cooperation difficulties. This construct has five items. We adopted a key informant design. An FB company CEO is likely to be well-informed of the firm's internationalization. We asked the CEOs following question: "Please indicate your agreement with the following statements concerning *why your family firm usually does not establish agreements with other companies to internationalize*. For your rating, '1' expresses that you completely disagree and '5' that you completely agree. Item 1: *Because my company has to exert great effort to find a suitable partner*; Item 2: *Because my company has the potential to internationalize independently*; Item 3: *Because my company wants to avoid incorporating other companies' aims into its strategy*; Item 4: *Because my company wants to avoid the possible opportunistic behaviors of other companies*; Item 5: *Because my company wants to maintain control in decision-making*".

3.2.3 International commitment. This refers to the degree to which the firm allocates managerial and organizational resources to activities abroad (Papadopoulos and Martín Martín, 2010). We, therefore, measured this construct using three common indicators in prior

	Variable/construct	Mean	SD	1	2	3	4	5	6
1	Family involvement	46.47	44.10	1					
2	Cooperation difficulties	3.39	1.16	0.15	1				
3	International commitment	40.30	21.68	−0.23	−0.63	1			
4	Sector (wine or olive oil mills)	0.70	0.46	−0.18	0.02	0.20	1		
5	Financial leverage ($t-1$)	0.21	3.11	−0.05	−0.13	0.14	0.02	1	
6	Size – employees (ln) ($t-1$)	2.17	1.11	0.10	0.04	0.09	0.04	−0.05	1
7	ROA (ln) ($t-1$)	14.26	1.84	0.07	−0.03	0.12	−0.01	0.07	0.18

Notes: Correlations greater than I0.19I are significant at $p < 0.01$; correlations greater than I0.14I are significant at $p < 0.05$; $n = 263$; ln = natural logarithm

Table I. Descriptive statistics and correlations studies. Indicator 1 (firm's total sales abroad) refers to the volume of foreign sales as a percentage of total sales; Indicator 2 (selected entry mode) refers to the entry mode the firm used in its most recent foreign entry (export, brand licensing, commercialization, franchising or joint-venture); and Indicator 3 (geographical dispersion) refers to the number of countries to which the firm exports its products.

3.2.4 Control variables. We acknowledge the importance of additional factors that could affect a firm's international strategies by including several specific control variables (sector: wineries or olive oil mills; financial leverage; performance; and size) in our model. First, we included sector (winery or olive oil mill) to determine if there are any differences between the wineries and olive oil mills. This variable was operationalized as a dichotomous variable that took the value of one for wineries and zero for olive firms. Second, we calculated financial leverage as the debt-to-equity ratio[3]. Third, we assessed financial performance through the natural log of the return on assets (ROA) (Peng and Luo, 2000). Finally, we measured the firm as the natural log of the total number of employees in the company. We lagged the last three control variables (financial leverage, performance and company size) at $t-1$ (Chen and Hsu, 2009; Chrisman and Patel, 2012).

3.3. Data analysis

We used SmartPLS (version 3.2.7; Ringle *et al.*, 2015). PLS-SEM is a comprehensive multivariate approach to statistical analysis that can simultaneously examine each of the relationships between the variables in a conceptual model, including measurement and structural components. We evaluated the measurement model by assessing the reliability and validity of the constructs and the structural model and assessing the R^2, path coefficients, values of the standardized root mean square residual (SRMR), geodesic discrepancy (d_G2) and normed fit index (NIF) as approximate model fits for PLS-SEM (Henseler *et al.*, 2016). First, an SRMR value lower than 0.08 indicates a good fit (Hu and Bentler, 1998); second, a d_G2 value below the 95 per cent bootstrap quantile indicates a good fit (Henseler *et al.*, 2016); and third, a NIF value close to or greater than 0.80 is considered a good fit (Pastoriza and Ariño, 2013). Therefore, the confirmatory factor analysis indicates an acceptable fit (SRMR = 0.042; $d\_G2 = 0.039 < (HI_{95} = 0.041)$; and NIF = 0.974).

4. Results

Before testing our hypotheses, we checked whether common method variance (CMV) might inflate the data. We followed Lindell and Whitney's (2001) method and used a theoretically unrelated construct (marker construct) to adjust the correlations among the principal constructs. To conduct the marker construct test, we used an empowerment three-item scale adapted from Fuller *et al.* (2006)[4]. This construct met the required criteria (Lindell and Whitney, 2001); specifically, it is theoretically unrelated with at least one of the other variables. Moreover, the construct is a multi-item measure (composed of three items). The correlation among all latent variables and marker variable (empowerment) was less than 0.30, indicating no evidence of CMV[5] (Tehseen *et al.*, 2017).

