



Foreign market exit in family firms: Do historical military and cultural frictions matter?

Sihong Wu^a, Francesco Chirico^{b,c}, Di Fan^d, Jiayan Ding^{e,*}, Yiyi Su^{e,*}

^a Business School, University of Auckland, New Zealand

^b Macquarie Business School, Macquarie University, NSW 2109, Sydney, Australia

^c Jonkoping International Business School – Jonkoping University, Centre for Family Entrepreneurship and Ownership (CeFEO), Jonkping, Sweden

^d School of Management, RMIT University, Melbourne, Australia

^e School of Economics and Management, Tongji University 200092, Shanghai, China

ARTICLE INFO

Keywords:

Historical military friction
Cultural friction
Foreign market exit
Family management
Family generation
Family firms

ABSTRACT

In a fast-changing world, strategic decisions to exit a foreign market become more complex for family firms, owing to their vulnerability to uncertainty in internationalization. However, there is scant research on family firms' foreign market exit with respect to their responses to contextual influences from home and host countries. This study reconciles the socioemotional wealth (SEW) perspective and the friction lens to address this gap. Using a sample of 1,455 subsidiaries established by 413 Chinese family firms in 2009–2018, we find that historical military friction increases family firms' foreign market exit, while cultural friction leads to a lower exit propensity. We also find that family management reinforces the friction-exit relationships, and this effect is strengthened when the family firm is controlled by the first generation. Our theory and related findings deepen our understanding of the foreign market exit decision of family firms while offering important theoretical and managerial implications.

1. Introduction

The past two decades have witnessed a significant change in the globalization trend of an increasingly fragmented world filled with global frictions (Calabrò et al., 2022; Nguyen, Larimo, & Ghauri, 2022; Ripsman, 2021), which have impacted firms' strategic agilities and operations (Bernini, Du, & Love, 2016; Surdu et al., 2018), especially in developing countries (Nyamrunda & Freeman, 2021; Wu, Huang, Fan, Li, & Su, 2023). Among all challenges posed by global frictions, foreign market exit – defined as the cessation of the operation of a foreign subsidiary by the parent firm (Bernini et al., 2016; Mata & Freitas, 2012) – is, perhaps, the hardest strategic response (Dai, Eden, & Beamish, 2013). In particular, uncertainties impose more compounded challenges on family firms – the most common organization form worldwide (Arregle et al., 2021) – given the high value they place to the non-financial aspects of the firm, for instance in terms of non-financial goals, binding social ties, and preservation of the family heritage (or socioemotional wealth, SEW; Cesinger et al., 2016; Chirico et al., 2020; Kraus et al., 2016).

Existing literature has recorded a growing number of studies on

family firm internationalization (see e.g., Arregle et al., 2021; Calabrò, Campopiano, & Basco, 2017; Chang et al., 2014; Debellis, Torchia, Quarato, & Calabrò, 2022). Despite the knowledge generated, pressing research needs have arisen for integrating family business and international business (IB) perspectives to explain the heterogeneity of family firms in affecting their responses to home-host country differences, relationships and tensions (Arregle, Hitt, & Mari, 2019; De Massis et al., 2018; Miroshnychenko et al., 2023). As King et al. (2022) emphasize, family firms' restructuring strategies are likely to depend on under-investigated, externally related variables. In particular, predicting the odds of foreign market exit is a salient yet underexplored question in family business research (Arregle et al., 2021; Debellis et al., 2021; Kano et al., 2021). Arregle et al. (2021:1188–1189) point out, with few exceptions (Kim, Hoskisson, & Zyung, 2019), “[r]esearch on exit or de-internationalization is...absent”, while representing a “promising topic [linked to family firm growth and survival], which is becoming ever more important considering today’s environment” and global tensions. While this theoretical puzzle is of great interest for academic research, it is also of great economic and practical relevance, because family firms contribute substantially to the GDP of any nation, including

* Corresponding authors.

E-mail addresses: jiayanding@tongji.edu.cn (J. Ding), suyiyi@tongji.edu.cn (Y. Su).

