Family influence on internationalization: an analysis of risk acceptance

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ABSTRACT

This article aims to contribute to the literature on family business (FBs), particularly from the perspective of commitment and influence of family on the FB internationalization regarding risk acceptance. Qualitative in nature, the study involved the use of a single longitudinal case study, based on in-depth interviews, storytelling and secondary data. Primary data were collected through semi-structured personal interviews with the company's board chairman and vice-chairman, commercial director, European director and export manager; and secondary data were obtained using documental and scientific sources. It could be seen that family commitment and ownership influenced the internationalization process due to the proactivity of its European descendant founders, and particularly because in this company studied the process was initiated by a non-family member. However, family participation encourages risk acceptance, since the attachment to the family business creates an eagerness for growth. The findings corroborate the characteristics proposed by the Uppsala School, which claims that internationalization occurs in an unplanned, opportunistic manner, following sequential phases, through incremental learning and via the establishment of networks.

KEYWORDS

Family business; Risk acceptance, Internationalization; Familiness; Networking.

PALAVRAS-CHAVE

Empresas familiares; Aceitação de risco, Internacionalização; Familiness; Network.
1 Introduction

Family businesses (FBs) are considered the most common form of starting a company all over the world (Hostettler, 2017). Besides contributing significantly to global economy, they make up from around 70% to 95% of all businesses in the world (European Family Businesses, 2012). In Brazil, 79% of the FBs have shown growth over the last 12 months, compared to 65% in the world (PWC, 2014). These companies generate 60% of the jobs in the country and account for 62% of the GDP (FDC, 2017).

In the Brazilian context, however, FBs total 80% of businesses (SEBRAE, 2017), and, within the textile industry, which is the focus of this study, this number is even higher. 91% of Brazilian textile companies start as a FB (SINTEX, 2017). SINTEX (2017) ranks the state of Santa Catarina as the national leader in textile exports, totaling approximately USD 60 million in the period from January to April 2017.

For many FBs, the only way to survive in an increasingly competitive market is through internationalization (Kontinen; Ojala, 2010; Lin, 2012; Etemad, 2013). However, the difficulties faced by these companies are huge, especially after the end of the WTO Multifibre Arrangement (2017), which has exponentially increased market competitiveness and the level of risk acceptance in their decisions.

Studies of FBs are well timed, since they have been an emerging focus around the world (Schulze and Gedajlovic, 2010), although it is still an undeveloped area of research (Chua et al., 2003). In addition, current studies focus on companies from developed countries, and little is known about the internationalization of FBs in emerging countries (Ramamurti, 2009).

There is no consensus on the definition of FB, which corroborates the claim that the area is an emerging field of study. However, the definition of Mandl (2008) mentions that, in a FB, a family owns the majority of the capital and, therefore, defines its management, and the family has great influence on the property and its management.

The theoretical relevance of the study is justified by the importance of research on FBs in Brazil, as well as by providing a clearer view of the risk acceptance process and consequent family involvement in FBs.

From the practical point of view, the significance of this study is that its results serve as an opportunity for business owners to reflect on their business. It is also significant for the family involved. This study might be a useful tool for decision-making and for professionals who work in the area of international business, especially in family businesses.

Thus, it is important to stress that the risk acceptance level in FBs is different from that of non-family firms (Zahra, 2005). This fact justifies this study, keeping in mind that the company studied is not exclusively familiar, as it underwent an internationalization process in which the end of the WTO Multifibre Arrangement made it take new risks.

This article, then, aims to contribute to and broaden the knowledge about internationalization of FBs, with the main objective of identifying how family commitment and family influence affect the internationalization process of a large Brazilian FB in the textile industry, from the beginning of its international operations in the 1970s to the 2000s.

A qualitative research method was used, based on the technique of a single longitudinal case study, using semi-structured in-depth interviews and storytelling, as well as secondary data collected from institutional material and statements with the main features of the FB Karsten and the factors that affect the internationalization process of businesses.

