

# Navigating global waters: performance outcomes of internationalization in family businesses

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## Abstract

**Purpose** – This study aims to examine the relationship between family firm internationalization and short-term accounting performance (return on assets (ROA)) and long-term market-based performance (average market value (AMV)), considering the unique context of socioemotional wealth (SEW) preservation.

**Design/methodology/approach** – Utilizing a sample of 641 observations pertaining to Italian and German family-owned firms, we empirically test two hypotheses with regression analysis: (1) a positive linear impact of internationalization on ROA and (2) a U-shaped curvilinear impact on AMV.

**Findings** – Our results confirm a positive linear relationship between family firm internationalization and short-term ROA, indicating immediate financial benefits from initial global engagement. Furthermore, we find support for a U-shaped curvilinear relationship between internationalization and AMV. This suggests that while early internationalization may initially temper market valuation, deeper and more extensive international engagement ultimately can contribute to enhancing long-term value.

**Practical implications** – Family business managers should recognize that even modest internationalization can yield short-term financial gains. For long-term value creation, a sustained and strategic approach to internationalization is crucial, requiring patience through initial market reactions. Policymakers can support family firms in navigating these complex internationalization trajectories.

**Originality/value** – Overall, our analysis enriches the family business and international business literature by offering a dual-perspective analysis of internationalization's impact on financial performance. It provides a more granular understanding of how family firms reconcile SEW preservation with global expansion, moving beyond a simple trade-off to a dynamic process of value creation.

**Keywords** Family firms, Internationalization, Financial performance, Socioemotional wealth, European

**Paper type** Research article

## 1. Introduction

Family-owned enterprises stand as a distinct and increasingly vital organizational form within the global economic landscape. They contribute significantly to gross domestic product (GDP), employment levels, and value generation across both established and emerging economies (La Porta *et al.*, 1999; Villalonga and Amit, 2006). Within Europe, these businesses are particularly dominant, forming the foundational economic structure (Faccio and Lang, 2002; European Commission, 2009). Despite their widespread presence, family firms



frequently exhibit strategic behaviors that diverge from those of non-family entities. This difference stems from a dual pursuit: achieving financial success (Ratten *et al.*, 2017) while preserving socioemotional wealth (SEW), the non-financial aspects that meet the family's affective needs (Gomez-Mejia *et al.*, 2007; Berrone *et al.*, 2012).

This balancing of economic and non-economic goals can significantly influence internationalization strategies. Expanding into global markets can offer family businesses access to new revenue opportunities, diverse resources, and valuable knowledge, enhancing competitiveness and performance (Contractor *et al.*, 2003; Hitt *et al.*, 1997). However, internationalization also brings managerial complexities and risks that may threaten SEW components such as family influence, identity, and legacy (Gomez-Mejia *et al.*, 2010; Sciascia *et al.*, 2012). Since preserving family authority and intergenerational continuity often overrides purely financial objectives (Berrone *et al.*, 2012), family firms frequently adopt a cautious stance toward risks that could weaken their control (Zellweger *et al.*, 2012).

Although the internationalization of family firms has attracted growing academic interest, existing research remains fragmented and yields inconsistent findings. Some studies link global expansion to improved outcomes through resource access, market diversification, and learning (Fernandez and Nieto, 2006; Sciascia *et al.*, 2012), while others find different results. Claver *et al.* (2009) highlight family preferences for incremental international engagement and risk-averse entry modes, which could be driven by the potential loss of SEW perceived when undergoing external initiatives (Mensching *et al.*, 2014). Pukall and Calabrò (2014) integrate SEW with the Uppsala model, showing SEW's role in shaping risk-taking and entry sequencing. Likewise, Arregle *et al.* (2017) confirm that SEW can influence internationalization patterns and their performance outcomes in family firms.

In short, prior studies have highlighted that family ownership shapes internationalization strategies, often leading to risk-averse behavior and cautious international expansion (Fernandez and Nieto, 2006; Sciascia *et al.*, 2012; Pukall and Calabrò, 2014). However, the empirical evidence on whether and how internationalization affects performance in family firms is mixed. Some studies find positive effects, while others report neutral or even negative outcomes, depending on the stage of internationalization and the performance metrics used (Zahra, 2003; Arregle *et al.*, 2017). Notably, two key limitations persist in the literature. First, most studies adopt a static or linear view of the internationalization–performance relationship, rarely testing for non-linear or dynamic effects. Second, few contributions distinguish between short-term accounting performance and long-term market-based valuation, despite their conceptual and strategic differences. Furthermore, the role of SEW in shaping the performance outcomes remains underexplored from a temporal perspective.

To address these gaps, our study examines two main research questions:

- RQ1. How does the international engagement of family firms impact their short-term financial performance?
- RQ2. To what extent does international engagement influence the long-term financial performance of family firms?