<https://doi.org/10.1016/j.jwb.2023.101504>

Received 20 November 2021; Received in revised form 20 August 2023; Accepted 27 September 2023

1090-9516/© 2023 The Authors. Published by Elsevier Inc. This is an open access article under the CC BY license (<http://creativecommons.org/licenses/by/4.0/>).

in developing countries (Arregle et al., 2021; Chen, Xiao, & Zhao, 2021; Sharma & Chua, 2013).

To address this knowledge gap, this study embraces the SEW perspective (in family business research) and the friction lens (in the IB field) to examine the influence of frictions on family firms' foreign market exits. Unlike the traditional "distance" approach that looks at the static home-host country differences to predict market entry decisions, a friction lens reveals firm-country interactions in the post-entry phase in relation to actors "who are engaged in an ongoing exchange that consists of a chain of responses and counterresponses" (Shenkar et al., 2008: 911). Luo and Shenkar (2011) identify a friction as the extent to which entities resist or rub against each other in actual interactions. We identified *historical military friction* (i.e., frictions between MNEs and host country constituencies due to historical conflicts between two countries) from a historical view, and *cultural friction* (i.e., frictions between MNEs and host-country constituencies due to the cultural differences between two countries) from a contemporary view (e.g., Li et al., 2020; Luo & Shenkar, 2011; Shenkar et al., 2008), as antecedents to family firms' foreign market exit. Considering that the strength of SEW and its preservation are determined by the degree of family governance and control (Karaevli & Yurtoglu, 2021), we also incorporate family management (the percentages of family members in the TMT) and the generation in control (the family generation owning the business) (Sciascia et al., 2013; Westhead & Howorth, 2006) to examine the friction-foreign market exit relationships in family firms.

We test our predictions using a multi-level dataset of 1,455 foreign subsidiaries of 413 Chinese family firms from 2009 to 2018. Our study makes important contributions. First, it advances our understanding of family firms' foreign market exit while filling an important research lacuna in family firm internationalization (Arregle et al., 2021; Kano & Verbeke, 2018). Second, by incorporating a temporal perspective to test the impacts of historical military and cultural frictions, from historical and contemporary views, on family firms' foreign market exit, this study enriches current research on family firm internationalization and responds to multiple calls for assessing how frictions affect firms' international strategies (Nguyen et al., 2022; Singh et al., 2019) and the role of the external context (Calabrò et al., 2022; King et al., 2022). Third, our study incorporates aspects of family firm heterogeneity, in terms of frictions, family management and family generation in control, which help advancing our understanding of family firms' diversity in international decisions (Arregle et al., 2021; De Massis et al., 2018).

2. Theoretical framework and hypothesis development

2.1. Socioemotional wealth, frictions and family firms' foreign market exit

The mainstream of family business research has relied on the SEW perspective to explain, among other aspects, family firms' international behaviours and strategies (Arregle et al., 2021; Gómez-Mejía et al., 2010). SEW refers to "the nonfinancial aspects of the firm that meet the family's affective needs, such as identity, the ability to exercise family influence, and the perpetuation of the family dynasty" (Gómez-Mejía et al., 2007: 106). It is a perspective of great explanatory power for family firm outcomes, comprising elements such as family control, identity, binding social ties, emotional attachment, and renewal of family bonds (Berrone et al., 2012). The family-centric behavioural agency model-related literature has embraced the concepts of loss aversion and risk avoidance and argued that a nonfinancial form of wealth – SEW – represents an important endowment that family firms intend to protect, even if its preservation may result in suboptimal decisions from an economic perspective (Gómez-Mejía et al., 2011; Hoskisson et al., 2017). This theoretical assumption has been often used to explain family firms' comparatively lower internationalization propensity (Arregle et al., 2021). In particular, internationalization decisions become particularly challenging when related to family firms'

foreign market exit (Chirico et al., 2020; Kim et al., 2019), which is the focus of our study.