2 The Internationalization Process of Businesses

Internationalization of FBs can be defined as an incremental and dynamic learning process in which family integration directly influences the level of the internationalization process (Hamilton, 2016). For Pukall and Calabrò, (2013) the involvement of the family is the difference when it comes to internationalization decisions.

Research on FBs has been advancing, gaining momentum and showing remarkable growth in terms of scientific production (Kontinen; Ojala, 2010; Sharma et al., 2012). The authors also reveal that family nuclei control a significant number of organizations, which reinforces the importance of these enterprises for the movement of the economy. Kontinen and Ojala (2010) state that positive factors influence internationalization, such as the long-term vision and care in decision-
making by the family. In addition, Zahra (2005) and Hamilton (2016) argue that family involvement is positively related to the FB targeting of international alliances and foreign markets, and that family ownership and involvement support internationalization, the way family members behave as good managers of their resources, considering that they are not only professionally but also emotionally involved in the organization.

Leone (2005) notes that internationally accepted is also the concept of FBs that includes three main strands: a) ownership, control of business in the hands of a family that owns or controls the majority of capital; b) management of the company, management influenced by the family, whose top places of the company are occupied by the members of the family; and c) succession process, second generation assumes the places of relatives and so on successively.

These singular characteristics of FBs, Habbershon and Williams (1999) are called familiness, a set of own resources that are the result of the presence of the family in the management of the firm and are source of long-term competitive advantage (Zellweger et al., 2010). The study by Zellweger (2010) focuses on the behavioral perspective of the Uppsala model. This perspective comes from the model developed by a group of researchers from the University of Uppsala (Sweden), who were initially interested in explaining the process by which companies internationalize their activities. The model proposed by Johanson and Wiedersheim-Paul (1975) is known as the Uppsala Model and indicates that internationalization occurs through four distinct phases, from non-regular export activities to the production abroad, through a production plant.

In the Uppsala Model, the process of internationalization is gradual and is the result of the difficulties faced by companies due to their limited knowledge about the country of destination of the investment, difficulty in obtaining information and increase in the level of uncertainty faced when operating outside their home market (Coviello, 2006). The deepening and central expansion of the Uppsala model lies in the notion of psychic distance, which is considered the sum of factors that interfere in the information flow, such as level of development of the host country, language, cultural differences (Johanson & Vahlne, 1977).

With the evolution of the global context, particularly from the 1980s onwards, new perspectives emerged as a way to fill in the gaps in the theoretical field, with emphasis on the Network Theory, an evolution of the Uppsala model. The Network Theory states that firms can skip phases of the internationalization process when they are part of a business network (Johanson & Mattson, 1988). Johanson & Vahlne (2009) updated the theory, and the concept of Outsidership, or the non-presence in relevant networks, rather than psychic distance, became the main cause of uncertainty and pace of the internationalization process.

Due to its precursor nature along this line of thought and since it incorporates cultural, psychological and competitive aspects, which help explain the challenges faced by FBs in the internationalization scenario (Cyrino et al., 2010), the behavioral approach is the base for this study.

Although the behavioral approach serves as the base of the study, in relation to the internationalization process of FBs, studies have identified, in a different and often controversial way, that FBs become internationalized in a gradual or direct more advanced way.

Claver, Rienda and Quer (2009) showed that, in the long-term view, the presence of non-family managers in the FB is positively related to the modes of entry with a greater international commitment, although self-financing problems may limit this commitment.

Lack of resources has been seen to be the reason why FBs tend to internationalize later and more slowly than non-family firms, and studies point to the fact that FBs contain intrinsic emotional aspects, leading to the prioritization of business longevity, many times called the "family business" (Revilla, 2016).

Revilla (2016) notes that FBs are slower and less likely to internationalize than non-family firms. His findings, based on data collected in companies, were confirmed by Medina and Pichardo (2017).