Drawing on SEW theory, we propose that the initial international stage of family firms is shaped by SEW preservation and yields short-term efficiency gains. Indeed, engaging in international markets can serve as a crucial strategic instrument to ensure economic survival and continuity, which are core tenets of SEW preservation, as it can lead to boosting operational efficiency, capitalizing on economies of scale, and accessing new revenue streams (Contractor *et al.*, 2003; Sciascia *et al.*, 2012). These immediate performance improvements are expected to be reflected in accounting measures like return on assets (ROA), especially when international activities are pursued judiciously and align with the family firm's imperative to maintain control.

Then, we propose a U-shaped relationship between internationalization and average market value (AMV), reflecting a more intricate path to long-term value creation. In the

nascent stages of internationalization, cautious and incremental efforts, often influenced by SEW concerns, might be perceived as overly conservative by investors, potentially leading to negative market responses (Gomez-Mejia *et al.*, 2010; Miller *et al.*, 2010). However, once firms reach a certain threshold of international experience, they develop enhanced capabilities and confidence, enabling them to expand operations globally more effectively. The resultant benefits, which include diversification, organizational learning, and increased legitimacy in foreign markets, contribute to improved market valuations (Lu and Beamish, 2004; Riahi-Belkaoui, 1998). This dynamic view provides a more comprehensive understanding of how family firms navigate global expansion while pursuing both economic and affective goals.

This study employs a dataset of 641 firm-year observations from large, publicly traded family firms in Italy and Germany over the period 2019–2020 to examine the relationship between internationalization and short- and long-term firm financial performance. The findings indicate that internationalization has a positive effect on short-term accounting-based performance (ROA), while its relationship with long-term market-based performance (AMV) follows a U-shaped curve.

This study offers several key contributions to the existing body of literature. Firstly, we advance the SEW framework by showing that family firms' engagement with international markets is not solely constrained by preservation motives (Gomez-Mejia *et al.*, 2010; Berrone *et al.*, 2012; Pukall and Calabrò, 2014); rather, we demonstrate that internationalization can reinforce SEW, a nuanced role that aligns with recent interpretations of SEW as a dynamic and situationally adaptive reference frame. Secondly, we advance the internationalization–performance literature by identifying a U-shaped link between international depth and average market value (AMV), responding to calls for more temporally sensitive and non-linear theorizing (Arregle *et al.*, 2012; Debellis *et al.*, 2021), as prior research often investigated linear or inverted-U relationships (Contractor *et al.*, 2003; Lu and Beamish, 2004), but rarely tested non-linear effects in family firms explicitly. Finally, this study contributes to ongoing debates by disentangling the short- and long-term performance effects of internationalization, finding a positive effect on short-term accounting-based performance (ROA) and the U-shape for long-term, recognizing the temporal misalignment between strategic actions and observable results, which is crucial given family firms' long-term orientation and transgenerational goals (Sciascia *et al.*, 2012; Arregle *et al.*, 2017; Debellis *et al.*, 2021; Calabrò *et al.*, 2026).

## 2. Literature review and hypotheses development

### 2.1 *The SEW-internationalization-financial performance nexus*

Family firms represent a distinctive organizational form characterized by the overlap of family and business systems, often leading to long-term orientation, concentrated ownership, and decision-making logics that diverge from non-family firms (Alessandri *et al.*, 2018; Carney *et al.*, 2015). Among the strategic choices they face, internationalization stands out as a particularly complex endeavor. While it offers avenues for growth, innovation, and diversification, it also poses potential threats to the control, identity, and continuity that family firms value most. The SEW framework has emerged as a dominant theoretical lens for understanding how family involvement shapes internationalization strategies and outcomes (Calabrò *et al.*, 2026).

SEW refers to the non-financial aspects of the firm that meet the family's affective needs, including the desire to preserve family control and influence, maintain the family's legacy and identity, and ensure the firm's continuity across generations (Gomez-Mejia *et al.*, 2010; Berrone *et al.*, 2012). This framework proposes that family firms often prioritize SEW preservation over short-term financial gains. As a result, they exhibit greater risk aversion and strategic conservatism when facing complex decisions, particularly those involving external exposure such as international expansion (Zellweger *et al.*, 2012). This aversion stems from the fact that operating in unfamiliar environments often requires delegating authority and

adopting more formalized structures, which can be viewed as conditions that could compromise family control (Gomez-Mejia *et al.*, 2011; Mensching *et al.*, 2014). Recent evidence further suggests that greater openness at the board level can facilitate this process, as externally oriented boards enhance access to international social capital while allowing families to retain strategic control (Debellis *et al.*, 2023; Zona *et al.*, 2025).