To explore family firms' foreign market exit decisions, we rely on the SEW perspective and link it to the friction lens. The friction lens was first proposed by Shenkar, Luo and Yeheskel (2008) to supplement the disadvantages of using the "distance" approach in examining the impacts of cross-country differences on MNEs' post-entry activities. Frictions may facilitate or restrict firm internationalization (e.g., Koch et al., 2016; Nguyen et al., 2022; Singh et al., 2019). Unlike the distance approach that is often used to predict MNEs' market entry decisions considering static home-host country differences, the friction lens suggests that "distance may not transform into a clash, or yield any meaningful interaction effect, negative or positive, until organizations truly engage in a cross-border exchange" (Luo & Shenkar, 2011: 2)¹. We focus on historical military friction (based on a historical view) and cultural friction (based on a contemporary view) (Li et al., 2020; Luo & Shenkar, 2011; Shenkar et al., 2008) to examine the impact of cross-country frictions on family firm's foreign market exit.

2.2. Historical military friction and family firms' foreign market exit

Historical military friction arises when firm-country interaction activities are affected by past military tensions and armed conflicts between home and host countries. Although existing studies examine the antecedents for firms entering countries with military conflicts, such as to gain access to country-specific assets (e.g., Gao et al., 2018), to increase market power or exploit synergies (e.g., Li et al., 2020), or to compete in challenging environments for profiting from uncertainties (e.g., Chen, 2017), less is known about the influence of frictions generated after the firm's interactions with the host country (Arikan & Shenkar, 2013). In this study, we suggest that historical military friction affects family firms' international decision-making, acting as a drag that hinders firms' engagement in cross-border exchange activities and market adaptation. Indeed, due to historical conflicts, "considerable animosity, hatred and prejudice are imprinted" (Bar-Tal, 2000: 355); such imprints lead family firms to "turn from simple competition to threat" (Arikan & Shenkar, 2013: 1517).

Because family firms emphasize the preservation of SEW in their decision-making (Berrone et al., 2012; Calabrò et al., 2018), relational conflicts, as a result of historical military friction, are likely to increase their foreign market exit. Such friction reduces firms' trust vis-à-vis host-country partners, preventing them from increasing commitments to the host country (Kano & Verbeke, 2018). A historical military friction is also likely to increase the transaction costs for family firms to process information gathering (e.g., Arikan & Shenkar, 2013). MNEs must spend additional efforts to maintain a higher level of responsiveness and flexibility to operate in a hostile environment and foster normative legitimacy in host countries (Gao et al., 2018; Wu & Fan, 2023), which may dilute the family's SEW of the foreign investment. As an illustrative example, two Chinese family firms in the bike-sharing industry – Ofo and Mobike – withdrew from the French market, one of the historic birthplaces of the bicycle, in 2018 (Financial Times, 2018). Apart from vandalism and theft (The Guardian, 2018), as reported by the media, some important reasons that contributed to the exit included historical military frictions and tensions (e.g., the Sino-French War, 1884–1885; the Siege of the International Legations in 1900; the military attacks and disputes in the 1950s and 1960s) that had left scars upon people's

¹ According to Shenkar, Luo and Yeheskel (2008: 918), frictions indeed arise in the "actual contact between parties", and they are not the results of the perceived possibility of conflicts but are caused by the firms' actual encounter in a foreign environment (i.e., post-entry). That is, without "one another in real contact or interactions over the course of international business activities or transactions" in the post-entry phase, frictions do not occur (Luo & Shenkar, 2011: 2).

memory (e.g., Bastid-Bruguière, 2008; Heaver, 2014). Similarly, Arikan and Shenkar (2013) suggest that when Chinese firms (mainly family-based) cooperated with Japanese firms in operating in Russia, they evaluated market-expansion risks based on historical conflicts between the countries and the related existence of hostility. Overall, although historical military friction may be concealed well when both countries experience munificent economic interactions, dark memories often rise from the ashes. Considering the potential threats of a potential SEW loss, we thus suggest that historical military friction restricts family firms' internationalization and thus increases the likelihood of foreign market exit. In sum, we propose:

Hypothesis 1a. *Historical military friction is positively associated with the foreign market exit of family firms.*

2.3. Cultural friction and family firms' foreign market exit

From a contemporary view, cultural friction represents an ongoing bargaining or negotiation process that comprises MNEs' responses and counter-responses in interacting with the host-country stakeholders (Shenkar et al., 2008; Singh et al., 2019). It is embedded in MNEs' interactions with the host country, where the degree of friction is affected not only by the cultural differences between MNEs (as the home country's cultural carriers) and the host country but also by the MNEs' speed, scope, and stage of internationalization (Li, Liu, & Qian, 2019; Luo & Shenkar, 2011). Unlike the distance approach that often perceives cultural difference as a source of uncertainty, the friction lens views such difference as opportunities for firms "to gain and retain predictability in complex and uncertain markets" (Shenkar et al., 2008: 914); this is despite the fact that some literature suggests that cultural frictions may result in negative firm outcomes (e.g., staffing problems, increased transaction costs: Singh et al., 2019).