4.1 Model assessment using PLS-SEM

We adopted a two-stage approach to assess our model using PLS-SEM and to compare the results of the estimated path coefficients:

- assessing the measurement models; and
- assessing the structural models and testing the hypotheses.

4.1.1 Measurement model assessment. In the first stage of the analysis, we must confirm the acceptability of the measurement model (Hair *et al.*, 2017) by evaluating the validity and reliability of the model's latent variables. The former includes convergent and discriminant validity. Evaluating the reliability and validity of the model involves assessing the relationships between the latent variables and their associated items using two key coefficients: composite reliability (CR)[6] and average variance extracted (AVE) (Hair *et al.*, 2011).

Our measurement model has three constructs, namely, family involvement, cooperation difficulties and international commitment. When assessing a model's reliability, the loading of each indicator should be above 0.7 to achieve acceptable indicator reliability (Hair *et al.*, 2011). The CR coefficient should be above 0.7 to establish construct reliability (Hair *et al.*, 2011). In our model, the CR for all of the latent variables in the measurement model is higher than 0.7. These results indicate that the measurement model possesses acceptable reliability. To assess the convergent validity of the measurement model, the AVE of the latent variables should also be higher than 0.5 to reach acceptable convergent validity (Hair *et al.*, 2011). Table II indicates that the AVEs of the constructs were higher than 0.5; therefore, convergent validity was acceptable. Additionally, the factor loadings of all items (ranging from 0.66 to 0.98) load significantly on their respective factor and exceed the recommended threshold value of 0.40 (Boakye *et al.*, 2016; Dato-on *et al.*, 2018; Ford *et al.*, 1986), which is evidence of internal consistency.

Discriminant validity is the extent to which each latent variable is distinct from other constructs in the model (Hair *et al.*, 2017). To establish discriminant validity, the square root of the AVE for each construct should be greater than all of the correlations among the other constructs in the model are to meet the Fornell–Larcker criterion (Hair *et al.*, 2017). In addition, the heterotrait–monotrait (HTMT) ratio is a recent, superior criterion compared to more traditional assessment methods such as the Fornell–Larcker criterion (Henseler *et al.*, 2015). Previous studies suggest constructing thresholds of 0.85 and 0.9 for HTMT to establish discriminant validity (Henseler *et al.*, 2015). We used the more conservative $HTMT_{85}$ to show the discriminant validity of the model. Table III shows evidence of discriminant validity with both the Fornell–Larcker criterion and the HTMT criterion.

4.1.2 Structural model assessment. In the second stage of the analysis, we assessed the structural model by calculating the R^2 value of the endogenous constructs as an indicator of

Construct/associated items	Factor loading	CR	AVE	Cronbach's α
Family involvement		0.958	0.919	0.913
Family ownership	0.950***			
Family management	0.968***			
Cooperation difficulties		0.954	0.806	0.940
Extensive effort to find a suitable partner	0.881***			
Independent internationalization	0.917***			
Avoiding incorporating other companies' aims	0.896***			
Avoiding possible opportunistic behaviors	0.923***			
Maintaining control in decision-making	0.870***			
International commitment		0.877	0.709	0.792
Total sales abroad	0.911***			
Selected entry mode	0.925***			
Geographical dispersion	0.663***			

Notes: SRMR = 0.042; d_G2 = 0.039 < (HI_{95} = 0.041); NFI = 0.974; ***$p < 0.001$

Table II. Validation of the measurement model: internal consistency, reliability and convergent validity the model's explanatory power (Hair *et al.*, 2017). The R^2 value was 0.520 for international commitment. An R^2 value of 0.2 is relatively high and acceptable by behavioral research standards (Hair *et al.*, 2017). In addition, we calculated the SRMR and the d_G2 as the approximate model fits for PLS-SEM (Henseler *et al.*, 2016). Regarding the SRMR, a value below 0.08 can be considered acceptable for PLS-SEM, while for d_G2, a value below the value of HI_{95} after 5,000 bootstrapping runs is considered acceptable (Henseler *et al.*, 2016). The results revealed an SRMR model fit value of 0.042 and a d_G2 value of 0.039, which is lower than the HI_{95} (0.041). Thus, we concluded that the model had a good fit.

