IDEA GROUP PUBLISHING

ITB12991

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This paper appears in the publication, *Utilizing Information Technology in Developing Strategic Alliances Among Organizations*
edited by Salustiano Martinez-Fiero, Jose-Aurelio Medina-Garrido, Jose Ruiz-Navarro

Chapter VIII

The Role of IT in Family Firm Internationalization through Strategic Alliances

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Abstract

In this chapter we analyze the potential impact of information technology (IT) on the internationalization processes of family firms via cooperation agreements. With this in mind, we address the main research questions concerning the management of family firms and internationalization processes via strategic alliances. Subsequently, we carry out an analysis to determine IT's impact on family firms' internationalization processes. Our conclusions and the future trends that we observe suggest that family firms should undertake a series of internal adjustments in order to exploit, with more possibility of success, the changes resulting from the technological integration processes that can be expected in the near future.

Introduction

Until recently the family firm as an object of research did not spark much interest in the scientific community. However, the growing awareness of the enormous importance of these firms in the economic structures of most developed countries[1] both in terms of wealth generation and employment; their role as one of the main agents of the economy at the national and international level (Klein, 2000; Morck & Yeung, 2003; Shanker & Astrachan, 1996); as well as the existence of certain specific idiosyncratic characteristics of these firms that require attention and study to understand their existence; and how they are configured and operated, has led to a growing understanding of the need for research into family firms.[2]

As a consequence, research on family firms has grown significantly in recent years,[3] focusing on an analysis of the differentiating characteristics of these firms, their strengths and weaknesses, and the unique property deriving from the superimposition of the firm management and family systems.[4]

These strengths and weaknesses influence these firms' strategic orientations (Harris, Martínez, & Ward, 1994). Among the various growth strategies available, internationalization is an option that is becoming more important due to the globalization of markets and the convergence in consumers' tastes, both favored by the possibilities offered by the appearance, diffusion, and generalization of information and communication technologies among businesses.

The geographic diversification of family firms' markets takes on different characteristics compared to non-family firms, since the reasons why these firms implement internationalization processes, as well as how they go about it, may be affected by their particular characteristics.

The option to internationalize the firm through strategic alliances tends to be regarded as the best way of initiating a cooperation process, since it can increase the speed of entry into new markets, and the firm has to make lower and less risky investments, cutting the transaction costs and facilitating access to resources and capabilities that would be more difficult to obtain in the market. However, there may be problems of cultural compatibility between the international partners, which are heightened by the family or non-family nature of the firms.

Internationalization is difficult in and of itself, but we should also consider the potential difficulties deriving from choosing cooperation as the way to achieve it, bearing in mind the influence that the family has in the firm—both in the decision to internationalize and in the choice of how to carry this strategy out. In any case, both in the decision to internationalize and to cooperate, IT can play a key role, either by reducing production or transaction costs, or as a medium through which to access valuable and rare resources that are not readily transferable in the market.