Despite these SEW-driven constraints, family firms do internationalize, although often in cautious, incremental ways (Sciascia *et al.*, 2012). The process is frequently led by a desire to balance economic and non-economic goals. For instance, internationalization may be pursued not solely for profit, but also to secure the long-term survival of the business, create opportunities for future generations, or enhance the family's prestige (Zona *et al.*, 2025). This dual logic explains why some family firms expand abroad only after developing sufficient internal capabilities and trust in external partners. Consequently, they may limit their global presence, by reducing initiatives in exporting or alliances, to maintain the family's core influence (D'Angelo *et al.*, 2025; Kontinen and Ojala, 2010; Quarato *et al.*, 2020).

Despite the growing attention to internationalization in family firms, existing empirical evidence remains fragmented (Zona *et al.*, 2025). Some studies find that internationalization enhances performance by enabling access to new markets, resources, and knowledge (Fernandez and Nieto, 2006; Contractor *et al.*, 2003), while others identify curvilinear or even negative effects due to liabilities of foreignness and SEW-related hesitations (Zahra, 2003; Ruigrok and Wagner, 2003). These contrasting results suggest that family firms' unique priorities may mediate or moderate the benefits typically associated with international growth. Furthermore, firm size, generational stage, and the degree of family involvement in management and ownership can influence both the motivation to internationalize and the capacity to do so effectively (Arregle *et al.*, 2012). Moreover, many of these contributions adopt a static or aggregated view of performance, failing to distinguish between short-term operational gains and long-term strategic value creation. As recently noted by Debellis *et al.* (2021), future research should explicitly examine temporal dimensions of performance and adopt non-linear models that account for strategic inflection points in the internationalization path, emphasizing that SEW dimensions evolve and may motivate internationalization when perceived as instrumental to ensuring long-term continuity. This view aligns with prior work reconceptualizing SEW as a dynamic construct embedded in a firm's learning and adaptation processes (Calabrò *et al.*, 2024, 2026).

Overall, the SEW perspective provides a powerful explanation for why family firms may approach internationalization differently from non-family firms. It underscores the importance of identity, legacy, and long-term continuity in shaping strategic behavior. Understanding this lens is essential for interpreting the patterns, pace, and performance outcomes of family firms as they engage with global markets.

## 2.2 Hypotheses development

Although family firms are widely characterized by a preference for stability and preservation of core SEW dimension, moderate and controlled internationalization efforts can be strategically aligned with the desire to secure long-term continuity and protect the firm's economic base (Gomez-Mejia *et al.*, 2010; Debellis *et al.*, 2021). Recent literature has emphasized the need to understand internationalization not only as a source of potential SEW loss but also as an adaptive tool that family firms use to support continuity and competitiveness in a globalized environment (Calabrò *et al.*, 2026). Thus, SEW-preserving behavior does not necessarily imply strategic inertia. Instead, international expansion, when pursued through low-commitment modes such as exporting or non-equity alliances, may be viewed as a way to enhance operational efficiency and mitigate environmental uncertainty without compromising family control, a key SEW element (Pukall and Calabrò, 2014).

Building on these arguments, we argue that family firms' early internationalization efforts function as a pragmatic response to competitive pressures, directly supporting the economic

viability required to sustain the family's long-term legacy. Thus, family firm internationalization is expected to have a positive linear relationship with short-term accounting performance (ROA). Although family-controlled firms tend to prioritize SEW preservation over financial gain (Gomez-Mejia *et al.*, 2007; Berrone *et al.*, 2012), a baseline level of international engagement is increasingly viewed as essential for long-term SEW goals, specifically survival and continuity (Carney *et al.*, 2015; Pukall and Calabrò, 2014). Entry into foreign markets can enable firms to tap into new customers, diversify operational risk, and access strategic resources (Contractor *et al.*, 2003; Hitt *et al.*, 1997), all of which contribute to enhanced efficiency and profitability.

From a SEW perspective, engaging with foreign markets may enable family firms to secure their economic viability, diversify risk, and strengthen their legitimacy, thus indirectly reinforcing control and continuity (Debellis *et al.*, 2021). In the short term, these activities produce visible operational benefits, such as better resource utilization, that are captured immediately by accounting-based indicators like ROA (Lu and Beamish, 2004; Debellis *et al.*, 2021). Because these early-stage efficiency gains are not expected to require the deep structural shifts that trigger SEW trade-offs, we expect a direct, positive impact on current profitability.

*H1.* Internationalization exhibits a positive linear relationship with short-term accounting performance (ROA) for family firms.

While initial international expansion by family firms may lead to short-term operational improvements, its impact on long-term performance is less straightforward. The mechanisms of SEW preservation, specifically cautious and incremental expansion, can generate a temporal mismatch between internal efficiency and external market value (Gomez-Mejia *et al.*, 2010; Pukall and Calabrò, 2014). Thus, in the early stages, internationalization can depress performance due to cautious resource commitments and SEW-preserving behavior of family firms (Gomez-Mejia *et al.*, 2010, 2011).