As structural models can exhibit potential multicollinearity (Garson, 2016), which could produce unstable estimates (Martin-Ruiz *et al.*, 2010), we tested the variance inflation factor (VIF)[7]. Although there is no clear threshold value for multicollinearity, as a rule of thumb, the VIF should not exceed 10 (Götz *et al.*, 2010). In our case, the results showed minimal collinearity, with the VIFs of all items ranging between 1.00 and 1.07. These results suggest a lack of problematic multicollinearity levels in our structural model.

After confirming the model validity, we identified the effects following Hair *et al.* (2017). First, we analyzed the direct effect between family involvement and FB international commitment by checking the value of the path coefficient along with its significance and the confidence interval (by applying the bootstrapping procedure of 5,000 resamples). An effect is significant when it has a 95 per cent probability if the resulting confidence interval does not include zero (Hair *et al.*, 2017). The effect was negative and significant [$\beta = -0.214$; $p < 0.001$; (−0.312; −0.125)] (Figure I).

In the second step, we included the effect of the mediating variable, cooperation difficulties. Table IV shows that the indirect effect was positive and significant (between family involvement and cooperation difficulties) *H2a*: $\beta = 0.148$; $p < 0.01$; [0.055; 0.243], and the indirect effect was negative and significant (between cooperation difficulties and international commitment) *H2b*: $\beta = -0.659$; $p < 0.001$; [−0.723; −0.593]. However, the direct effect was negative and significant (family involvement and international commitment) $\beta = -0.109$; $p < 0.01$; [−0.183; −0.039], which indicates that cooperation difficulties partially mediate the relationship between family involvement and international commitment with a negative and significant total indirect effect $\beta = -0.097$; $p < 0.01$; [−0.162; −0.036] and with a negative and significant total effect $\beta = -0.207$; $p < 0.001$; [−0.298; −0.116].

4.1.3 Mediation robustness. We examined the robustness of the mediation following Baron and Kenny (1986) tested our second hypothesis (*H2*). According to the procedure's logic, the results suggest mediation if the following conditions are met: the independent variable (family involvement) is significant for both the dependent variable ($\beta = -0.214$, $p < 0.001$; international commitment) and the mediator ($\beta = 0.151$, $p < 0.01$; cooperation difficulties); the mediator (cooperation difficulties) is significant for the dependent variable ($\beta = -0.681$, $p < 0.001$; international commitment) and the effects of the independent

Table III. Discriminant validity (Fornell–Larcker criterion and $HTMT_{85}$ criterion)

	Family involvement	Cooperation difficulties	International commitment
Family involvement	*0.959*	0.158	0.264
Cooperation difficulties	0.148	*0.898*	0.753
International commitment	−0.219	−0.675	*0.843*

Notes: The diagonal represents the square root of AVEs in italic. The Fornell–Larcker criterion appears below the diagonal and the $HTMT_{85}$ criterion appears above the diagonal

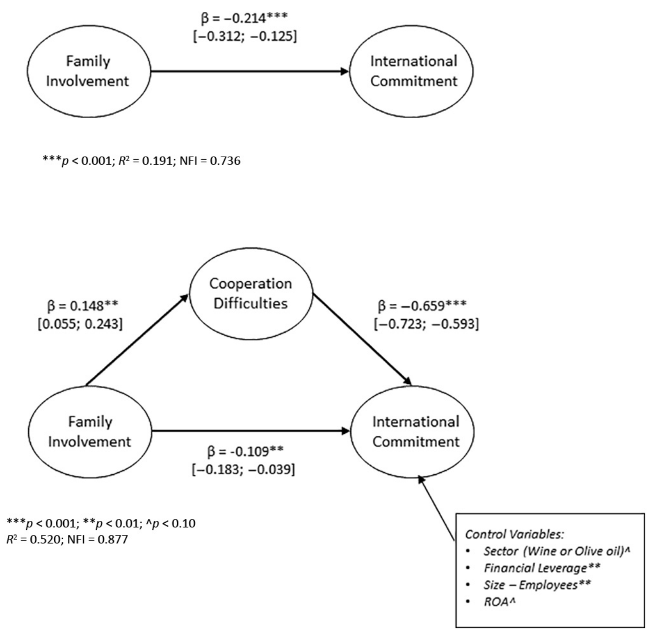

Figure I. Family involvement, cooperation difficulties, and international commitment (direct and mediation models)

