

**Venturing beyond the backyard:
An examination of the internationalisation process of
Australian small-to-medium-sized family-owned
manufacturing enterprises**

by

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List of abbreviations

CEO	Chief Executive Officer
CIBM	Centre for Innovation, Business and Manufacturing
EMDG	Export Market Development Grant
FBA	Family Business Australia
FBA (SA)	Family Business Australia (South Australian Chapter)
FBN	Family Business Network
FFI	Family Firm Institute
FTAs	Free Trade Agreements
IT	Information Technology
JIT	Just-In-Time Manufacturing
Non-SMFE	SME that is not a family business
QA	Quality Assurance
SME	Small-to-Medium-Sized Enterprise
SMFE	Small-to-Medium-Family-Owned and Managed Enterprise
RBV	Resource-Based View
TCF	Textiles, Clothing and Footwear manufacturing sector
TQM	Total Quality Management

Abstract

In recent years, the Australian government has opened the Australian economy to the global marketplace through tariff reductions and the establishment of free trade agreements with other countries. The ability of the Australian economy to benefit from these agreements is dependent on Australian businesses identifying international opportunities and exploiting their competitive advantage in the international marketplace. However, the family business literature suggests that complexities unique to family firms limit their ability take advantage of such opportunities and grow internationally. To date, the limited empirical testing of such claims has produced conflicting results. As a consequence, little is known about the international behaviour of family firms, what influences such behaviour and what effect internationalisation has on the owning family and the business.

This study addresses this gap in the literature by using a mixed research method design. Using the quantitative analysis of small-to-medium-sized family-owned enterprises (SMFEs) contained within the most recently available longitudinal database of Australian businesses and the qualitative analysis of eight SMFEs, the internationalisation process of SMFEs in the manufacturing sector was examined.

The findings of this study suggest that, compared to their non-family counterparts, Australian SMFEs are less likely to venture into the international marketplace. Furthermore, those that do, do so to a lesser degree when compared to non-SMFEs. Although the internationalisation behaviour of most SMFEs was similar to that of traditional international firms, some exhibited ‘born-again’ global internationalisation behaviour as a result of critical events within the firm. These included succession to the next generation and the appointment of non-family managers with the requisite expertise. The internationalisation of SMFEs was dependent on their ability to configure their resources to create globally relevant capabilities, and their willingness to exploit those capabilities in the international marketplace. In addition to the family’s commitment to internationalisation, the production capabilities, international network relationships and overcoming a ‘production mindset’ to build the requisite managerial and marketing capabilities were all found to be critical to the international growth of SMFEs. An SMFE’s financial and human resources were found to have a substantial influence over their ability to build the organisational capabilities and international network relationships required for internationalisation.

Compared to solely focusing on the domestic marketplace, there were some financial benefits to be gained by SMFEs in venturing overseas. However the extent to which they did so had no observable effect on financial performance. Overall, the financial benefits gained from internationalisation were dependent on having a long-term commitment to, and possessing the managerial capabilities required for, internationalisation. The changes brought about by internationalisation improved the overall competitiveness of SMFEs, enabling them to successfully compete with their domestic and international competitors. However, internationalisation was found to place substantial strain on the family unit, particularly when the firm had limited managerial capabilities, and was often a trigger for conflict within the family and the business. The implications of this study's findings for SMFEs, policy and future research are explored in the thesis.

Statement of declaration

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text.

I give consent to this copy of my thesis being made available in the University Library.

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Christopher Graves

September, 2006

Publications from this thesis since enrolment

Journal articles (refereed)

Graves, C. & Thomas, J. (2004), Internationalisation of the family business: a longitudinal perspective, *Int. J. of Globalisation and Small Business*, Vol. 1(1), pp. 7-27.

Graves, C. & Thomas, J. (2006), Internationalisation of Australian family businesses: a managerial capabilities perspective, *Family Business Review*, Vol. 19(3), pp. 207-224.

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Thomas, J. & Graves, C. (2004), Internationalising the family firm as a demonstration of an entrepreneurial culture, Proceedings of the conference *Association for Small Business and Entrepreneurship's Annual Conference*, Albuquerque, New Mexico.

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