External investors may perceive this SEW-driven conservatism as a lack of strategic aggressiveness or competitive vigor, especially compared to non-family peers (Miller *et al.*, 2010). Consequently, market-based performance indicators (AMV) may initially reflect a dip due to market skepticism regarding the firm's limited commitment to global growth.

However, as family firms accumulate international experience, they gradually develop stronger organizational capabilities, learn to navigate foreign institutional environments, and gain legitimacy in global markets (Lu and Beamish, 2004). This experiential learning process allows them to reconcile SEW concerns with the demands of international competition. This shift leads to targeted international investments that balance market opportunity with family values (Kano and Verbeke, 2019). Moreover, deeper international engagement enables access to global economies of scale, diverse revenue streams, and legitimacy in foreign markets (Lu and Beamish, 2004; Riahi-Belkaoui, 1998).

This dynamic progression is consistent with the broader international business literature, which has proposed non-linear, U-shaped, or S-shaped relationships between internationalization and performance (Thomas and Eden, 2004). Yet, few studies have empirically tested such curvilinear patterns in the context of family firms. Our study contributes to this gap by proposing that the internationalization–performance relationship in family-controlled firms is U-shaped when considering long-term market-based outcomes. We contend that for family-managed firms, this relationship manifests as a U-shaped path; an initial performance dip mirrors the market's apprehension toward strategic conservatism and the immediate hurdles of foreign entry, while a subsequent recovery signals the attainment of the scale and legitimacy required to anchor a transgenerational legacy. Since these early costs eventually give way to enduring competitive advantages, it stands to reason that the market's valuation may evolve significantly as the firm matures across its various stages of internationalization. We therefore hypothesize:

*H2.* Internationalization exhibits a curvilinear relationship (U-shaped) with long-term market-based performance (AMV) for family firms.

### 3. Data and methodology

#### 3.1 Data

To create a balanced dataset of Italian and German listed family firms, a multi-stage sampling strategy was implemented. The process began by collecting data on 371 Italian and 1,174 German firms from the Orbis database, covering the years 2019 and 2020. Financial companies were excluded from the sample due to distinct regulatory frameworks (Gomez-Mejia *et al.*, 2010). Furthermore, only firms with annual revenues surpassing €20 million were included, narrowing the selection to 636 firms (234 Italian, 402 German). The identification of family firms adhered to the European Commission's definition, which stipulates either majority control by the founding family or, in the case of listed entities, a minimum of 25% family ownership combined with active participation in management (Amore *et al.*, 2022). This identification was verified using Orbis data and company annual reports, ultimately leading to a final sample of 402 family firms.

To capture internationalization, geographic revenue data were sourced from 2019–2020 annual reports and grouped into nine global regions, reflecting both economic and cultural proximities (Arregle *et al.*, 2012), which resulted in 641 firm-year observations.

#### 3.2 Methodology

To test the impact of internationalization on family firms' short- and long-term performance, we employed a pooled-OLS regression with robust standard errors as shown in the regression models below:

$$\text{Firm Performance}_{i,t} = \beta_0 + \beta_1 \text{Depth}_{i,t} + \beta_2 X_{i,t} + \varepsilon_{i,t} \quad (1)$$

$$\text{Firm Performance}_{i,t} = \beta_0 + \beta_1 \text{Depth}_{i,t} + \beta_1 \text{Depth}^2_{i,t} + \beta_2 X_{i,t} + \varepsilon_{i,t} \quad (2)$$

Regression model (1) aims to capture the linear relationship, and Regression model (2) the curvilinear relationship of internationalization ( $\text{Depth}_{i,t}$ ) on the two measures of  $\text{Firm Performance}_{i,t}$ , respectively ROA and AMV.  $X_{i,t-1}$  represents the control variables, and  $\varepsilon_{i,t}$  is the error term.

**3.2.1 Firm performance measures.** To evaluate the impact of internationalization on firm performance we adopt an accounting measure ROA for short-term performance curve (Thomas and Eden, 2004) and forward-looking market-based indicator AMV. The latter captures the extent to which a firm's market valuation exceeds the value of its physical assets, highlighting the presence of intangible assets such as brand equity, proprietary technology, or superior management capabilities. AMV, computed as market value divided by total assets, offers a complementary view of investor perception and firm valuation (Hamberg *et al.*, 2013). Unlike accounting-based metrics such as ROA, which reflects past year profitability, AMV is a long-term oriented measure and thus well suited to capture the long-term strategic benefits of internationalization. All variables were downloaded from the ORBIS database, which collects the information available in annual reports.