In the present study, we theorize that cultural friction facilitates family firm internationalization (thus, reducing the odds of foreign market exit), because cultural friction can bring advantages for MNEs, such as enabling constructive brainstorming, favouring stronger relationships, and acting as a social glue for better learning (e.g., Luo & Shenkar, 2011). In particular, the SEW perspective suggests that family firms are motivated to build strong relationships to enrich SEW and promote business longevity (Zahra, 2012). Cultural friction is an important source that "can be exchanged, increasing learning and adaption" (Koch et al., 2016: 455. As such, it creates opportunities for family firms to achieve synergies and gain more social capital in cooperating with culturally diverse foreign partners, in the long-term fuelling the family's SEW, and thereby reducing foreign market exit. In particular, cultural frictions can potentially lead to synergies in MNEs' international expansion, because "not all differences are disruptive" (Koch et al., 2016: 455). Luo and Shenkar (2011) also point out that cultural friction may bring advantages for MNEs, such as increasing openness and transparency of international cooperation, upgrading the level of knowledge through cross-cultural communication, and enabling firms to have constructive social brainstorming (Luo & Shenkar, 2011; Shenkar et al., 2008). For instance, Wahaha, a Chinese family-owned business specializing in beverage production, encountered different cultural systems in their operations in the Australian market and interactions with local stakeholders. In the face of cultural friction, Wahaha took advantage of the cultural differences with the Australian governments and institutions, and actively learned the local rules and norms for high-quality agricultural products and food security, which led to its successful operation and further expansion in Australia (e.g., Murray, 2012). In sum, we propose:

Hypothesis 1b. *Cultural friction is negatively associated with family firms' foreign market exit.*

3. The moderating effect of family management

Research suggests that family firm internationalization varies across different degrees of family management, or the percentage of family members in the TMT (Arregle et al., 2021; Boellis et al., 2016; Calabrò et al., 2018; Chang et al., 2014). In this study, we examine whether the friction-foreign market exit relationships in family firms are contingent upon the composition of the management team, implying that a higher percentage of family members in the TMT makes the family keener to preserve and sustain their SEW.

3.1. Historical military friction and family firms' foreign market exit

We predict that the positive impact of historical military friction on family firms' foreign market exit will be reinforced by high levels of family management, as family managers tend to set goals based on emotional reasons (Schulze et al., 2001). To cope with the negative impacts of historical military friction on foreign market operations, we predict family managers to feel the need to get rid of their historically grounded path dependence to explore new opportunities (e.g., Combs et al., 2023). That is, increased family management can lead to more taken-for-granted historical biases, leading family firms to be more likely to exit from host countries when facing historical military friction so as to protect their SEW (e.g., Ceipek et al., 2021). That is, family management will positively moderate the historical military friction-/foreign market exit relationship. In contrast, recruiting external (nonfamily) managers who are more likely to be highly professional (e.g., international skills and professional experience), and not imprinted with the history and founding of the family firm, may allow the family business to be less likely to make nonfinancial-based decisions. As such, they will be more likely to maintain international operations in the host country despite the historical frictions if profitable (Boellis et al., 2016; Karaevli & Yurtoglu, 2021). In sum, higher family management strengthens the historical military friction-family firms' foreign market exit relationship. In formal terms:

Hypothesis 2a. *Family management strengthens the positive impact of historical military friction on the foreign market exit of family firms.*