The conservative attitude towards risk in FBs varies in all attitudes, a fact commonly demonstrated by the high difficulty in delegating activities and high retention of power, as Revilla (2016) concludes. In addition, the author mentions that it is possible to expect family businesses to show and mention such conservatism when faced with the risk of bankruptcy.
Hamilton (2016) mentions that when the family controls the majority of shares, there is greater risk aversion, the geographic scope is smaller and the family does not want to lose control of the business, making the internationalization process exponentially time-consuming; however, when the family has fewer shares, there is less risk aversion and the international process advances with greater speed. Risk appears to be one of the main blockers or barriers for a FB to develop new businesses, as Medina and Pichardo (2017) corroborate, especially when family ownership of shares is greater (Hamilton, 2016; Revilla, 2016).

FB ownership has a special meaning because it involves a strong "personal" or "sentimental" appeal. Family owners are aware that ownership does not only encompass social and cultural capital, but also people, products, responsibilities of personal commitment to the enterprise as well as to the community (Graves; Thomas, 2006). FB ownership is an ownership built and developed by the family over several generations and this implies an automatic and constant evaluation of managers' actions and decision-making processes (Mandl, 2008).

Most studies use a minimum percentage of ownership in combination with the requirement of at least one family member in a management position in the firm as the defining characteristics of a family business (Graves; 2006, Claver; Rienda; Quer, 2008; Abdellatif; Amann; Jaussaud, 2010; Revilla, 2016).

3 Method

Research focus and procedures involved a singular case study, with a longitudinal standpoint to better capture the dynamics of the company over time (Pettigrew, 1990), giving an understanding of the phenomenon as a whole and its complexity (Yin, 2010). The approach is qualitative in nature (Creswell, 2010), of exploratory and descriptive type. Storytelling strategy was also used, including narration by subjects and gathering of supporting secondary data to identify the experiences experienced by the precursors of the internationalization process (Weick, 1973).

The relevance of the company chosen is justified due to its trajectory. With more than 135 years of operation, the company is one of the largest firms in the linen industry in Brazil, being considered one of the first Brazilian exporting companies, currently present in more than 20 countries.

Secondary data were collected on institutional material, balance sheets and websites, resulting in a detailed data analysis for preparing the interviews, as well as providing additional data for the discussions and analysis of primary data. Primary data were collected through semi-structured interviews (Yin, 2010), which were recorded in the first half of 2015, at Karsten's headquarters in Blumenau (SC), and then transcribed. Interviews were with the Chairman and Vice-Chairman of the Board, the Commercial Director, the Export Manager, who started the international process, and with the former Director of the company in Germany, who began the process of internationalization in Europe, totaling 5 people and 4h45m of recorded audio. Table 1 presents the list of people interviewed, their position and duration of interviews.

<table>
<thead>
<tr>
<th>Name of Interviewees</th>
<th>Position</th>
<th>Abreviation of Position</th>
<th>Total Time (Approx.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>João Karsten Neto</td>
<td>Chairman of Board</td>
<td>KARSTENPRES</td>
<td></td>
</tr>
<tr>
<td>Carlos Odebrecht</td>
<td>Vice-Chairman of Board</td>
<td>KARSTENVICE</td>
<td></td>
</tr>
<tr>
<td>Alwin Rauh Neto</td>
<td>Commercial Director</td>
<td>KARSTENDIR</td>
<td>0:45m</td>
</tr>
<tr>
<td>José De Pin Schwarzen</td>
<td>Export Manager</td>
<td>KARSTENEXP</td>
<td></td>
</tr>
<tr>
<td>Wilhelm</td>
<td>European Director</td>
<td>KARSTENINT</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey data.

Table 2 presents family members and family history of Karsten, important points in this study, considering the presence of commitment and level of participation of the family, which has always been involved in decision-making processes of the company.

<table>
<thead>
<tr>
<th>Name</th>
<th>Family Generations</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johann Karsten</td>
<td>Founder (1839-1918)</td>
<td>1st generation</td>
</tr>
<tr>
<td>João Karsten</td>
<td>Founder’s Son</td>
<td>2nd generation</td>
</tr>
</tbody>
</table>

3.1 Internationalization Process of the Company Karsten S.A.: the case

The company KARSTEN S/A was founded in 1882, by the German immigrant Johann Karsten. It is located in Blumenau (SC), has been in operation for more than 135 years, manufacturing home textiles. "The family has always been at the forefront of business and this commitment has been present in everything, from accompanying international visits and participating in international fairs to searching for new technologies and partnerships, and this was a singularity that enabled the company to be at the top and to become internationally recognized" (KARSTENEXP).