**3.2.2 Internationalization measures.** The measure of internationalization employed in this study is an entropy-based depth metric, which quantifies the geographical diversification of a firm's activities across foreign regions. As a first step  $\text{DEPTH\_inverse}$  was calculated aligned to the methodology employed by Xu *et al.* (2020), and it incorporates both the total number of global markets in which a firm operates and the relative contribution of each market to the firms's sales. Specifically, it is calculated as shown in equation (1):

$$\text{DEPTH\_inverse} = \sum_{j=1}^8 s_j \ln \frac{1}{S_j} \quad (1)$$

where  $s$  denotes the number of foreign regions, and  $S_j$  represents the ratio of foreign sales in a specific region  $j$  to total sales. The natural logarithm of the inverse of the sales ratio for each region is used to weight the contribution, effectively assigning greater emphasis to regions with smaller proportional sales and thus penalizing concentration. The resulting variable originally spans a range from 0 to 0.66, with a value of 0 indicating highly concentrated sales in a single region (interpreted as high depth in that specific region) and 0.66 signifying sales equally distributed across all regions where the firm is present (interpreted as low depth due to broad, shallow spread). As a second step, the variable was normalized on a range from 0 to 1, it was inverted with the formal shown in equation (2) using a transformation to align the scale directionality such that a higher score is monotonically associated with a greater overall depth of international diversification.

$$DEPTH = 1 - DEPTH\_inverse. \tag{2}$$

**3.2.3 Control variables.** Several firm-level controls are included, namely firm age (natural logarithm of the age of the firm in years up to the latest reporting date), firm size (log of total assets), and family share (% equity held by founding families). Innovation is controlled with the variable *R&D* (research and development expenses divided by sales), and capital structure through *Leverage* (debt-to-assets).

## 4. Results

### 4.1 Descriptive statistics

Table 1 presents the descriptive statistics for the key variables used in our analysis, derived from a sample of 641 observations. The average firm age in our sample is 1.662 years. The average firm size (log total assets) is 5.581. The family share variable, representing the proportion of family ownership, has an average of 0.566. This suggests that, on average, over half of the ownership in the sampled listed family firms is held by families. Research and development (R&D) expenditure averages 0.019. Regarding performance and internationalization, the average ROA is 0.094, with values ranging from -0.611 to 0.551. The AMV is 1.004, spanning a range from 0.002 to 9.012. Lastly, the average Depth of Internationalization is 0.753, indicating that, on average, the firms in our sample exhibit a substantial level of international engagement.

Table 2 presents the pairwise correlation coefficients of the variables employed in this study.

**Table 1.** Descriptive statistics

Variable	Mean	Standard deviation	Min	Max
Firm age	1.662	0.375	0.301	3.302
Firm size	5.581	0.801	3.900	8.696
Family share	0.566	0.173	0.200	1.000
R&D	0.019	0.062	0.000	0.990
Leverage	0.595	0.196	0.008	1.453
Depth	0.753	0.190	0.263	1.000
ROA	0.094	0.105	-0.611	0.551
AMV	1.004	1.193	0.002	9.012

**Source(s):** Authors' own work

**Table 2.** Pairwise correlations

	Firm age	Firm size	Family share	R&D	Leverage	Depth
Firm age	1.000					
Firm size	0.208	1.000				
Family share	-0.026	-0.166	1.000			
R&D	-0.031	0.015	-0.030	1.000		
Leverage	0.070	0.145	-0.027	0.153	1.000	
Depth	-0.208	-0.366	0.070	-0.084	-0.054	1.000

**Source(s):** Authors' own work

#### 4.2 Empirical results

**Hypothesis 1** posited that family firm internationalization would have a positive linear impact on short-term accounting performance (ROA). The results presented in **Table 3** support this hypothesis. As shown in Model (1), the coefficient for *Depth* (representing internationalization) is 0.074 and is statistically significant at the  $p < 0.05$  level. This positive coefficient indicates that initial international engagement by family firms is positively correlated with the ROA.

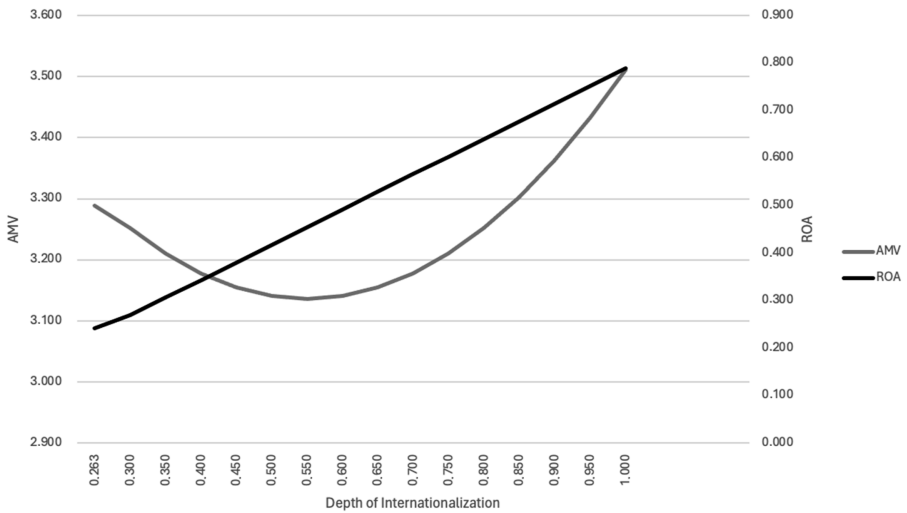
This linear positive relationship is clearly depicted by the black line representing ROA in **Figure 1**, which shows a consistent upward trend as the depth of Internationalization increases. These findings align with our theoretical argument that conservative, deliberate cross-border investments co-occur with yield efficiency gains and contribute directly to short-term profitability without triggering significant SEW trade-offs.