	Path coefficient (β)	Bootstrap 95% confidence intervals (one-T = tailed)	Support
Direct model (SRMR = 0.057; R^2 = 0.191; NFI = 0.736)			
H1 = family involvement → 3 international commitment	−0.214***	[−0.312; −0.125]	Yes
Mediation model (SRMR = 0.049; R^2 = 0.520; and NFI = 0.877)			
Family involvement → international commitment = c' (direct effect of family involvement on international commitment)	−0.109**	[−0.183; −0.039]	
H2 = family involvement → cooperation difficulties → international commitment = a1 × b1 (via cooperation difficulties) (total indirect effect of family involvement on international commitment)	−0.097**	[−0.162; −0.036]	Yes
H2a = family involvement → cooperation difficulties = a1	0.148**	[0.055; 0.243]	Yes
H2b = cooperation difficulties → international commitment = b1	−0.659***	[−0.723; −0.593]	Yes
Total mediation effect (indirect effects plus direct effect)	−0.207***	[−0.298; −0.116]	

Notes: ***$p < 0.001$ and **$p < 0.01$

Table IV. Structural model results and statistics

variable (family involvement) on the dependent variable (international commitment) decrease when the mediating variable (cooperation difficulties) is added to the regression equation (β = −0.109, $p < 0.01$). Therefore, according to Baron and Kenny (1986), cooperation difficulties partially mediate the relationship between family involvement and international commitment. We obtained further evidence of partial mediation by conducting the Sobel (1982) test to calculate the magnitude of the unstandardized indirect effect and its associated standard error. The ratio of the indirect effect over its standard error is the Sobel statistic, which is compared with a z distribution to determine the statistical significance of the indirect effect. The Sobel test of our data indicates that the indirect effect of family involvement on international commitment ($z = -2.48$, $p < 0.05$) is both in the anticipated direction and significant (Table V). Therefore, we conclude that *H2* is fully supported.

Considering the variance accounted for (VAF) (Hair *et al.*, 2017), which was 46.87 per cent, we conclude that cooperation difficulties in international commitment are far more important than family involvement because the proposed model for family involvement explains 2.39 per cent of the variance for international commitment and cooperation difficulties explain 44.48 per cent of the variance for international commitment.

For the control variables, from Table VI, we conclude that there are no differences between wineries and olive oil mills with respect to their internationalization behavior because the influence of the sector on international commitment is marginal ($\beta = 0.037$, $p < 0.10$). The past performance also had a marginal influence on international commitment; however, past financial leverage and company size (number of employees) had a significant influence on international commitment. Therefore, these last two control variables are important to consider when explaining firms' international strategies.

5. Discussion, implications, limitations and future research directions

This study aims to enhance our understanding of FB managers' perceptions of the difficulties of engaging in cooperation agreements as an international strategy.

The findings show that a higher level of family involvement in business implies a greater perception of difficulties. This perception of cooperation has a negative effect on firms' international commitment levels. Additionally, family involvement is negatively associated with a firm's international commitment, and the perceived difficulties of cooperation mediate this relationship. We considered control variables such as the sector, financial

Table V. Mediation analysis: Baron and Kenny (1986) procedure and Sobel test

Baron and Kenny (1986) procedure and Sobel Test			Cooperation difficulties	International commitment	
Direct effects without mediator variable	Step 1	Family involvement		−0.214***	
	Step 2.1	Family involvement	0.151**		
	Step 2.2	Cooperation difficulties		−0.681***	
Direct effects with mediator variable	Step 3.1	Family involvement		−0.109**	
	Step 3.2	Family involvement	0.148**		
	Step 3.3	Cooperation difficulties		−0.659***	
Total effects	Step 4		Sobel test	*Indirect effect*	*Direct effect*
		Family involvement	$z = -2.48$*	−0.097**	−0.207***

Notes: *** $p < 0.001$; ** $p < 0.01$; * $p < 0.5$

Table VI. Control variables: factor loadings and significance

Control variables	Factor loading	t-value	Significance
Sector (wine or olive oil mills)	0.037	1.63	Very marginally
Financial leverage ($t-1$)	0.159	3.12	Yes
Size – employees (ln) ($t-1$)	0.116	2.66	Yes
ROA (ln) ($t-1$)	0.080	1.90	Marginally

leverage, performance and company size, and did not find significant differences among these variables and the firm's international commitment level. These findings highlight the importance of cooperation in FB's international strategies.

This study responds to calls in the literature to study FBs in terms of their levels of family involvement (Sanchez-Famoso *et al.*, 2014) and to determine how different FBs behave. We find that FBs modify their behavioral pattern (attitude) toward internationalization depending on the degree of family involvement.