In 1940, the company began to import looms seeking innovation as a competitive feature of its brand. The 1970s marked the beginning of operations with exports to South Africa, and the 1990s marked the peak of exports with the opening of three sales subsidiaries abroad. However, in the early 2000s, textile companies faced changes in the international trade rules. From 1974 to the end of the Uruguay Round of GATT (General Agreement on Trades and Tariffs) in 1994, trade in textiles was governed by the Multi-Fiber Arrangement (MFA). This agreement established quotas by which imports were limited in countries where the rapid increase of such imports represented a serious injury to the domestic industry. However, these rules went against the GATT system, which privileged tariffs rather than quantitative restrictions.

In 1995, the Multifibre Arrangement was replaced by the Agreement on Textiles and Clothing (ATC), which has been incorporated into the World Trade Organization. The agreement provided for a transition period (1995 to 2004) to a free market, with gradual reduction of trade barriers and their total extinction by January 2005 (Seyoum, 2007; WTO, 2017).

The end of this agreement favored countries such as China and India, which did not have openness in certain markets, even though they were highly competitive in the textile sector. With increased competition, Karsten consequently lost considerable market share in its largest markets, the US and the European Union.

Since 2007, the company has been experiencing a decrease in revenues from the foreign market. In that year, it ended operations of its sales subsidiaries in Europe and, in 2008, in the United States. Between 2007 and 2009, gross external revenue fell by 47%.
In 2010, the company acquired the Brazilian company Trussardi, driving its focus to higher income public. In 2015, the company underwent a financial restructuring and the family decided to split the company's shares with another family. Part of the company was bought by the Dudalina family.

Table 4 lists the evolution of Karsten's internationalization process and the timeline from the 1970s to 2016, based on interviews and secondary sources, structured to provide an understanding of the company's international trajectory.

### Table 4. Evolution of Internationalization

<table>
<thead>
<tr>
<th>International Process</th>
<th>Evolution of Internationalization (timeline in decades)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970s</td>
<td>Beginning of Foreign Market Operations</td>
</tr>
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</table>
| 1971: 1st exports to South Africa. | The Export Manager (José De Pin) contacts Buyers and Importers from South Africa during a visit to Blumenau (SC). Karsten was one of the first textile companies in the region to enter the export market, according to the Export Manager: "[...]
| 1972/1973            | The first export operation took place with orders totaling US$ 1 million for exclusive products (curtains). Soon after, businesses started in the Canadian market. In that same year the company opened its capital. According to the European Director, in the early 1970s the German authorities authorized the trade agreement and reduced tariffs also for imports from Brazil. The international purchasing agent from Germany and Austria, Süllwold and Resch GMBH (S&R), made the first contacts with Brazilian companies at Expo Brasil (Brussels and Berlin), becoming the commercial representative of a few Brazilian companies. |
| 1974                 | Gudar Karsten (4th generation, son of Walter, CEO), who returns from his studies in Switzerland, began to lead the export department, taking care of marketing, product development and seeking trade agreements. The great-grandson of the founder, Carlos Odbeckweven (4th generation, son of Edeltuddrau), who developed the technical area, also returned from Europe. The family invested in state-of-the-art technology, importing machinery that enabled a great differential and made the company reach the foreign market with innovative products. |
| 1975: Start of exports to Europe | Europe's first orders came in, and following the visit to the Heimatex fair, the largest customers, catalogs and department stores were visited to strengthen partnerships already established. At the beginning of this same decade, German authorities authorized the WTO arrangement (WTO agreement for free trade and tariff reduction) for imports from Brazil. Larger import quotas were authorized for Brazil, motivating companies to export. The Brazilian authorities implemented an |

Source: Elaborated by authors (2017).

In the 80's, the centenary of the company marked the beginning of sales to Mercosur countries and the company ranked first place in exports of textile products.