**Hypothesis 2** predicted a U-shaped curvilinear relationship between family firm internationalization and long-term market-based performance (AMV). Our empirical

**Table 3.** Regression results – Depth of internationalization

	ROA		AMV	
	(1)	(2)	(3)	(4)
Depth	0.074** (0.022)	-0.131 (0.167)	-0.113 (0.268)	-3.367* -1.964
Depth*Depth		0.137 (0.118)		2.184* -1.302
Firm size	0.026*** (0.005)	0.025*** (0.006)	-0.051 (0.053)	-0.069 (0.0548)
Leverage	-0.121*** (0.025)	-0.121*** (0.025)	-1.347*** (0.264)	-1.358*** (0.265)
R&D	0.020 (0.095)	0.026 (0.095)	2.693** -1.087	2.774** -1.095
Firm age	0.0032 (0.011)	0.003 (0.011)	-0.508*** (0.121)	-0.506*** (0.122)
Family share	0.011 (0.022)	0.013 (0.022)	-0.658** (0.269)	-0.618** (0.272)
Constant	-0.046 (0.048)	0.0301 (0.079)	3.341*** (0.482)	4.552*** (0.880)
Observations	641	641	641	641
R-squared	0.078	0.080	0.102	0.106

**Source(s):** Authors' own work



**Figure 1.** The relationship between internationalization and financial performance. Source: Authors' own work

analysis provides compelling evidence for this non-linear effect. As presented in [Table 3](#), Model (3) shows a negative and significant coefficient for *Depth* ( $-3.367, p < 0.10$ ) and a positive and significant coefficient for *Depth\*Depth* ( $2.184, p < 0.10$ ). This combination of a negative linear term and a positive quadratic term is characteristic of a U-shaped relationship. While the coefficients align with the hypothesized U-shape, their significance is borderline ( $p < 0.10$ ). Therefore, we present these findings as cautious support for the theory that the market initially discounts the risk-averse internationalization efforts of family firms, with value creation (the upswing) only becoming evident after a significant threshold of global engagement (0.548 depth level) is achieved. While these results provide an interesting glimpse into the complexities of market reactions, the marginal significance levels suggest they should be viewed as an indicative trend rather than a settled empirical fact. By framing this contribution as exploratory, we hope to open a window for future scholars to examine the non-linear mechanisms more deeply at play when family firms venture abroad.

The initial negative impact suggests that early internationalization efforts, often characterized by cautious resource commitments and SEW-preserving behaviors, are linked to an initial depression in market valuation. However, as internationalization deepens and firms accumulate experience and capabilities, the positive quadratic term suggests that AMV begins to increase beyond a certain threshold. This U-shaped pattern is visually confirmed by the gray line representing AMV in [Figure 1](#), which initially declines before curving upwards as internationalization progresses. This supports our theory that while initial internationalization may be perceived as conservative by investors, deeper and more experienced engagement can contribute to the enhancement of long-term market value, reflecting investor recognition of sustainable value creation.

#### 4.3 Robustness checks

To ensure the robustness of our findings, we re-ran our regression models using an alternative measure for the dependent variables, short-term performance was measured with return on equity (ROE), while long-term performance with excess market value (EMV), which is calculated as the firm's market value plus the book value of debt, minus total assets, divided by total net sales ([Allen and Pantzalis, 1996](#); [Thomas and Eden, 2004](#)).

As presented in Table 4, the results corroborate our primary findings. For short-term accounting performance (ROE), *Export Share* shows a significant positive coefficient in Model (1) ( $0.359, p < 0.001$ ), which, when interpreted in the context of our initial positive linear hypothesis, suggests that a higher proportion of sales from exports might indicate a more aggressive internationalization strategy that could incur initial costs impacting short-term ROE. However, the overall trend of initial internationalization still supports the idea of early benefits. More critically, for long-term market-based performance (EMV), the U-shaped relationship is consistently confirmed. Model (2) for AMV shows a significant negative coefficient for *Depth* ( $-5.398, p < 0.05$ ) and a significant positive coefficient for *Depth\*Depth* ( $3.321, p < 0.05$  in Model (3)). This robustly supports the U-shaped effect, indicating that while initial reliance on exports might lead to a dip in market valuation, a deeper and strategic export orientation ultimately enhances EMV.