We also find a negative relationship between family involvement and international commitment. The firms in which the family holds the most total equity and occupy the executive positions had a lower level of international commitment than when the firms share both positions with outsiders. This result supports the findings in previous studies that higher levels of family involvement are associated with lower levels of international diversification (Pacheco, 2017); that is, international activity is highest among FBs with a lower percentage of equity capital among family members and a higher percentage of non-family members in management and governance boards. This shows in the inverted U-shaped relationship between family influence and internationalization in Mitter *et al.* (2014). Multiple authors examine this fact, such as Claver *et al.* (2009), who conclude that the presence of non-family managers is positively related to international commitment measured by the business entry mode abroad. However, our study deals with international commitment in terms of the chosen entry mode (Pongelli *et al.*, 2016), export intensity (Fernández and Nieto, 2005) and the geographical scope of sales abroad (Cerrato and Piva, 2012). Thus, we consider the multidimensional nature of the firm-level internationalization phenomenon that Cerrato and Piva (2012) mention.

Finally, the findings illustrate how the negative perceptions of cooperation agreements among managers in an FB's international expansion lead them to lower levels of success in international markets. Our findings contribute to the current international strategy discussions in the in FB literature. There is a lack of studies on cooperation (Debicki *et al.*, 2009), which highlights the need to delve into manager perceptions of cooperation and to explore FBs' international success. Fernández and Nieto (2005) find that agreements are conducive to FBs' exports. However, the higher the family involvement is, the more negative this perception becomes, contributing to lower levels of international commitment. This does not facilitate the survival and long-term growth of FBs.

First, these findings are interesting for family firms whose owners need to understand that maintaining 100 per cent family ownership and not considering external managers may be a factor contributing to the failure of their international strategy. Second, these findings are interesting for business managers with different levels of family involvement because they show the relevance of their perceptions of cooperation with respect to an international business commitment. Similarly, managers from firms with a high level of family involvement should consider the multiple benefits of cooperation agreements as an entry mode abroad and not focus on the drawbacks.

On the one hand, cooperation may provide FBs with the tangible and intangible resources that they lack to carry out an international strategy, such as financial, human, technological and relational resources. However, De Massis *et al.* (2018) note the FB preference for self-financing. This will undoubtedly result in slow growth in the pursuit of a certain level of international commitment or even prevent it.

On the other hand, cooperation brings benefits that FB executives should consider, such as resource and knowledge sharing or minimizing the risks associated with internationalization strategies. Claver *et al.* (2008) explore the factors influencing the risk of FB executives to perceive in their international activities. The authors conclude that firms with a stronger international commitment perceive greater risk from their international activity, and choosing cooperation as an entry mode reduces this risk level. Hence, executives must evaluate the potential gains from minimizing risk versus the prevailing non-financial goals of family members to maintain ultimate control of their firm across generations (Kotlar and De Massis, 2013). Additionally, unlike other growth methods, such as takeovers or acquisitions, cooperation allows the company to maintain its organizational structure and culture, so it may be a particularly appropriate path to growth for this type of company (López-Cózar-Navarro *et al.*, 2017).

Despite these interesting findings, this work has some limitations. First, we studied how the level of family involvement in the business influences international commitment in FBs that are already internationalized. We did not analyze how the level of family involvement may promote or hinder the decision to establish an international strategy. Second, we assumed that a higher perception of the difficulties with cooperation agreements implies less cooperation, and the business will, therefore, not exploit all of the advantages from cooperation. However, we cannot confirm this point. Therefore, the field needs future research in this regard. Similarly, future research studies should also explore the benefits that executives perceive from the use of cooperation agreements in international business expansion.

Notes

1. The SABI database contains information on 2,500,000 public and private Spanish companies.
2. Separate summary statistics and correlations for the dimensions or constructs are available on request.
3. Debt to equity ratio = Total debt/Total equity.
4. Specifically, we asked the respondents to rate their degree of agreement with the followings statements: The TMT has significant autonomy in determining how they do their job; the TMT can decide independently how to perform their work; and the TMT has considerable opportunity for independence and freedom in executing their job.
5. Detailed results of the lack of CMV are available upon request.
6. As a measure of internal CR, Werts's (1974) method fulfils the same task as Cronbach's α. However, CR is more suitable for PLS as it does not assume that all indicators are equally weighted (Chin, 1998).
7. Götz *et al.* (2010, p. 699) explain that "the term VIF is derived from the fact that its square root is the degree to which the standard error has been increased due to multicollinarity."

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