<table>
<thead>
<tr>
<th>1980s</th>
<th>The centennial marked a new era of expansion.</th>
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<tbody>
<tr>
<td>1982: 100 years of history (1882-1982).</td>
<td>It was the exclusive owner of the Walt Disney license, occupying the first place in the Brazilian exports of textiles for tablecloths. It served the European Common Market, Scandinavia, the United States, Australia, New Zealand and South America, totaling 25 countries, buyers of 40% of its production (Karsten, 1982). It invested in modern air-jet looms, one flat and one cylinder-stamping machine, new processing machines. It reached a monthly production of 1,250 linear meters (2,000.00 units). Through constant exchange with the world's leading workshops, the company was also well informed about new trends in patterns and colors, and it had a modern CAD/CAM department. The Vice-Chairman emphasizes that the investment of a textile industry is capital intensive and that the family has always been at the forefront of business, applying its own capital to maintain the plant with up-to-date technological expertise and qualified people in all areas. &quot;Today it is different, the company that is not able to adapt to the market and does not have flexibility, does not survive, it is Darwin's theory of evolution already&quot; (KARSTENVICE).</td>
</tr>
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<table>
<thead>
<tr>
<th>1990s</th>
<th>Export Sales Peak and Opening of Sales Subsidiaries Abroad</th>
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<tbody>
<tr>
<td>1990s</td>
<td>The 1990s marked the peak of exports and of the internationalization process. The company was exporting to more than 45 countries and the export volumes reached of 50 to 60% of turnover. Karsten was the leader of Brazilian exports of tablecloths, with 70% of total and total with 23% of total. Of the total linen products exported, 27% were from Karsten. It was also one of the largest manufacturers of Christmas tablecloths in the world, offering a range of designs and sizes (Karsten, 2006). This decade is marked as the most international phase. The company opened three subsidiaries, the first in the United States, in New York (1996); next in Argentina, in Buenos Aires (1997); and in Germany, in the city of Dusseldorf (1998), to promote a stronger presence and the name Karsten in its markets abroad. Also, according to the European Director, Karsten achieved in Europe a special position among the usual import suppliers with its exclusive Walt Disney products. &quot;The decision about taking the risks of the rapid renewal of production plant was right and, besides, it placed Karsten among the most successful exporters. With innovative products, better prices were achieved, which otherwise would not have been achieved in this business. The profits expected by the exporter in these areas were not easy to achieve&quot; (KARSTENINT). A highly qualified team in international sales made the difference in the negotiations and was supported by the Karsten family.</td>
</tr>
</tbody>
</table>
The year of 1998 marked another big step for Karsten, when the European subsidiary was established in Dusseldorf, Germany.

1998 Opening of Karsten Europe GmbH
Karsten decided to establish a Subsidiary in Europe (Düsseldorf-Germany) to be closer to its market. Another reason for choosing Germany was the cultural proximity, language and the distribution logistics present in this market to serve the European Union. Karsten Europe had a warehouse in Bremen, Germany, for the distribution of exclusive licensed products (Disney, Warner Bros., F-1, Towels Marina K.) among others. This experiential process had already been tried previously with the opening of the Subsidiaries in the United States (1996) and Argentina (1997). In this same decade, more than 50% of the production were export-driven and Karsten products were exported to more than 40 countries, mainly to the United States and Europe (especially Germany). The Export Manager of Brazil (Waldir Goede) was expatriated in 1998 to Germany to continue the process in this new phase of Internationalization, later becoming the Manager of Karsten Europa GmbH, transferred from Düsseldorf to Krefeld (NRW) between 2002-2006.

1990-2000: Exports (volume)
Thus, the internationalization process phase of utmost relevance took place in the 1990s. Below, see export volumes in US$, as well as the export coefficient in percentages: the data below prove the high representative export indices, varying from US$ 41 million in 1990 to the peak of US$ 59 million in 1995. Turnover at that time reached historical records (US$ 1,000 FOB).