## 5. Discussions and conclusions

This study sought to unravel the nuanced interplay between family firm internationalization and its dual impact on short-term accounting performance (ROA) and a measure of long-term market valuation (AMV), drawing on the SEW perspective. Our results reveal two distinct patterns that challenge the traditional narrative of the “conservative” family firm.

First, drawing on 641 observations from Italian and German family firms, we find a positive linear relationship between internationalization and short-term accounting performance (ROA). This finding suggests that even modest international engagement, when aligned with SEW preservation, can enhance operational efficiency and profitability. This nuances the dominant assumption that family firms prioritize SEW at the expense of financial logic. It reinforces the idea that family firms are capable of integrating financial and non-financial objectives, using strategic decisions like international expansion to reinforce firm continuity and preserve control, rather than undermining them (Debellis *et al.*, 2021; Gomez-Mejia *et al.*, 2010; Pongelli *et al.*, 2021).

**Table 4.** Regression results – Robustness

	ROE		EMV	
	(1)	(2)	(3)	(4)
Depth	0.359*** (0.092)	-0.0930 (0.815)	-0.448 (0.343)	-5.398** -2.559
Depth*Depth		0.303 (0.544)		3.321** -1.662
Firm size	0.114*** (0.023)	0.112*** (0.0234)	0.010 (0.074)	-0.017 (0.076)
Leverage	-0.612*** (0.162)	-0.614*** (0.162)	-0.150 (0.384)	-0.166 (0.382)
R&D	0.191 (0.269)	0.202 (0.268)	3.585** -1.470	3.708** -1.464
Firm age	0.133* (0.079)	0.133* (0.0788)	-0.591*** (0.161)	-0.588*** (0.160)
Family share	-0.058 (0.128)	-0.0527 (0.131)	-0.736** (0.334)	-0.675** (0.336)
Constant	-0.733*** (0.233)	-0.565 (0.393)	2.412*** (0.637)	4.255*** -1.179
Observations	641	641	641	641
R-squared	0.097	0.097	0.054	0.058

**Source(s):** Authors' own work

Second, and more notably, we observe a U-shaped relationship between internationalization and long-term market-based performance (AMV). In the early phases of international expansion, limited and cautious international expansion appears to be associated with negative market assessments, likely due to perceptions of strategic conservatism and limited growth ambition (Miller *et al.*, 2010). However, once a threshold level of international engagement is reached, and family firms accumulate cross-border capabilities and legitimacy, market valuation improves significantly. This U-shaped trajectory provides a critical counterpoint to the behavior of non-family firms, which are often expected to follow more aggressive, linear growth paths.

By demonstrating that family firms eventually “surmount” the initial market skepticism, our results support recent theoretical advances in SEW research that depict family firms not as static or structurally risk-averse, but as strategically resilient actors able to adapt their strategies to reconcile affective goals with external expectations over time (Calabrò *et al.*, 2026). Overall, this research shows that the family firm’s path to internationalization is distinctive: though markets may initially penalize their cautious start, the integration of SEW goals allows these firms to build a sustainable competitive advantage. This trajectory suggests that family firms do not lack ambition compared to non-family peers; instead, they utilize a different strategic rhythm to achieve and eventually exceed long-term performance benchmarks.

### 5.1 Theoretical contribution

This study contributes to the family business and international business literature in three keyways. First, we refine the SEW framework by demonstrating that internationalization does not necessarily conflict with non-financial goals but can be a mechanism for preserving and enhancing them. While family firms are widely recognized for prioritizing SEW, including aspects like family control, identity, and transgenerational succession (Gomez-Mejia *et al.*, 2007), our findings suggest that a baseline level of international engagement is not merely a reluctant compromise to ensure survival, but also a direct and proactive contributor to operational efficiency and profitability. This enhancement in financial health, in turn, acts as a crucial safeguard for the economic foundation necessary for SEW preservation. This finding aligns with a dynamic view of SEW, where strategic action and affective priorities reinforce one another (Debellis *et al.*, 2021; Calabrò *et al.*, 2026), challenging a purely risk-averse or purely inward-looking view of family firms’ internationalization due to concerns about losing SEW (Mensingh *et al.*, 2014).