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<tbody>
<tr>
<td>US$</td>
<td>41.3</td>
<td>48.7</td>
<td>48.9</td>
<td>45.3</td>
<td>55.3</td>
<td>55.4</td>
<td>56.8</td>
<td>56.8</td>
<td>55.2</td>
<td>43.7</td>
<td>45.4</td>
</tr>
<tr>
<td>%</td>
<td>44%</td>
<td>66%</td>
<td>75%</td>
<td>56%</td>
<td>57%</td>
<td>53%</td>
<td>55%</td>
<td>51%</td>
<td>54%</td>
<td>49%</td>
<td>45%</td>
</tr>
</tbody>
</table>

The European Director, commenting on the family involvement in the business, stressed: "An essential part for the success in the structure of international trade was that of the Karsten family, seeking cooperation with partners in Europe and in the USA which culminated in a sustainable, exclusive and continuous business. My opinion is that, in all international connections with producer companies, Karsten has played by far a positive, superior role. The partnership relation with family owners and key employees, mutual understanding of the needs of others has led to extraordinary success" (KARSTENINT). In the speech of the Commercial Director: "...two entrepreneurs of the family, two the directors of the 4th generation, who had both recently returned from their studies in Europe, Gunnar Karsten (Walter’s son), who had a clear vision of the external market and which ways to follow, led the company to its great uniqueness, to the point of being the largest Brazilian exporter of home textile products. Carlos Odebrecht (great-grandson of the founder), in turn, had a technical vision and was very fond of innovation. Together they made a good pair that worked and took the company to a level of excellence in the 90’s. Karsten was already a big company, but with this 60% export volume, it was perhaps the largest Brazilian export-oriented company at the time” (KARSTENDIR).

2000s

2000-2006
As a result, prices were no longer competitive, with Karsten progressively losing market share in its two largest markets, the US and the European Union. According to the Chairman of the Board (John Karsten Neto), in the US (North/South Carolina), all textile firms went bankrupt, and today there are only nine global players that hold 90% of the North-American market.

"Karsten’s internationalization brought it to a worldwide vision, which has sustained the company in the forefront of trends and technologies, but today, with the lack of long-term vision of the government, unfavorable exchange rates, the so-called cost Brazil among other barriers, plus the entry of competitive products from China, India, Pakistan, the reality is different. Even these countries currently also use all the new technologies, which hampers our international competition" (KARSTENPRES).

2005/6
The two directors (Carlos Odebrecht and João Karsten Neto) remained in charge until September 2006, when the professionalization process ends, and the members of the controlling family become members of the board of directors, guiding the general policies and guidelines of the company.

2001-2007
Turnover and exportation
In a retrospective of Karsten’s foreign sales, while 2001 sales were still US$44,734,000, in 2002 it reached US$ 45,634,000 due to the devaluation of the Real against the US dollar and the increase in the physical volume of production. Until 2004, more than half of the company’s revenues came from the foreign market. In 2005, however, the percentage of foreign sales fell to 46%, in 2006 to 38%, and in 2007, 5%. Currently (2014), this percentage is around 5/10%, basically exporting to MERCOSUR, the US and the EU.

2014
Family Holding
Karsten opened its capital in 1971 and has maintains a policy of dividend-sharing, organizing the family holding company. According to the President: "[...] in October 2014, 25% of its capital was sold to the AMAR group, created by the former partner of Duodalia, with an investment of Rs 40 million. The Karsten family remains with 99% of the capital, and the remaining shares are in the market, since the company is listed on Bovespa” (KARSTENPRES). Throughout all generations, from the foundation in 1882 to the present (2014 - 4th generation), the family has been present in the management and Board. During the interviews, it was clear that the entrepreneurial and long-term vision of investing in the foreign market has been in the DNA of the family. Acquiring new technologies and making partnerships has brought competitiveness and a superior development standard, noticeable even in the domestic market.

Two major events must be considered in addition to those listed in the narrative above. In the
years 2007 and 2008, the sales subsidiaries in Europe and also in the US were closed. A setback in the ever-increasing growth experienced. In addition, during the period from 2010 to 2016, Latin America became the main external market, where before Europe represented the most expressive share of the company's exports.