Second, we contribute to the literature on the internationalization–performance relationship by empirically testing and confirming a U-shaped association with AMV in the context of family firms. Our results confirm that the initial market skepticism toward conservative international behavior can be offset by long-term legitimacy and capability-building, once a critical threshold of global engagement is achieved (Arregle *et al.*, 2012). In particular, the initial dip in AMV reflects a more cautious approach often associated with family firms’ conservative resource commitments and their desire to avoid risks that could jeopardize family control or reputation (Majocchi *et al.*, 2018). This initial phase shows how SEW concerns can lead to perceived underperformance by external markets. However, the subsequent rise in AMV, as firms accumulate international experience and develop strategic capability (Kano and Verbeke, 2019), indicates a crucial learning process. Family firms learn to reconcile their deeply embedded SEW concerns with the inherent demands and opportunities of global competition. This dynamic reconciliation enriches SEW theory by showing that family values do not necessarily lead to a permanent trade-off with financial performance. Instead, they can guide a strategic evolution in internationalization, allowing firms to achieve long-term financial success and higher market valuations while steadfastly maintaining their core family values and influence, moving beyond a simple trade-off narrative to one of dynamic adaptation and value creation.

Third, we contribute to recent calls for disentangling short- and long-term performance outcomes (Debellis *et al.*, 2021). By analyzing ROA and AMV separately, we demonstrate that internationalization in family firms produces distinct effects depending on the time horizon and the nature of the performance indicator. This approach reveals a performance dynamic that is otherwise obscured in studies using single-dimensional or aggregated outcome variables.

### 5.2 Practical implications

Our findings offer several relevant implications for a diverse set of stakeholders, including family business owners, managers, and policymakers, aiming to optimize internationalization strategies. First, the positive short-term effect on ROA suggests a compelling argument for family firms to overcome any initial hesitation towards international engagement (Gomez-Mejia *et al.*, 2011). Even conservative initial strategies such as direct exporting, establishing small-scale sales offices abroad, or engaging in international partnerships, can lead to improvements in operational profitability. Crucially, these benefits can be achieved without jeopardizing the family's control or core values (SEW). This provides a strong rationale for family firms to proactively explore and undertake cross-border investments, thereby mitigating the initial inertia often associated with venturing into global markets.

Second, the U-shaped effect on long-term market-based performance (AMV) underscores the critical importance of adopting a patient and long-term strategic perspective towards internationalization. While market valuation might initially experience a dip due to perceived caution or the costs associated with early internationalization, our results clearly indicate that sustained and deepening international engagement eventually leads to significant enhancements in market value. This implies that family firms should not be discouraged by initial lukewarm market reactions. Instead, they should focus on a continuous process of accumulating international experience, building robust global networks, and developing ambidextrous capabilities. Managers are advised to transparently communicate this long-term strategy to investors, emphasizing the eventual benefits of diversified revenue streams and access to global economies of scale (Lu and Beamish, 2004).

Third, policymakers can play a crucial role in supporting family firms to scale their international engagement by providing targeted resources, mentorship programs, and financial incentives tailored to the needs of family-owned SMEs. Public instruments that reduce perceived risk, such as export guarantees, training programs, and internationalization grants, may encourage the kind of "selective boldness" (Calabrò *et al.*, 2026) necessary to unlock global opportunities while protecting the firm's SEW.

### 5.3 Limitations and future research avenues

Despite its contributions, this study has several limitations that warrant consideration for future research. First, while we measure internationalization depth through an entropy-based metric, it may not fully capture the multifaceted nature of global engagement. Future research could expand its dimensionality by incorporating dimensions such as the breadth of countries entered, the diversity of geographic regions, or the specific modes of market entry.

Second, although we ground our work on the SEW theoretical lens, we do not provide a direct empirical measurement of SEW dimensions and their interaction with internationalization strategies. Future work could employ qualitative or mixed methods approaches to assess how specific SEW priorities (e.g. identity vs. continuity) shape internationalization decisions and outcomes. Future studies might also investigate how governance mechanisms impact SEW priorities, such as how generational involvement moderates the relationship between SEW and internationalization (Blanzo-Mazagatos *et al.*, 2024).

Our study provides initial empirical evidence based on a recent two-year period (2019–2020). However, the long-term, dynamic nature of the internationalization–performance relationship, particularly concerning SEW outcomes, suggests that future studies could extend

the time horizon beyond this initial period to better capture the full maturation and recovery phase of the U-shaped curve, addressing this as a key limitation and research avenue. Based on the necessity to address endogeneity and the current data limitations, a key future research avenue is to extend the time series of the dataset (e.g. to 2019–2025) to enable the application of a dynamic generalized method of moments (GMM) estimator and subsequent rigorous testing of causal claims using instruments and validity tests. This approach will allow for a more robust analysis of how internationalization dynamically affects family firm performance over the long term. A key limitation is the potential for omitted variable bias. Although we included several control variables, our models may not fully account for all unobserved firm-specific, industry-specific, or institutional factors (e.g. family culture, political ties, or unobserved managerial talent) that jointly influence a firm's internationalization strategy and its performance outcomes. Future studies should strive to include a broader set of control variables or utilize more advanced econometric techniques to mitigate this bias. Finally, introducing cultural dimensions that moderate the effect of SEW on strategic behavior or replicating this study in varied cultural and economic contexts would enhance the generalizability of the findings.

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