Karsten's internationalization began with irregular exports, through agents/distributors, and later, it was strengthened by the opening of sales subsidiaries. This process has enabled managerial and operational experience, expanding the networks established over the decades, among suppliers, customers, etc., and which have served to promote a joint and lasting learning, corroborating what Johanson & Vahle (2009) mention in their study as common in the internationalization process.

An outsider began the internationalization process, but there was family involvement in all business phases throughout the company’s timeline. As shown in Table 4, the first export took place in 1971, with the subsequent opening of the European market as early as 1975. These data reveal a case of continuous search for expansion, although the scenario in Brazil at the time was still protected by the quota system of WTO. Although founded in 1882, the first export took place in 1971, evidencing a period of 89 years until the first sign of the internationalization process.

For the European Director (W. Schwarzien): "[... the company was always led by family members, older members were accustomed to pass over resources and management to the next generations to multiply them. This meant avoiding high risks and fast decisions for expanding international initiatives" (KARSTENINT). This approach evidences a deep-rooted presence of familiness (Zellweger, 2010), and the desire to perpetuate the company's attitudes in order to avoid high risks, as revealed in the Director's own words which point to risk aversion, considering that the decisions reflected a risk controlled by protection of the quota agreement.

Table 5 shows Karsten's ownership and family involvement structure. It shows, particularly, the generations involved beyond the points of long-term vision and relationship networks.

In this scenario, it is important to note the constant presence of the family generations in charge of the company.

4 Analysis

Among the reported periods, two milestones were mentioned, namely, sales booming in exports and expansion through the opening of overseas sales subsidiaries during the 1990s (more precisely at the peak of 1995, where revenue reaches a record mark of US$ 59 million) and the loss of this achievement in the 2000s, after the changes to the WTO rules and loss of international market share.

In this scenario, it is important to consider the longitudinal analysis, which shows more than two decades of continual growth in Karsten's exports, starting in 1971 and lasting for more than 25 years, until the sudden change in the international market and at the same time, the introduction of the plan Real in Brazil, equating the value of the domestic currency with the US dollar, a fact that also contributed to the decline of Karsten's insertion in the international market.

The family, during that period, decided for retracting, eliminating risk. It is imperative to analyze that the strategy was rapidly changed in order to lessen the financial implications of continuing to invest and innovate, in a free market including Asian competition. The decision then was to focus on the internal market.

At all times, both those of high international competitiveness and at the company's fall, the "owner's eyes" were present in the business management. This shows the well-rooted presence of familiness in the studied company.

Since the family was the owner, the decisions were faster "[...] The owners themselves, who are at the forefront of the business, struggle to maintain their own capital, it is their investment, their history, decisions are made faster, and difficulties are also faced in a stricter and faster manner" (KARSTENDIR).

Table 5. Karsten Family Ownership and Commitment

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Family Ownership</th>
<th>Family Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family percentage of shares</td>
<td>50% of shares</td>
<td>X</td>
</tr>
<tr>
<td>(since October 2014)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Active Members (management/board)</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Family Holding</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Current Generation</td>
<td>4ª e 5ª</td>
<td></td>
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<tr>
<td>Resources</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Family Influence on</td>
<td>Since its foundation</td>
<td>Agile decisions,</td>
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However, although decisions were rapidly made in the company, justified by the directors themselves since it was a family business, it is important to mention that, on the one hand, family participation influenced the internationalization process, especially in decision-making and, at their best moment, also with support and investment in the process.

On the other hand, when the first problems of strong competition began to surface and the internal market reacted back to consumption, the company quickly left the foreign market. The problem of lack of competitiveness to face the end of the protection offered by the quota agreement presents evidence that risk acceptance is linked to family commitment and ownership, that is, the sense of familiness makes the family move back and retract from foreign investment and protect their capital in the internal market, corroborating the studies by Kontinen and Ojala (2010), Hamilton (2016) and Revilla (2016) when they approach the sense of shrinking when faced by risk to protect resources and the company, influenced to a large extent by the emotional attachment to the business.

This retraction when faced with risk is crucial in the analysis of commitment and risk in FBs, as discussed in the theoretical analysis of this article. The studies of Ojala (2010), Hamilton (2016) and Revilla (2016) corroborate these points. It is, however, important to mention the end of the agreement that protected this FB and, consequently, a highly prone environment for accommodation and risk aversion.

Several operational changes, including the expansion to three shifts were made in the period in which the company held international market share and increasing operations. However, the aggressive attitude and high investment in the international market up to 2005 can be explained by the fact that the company was protected under a quota regime that favored it to decide for bolder actions. As discussed above, the quota regime is again seen as a protection or strong risk reduction by which the company also anchored to be competitive.

After the end of the quotas, the company closed its operations in the international market, returned its efforts to the domestic market, reducing the risk and the cost of international operations. Of the 70% of sales in exports at the peak of international performance, in 2016 exports represented only 8% of the company's sales, a giant and significant change.

Although the company was internationalized and had a bold stance, this attitude towards the competitiveness of the external market reflects and infers conservatism and self-protection, risk aversion in a FB that was previously very active in the international market

5 Conclusion

It is evident, at the end of this work, that, in the case analyzed, the family participated actively in the internationalization process. On the other hand, it was also observed that in this FB, where family members are involved in management, there is risk aversion seeking a more controlled and reduced risk in the internationalization process.

At the best momentum of the internationalization process, this FB came to operate with a sales subsidiary in the international market, but with the increase in risk in the foreign market after the end of the quotas, the company began to export only, with a reduced geographic scope, in a number of smaller countries and only to nearby countries.

It is possible to infer from the results that when the family owns the majority of the shares, there is a greater risk aversion and the geographic scope is smaller, thus reducing the chances of losing control of the business, making the internationalization process considerably slow.

The attitudes and, above all, the directions taken in FBs, do not share the same procedure of non-family companies, especially in their attitude towards international risk. Revilla (2016). This study corroborates this, studying a FB with deep family commitment, since its foundation, presenting a stance averse to risk in its international action.

In addition, the study shows that family involvement and family ownership were relevant to creating international relationships and acting gradually and rapidly in the process of internationalization, both in international expansion and in redirecting decisions to the internal market.

Although the presented case has its importance in the presentation of the facts, the identified effects cannot be generalized to all the FBs, not even for those of the exclusives of the

This qualitative study served as a contribution to how and why the family influences the internationalization process of the company. However, from this study, a quantitative study could contribute to confirm the factors analyzed herein, that is, identify the importance of family in relation decision-making speed, commitment and risk in the process of internationalization.

6 Implications and Recommendations for Future Research

Most studies on corporate internationalization are in developed countries, whose institutional environment is different from the reality of emerging economies, as it is the case in Brazil. This study, besides presenting a critical moment of an emerging country in the export of textiles, shows how internationalization can be affected by institutional decisions.

Empirically, this case study serves as an example of the need for companies in emerging countries to innovate continuously, regardless of institutional protection. The discontinuity of presence in the international market implies not only in the reduction of international competitiveness, but also impacts on the image of the company in the domestic market.

Thus, this work contributes to the theory in order to identify whether the speed of decision making in family companies affects internationalization, whenever there is a form of protection of the investment, and, consequently of the resources of the family.

This study has limitations and draws attention to points that require future research. Among them, we suggest a research within FBs addressing the peculiar characteristics of family business governance compared to corporate governance, deriving from the unification of ownership and control (Aronoff and Ward, 1996; Carney, 2005). How these characteristics affect the perception of environmental pressures, as well as the formation of environmental values and the adoption of quality practices in a particular context are also relevant points, since in this study case there is a change in the environment (extinction of the quota agreement), strongly impacting a FB.

Several studies suggest that firms can modify their business behavior by trying to adapt to a competitive environment. The risk of failure, in particular, can have a substantial influence on the propensity of FBs to engage in adapting changes (Miller & Chen, 2004). Further research can build on this evidence to gain a more refined view of the consequences on FBs of the relationship between family involvement and business failure, especially in emerging markets and internationalized companies.

References


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