3.2. Cultural friction and family firms' foreign market exit

We also suggest that high family management will reinforce the negative impact of cultural friction on family firms' foreign market exit. With more family members taking on management positions, the decision-making of the family firms is more likely to be rooted in family-centric SEW goals and a long-term perspective (Boellis et al., 2016; Kano et al., 2021). Hence, in facing cultural friction, the family management will devote energies to securing enduring social relationships with stakeholders (Banalieva & Eddleston, 2011; Banalieva et al., 2015), which can facilitate international firms' cooperation and engagement in cultural exchange activities to fuel the family's SEW. Relatedly, a higher percentage of family members in the TMT will help family firms to reduce transaction costs and agency costs in managing their operations in the host country, since family managers will take decisions that align closely with the SEW goals of the business (Calabrò et al., 2022; Löhde, Campopiano, & Calabrò, 2020). Consequently, these firms can better capitalize on the cultural exchange differences and opportunities in the host country, strengthening the cultural friction-family firm's foreign market exit negative relationship. We propose:

Hypothesis 2b. *Family management strengthens the negative impact of cultural friction on the foreign market exit of family firms.*

4. Family generation, family management, and frictions

Family business research shows that the role of SEW on strategic

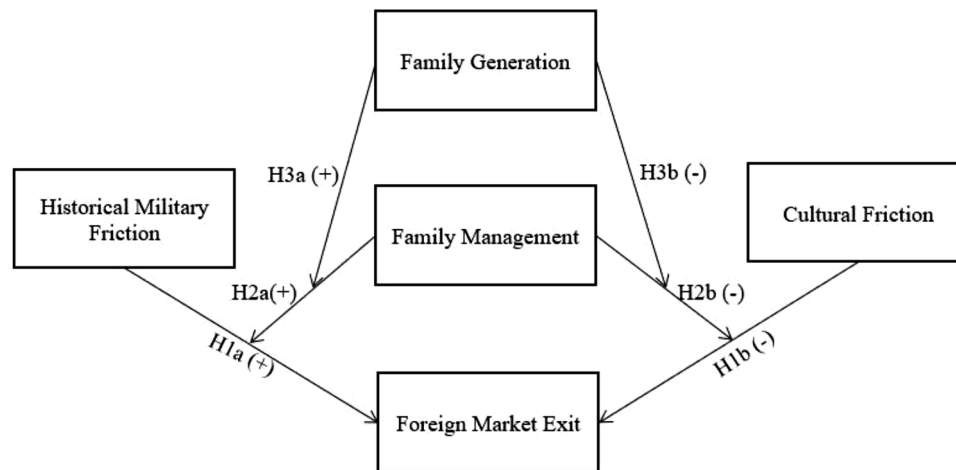


Fig. 1. An overview of the research model.

decisions “can vary based on the generation of family ownership” (Karaevli & Yurtoglu, 2021: 4); that is, family goals change as the business is passed on to subsequent generations (Chirico et al., 2011; Gómez-Mejía et al., 2007; Kraiczy et al., 2015). Compared with the second generation and beyond, first-generation family firms (founders) fear more the potential loss of family wealth and, therefore, place more stress on SEW and its preservation to guide strategic decision-making (Berrone et al., 2012; Cruz & Nordqvist, 2012; Kellermanns & Eddleston, 2006; Yu et al., 2020). Next, we examine the combinations of family management and family generation affecting the friction-foreign market exit relationships in family firms.

4.1. Family generation, family management, and historical military friction-family firms’ foreign market exit

Research shows that the presence of first-generation control exerts the most powerful impact on family firm development (Cruz & Nordqvist, 2012; Tan & Fock, 2001). The first generation, who established the “family’s flag”, possesses more knowledge about the family business background and to a great extent emphasizes building more family connections within the business (Tan & Fock, 2001: 136). Compared with later generations, the founder(s) of a family business tend to make decisions with longer-term payoffs (Karaevli & Yurtoglu, 2021; Xu et al., 2015).

In the present study, we predict that the impact of historical military friction on family firm exit will become stronger with first-generation control and high family management. In such firms, decision-makers are guided by the goal to preserve the family’s SEW, including family wealth and emotional bonding (Berrone et al., 2012; Kraiczy et al., 2015). In other words, family firms will be more affected by the imprints of historical conditions, family legacy, ancestral values and traditions to manage complexity when operating in international markets (Bauweraerts et al., 2019), while aiming at building a lasting family legacy for their offspring (Kellermanns & Eddleston, 2006). Hence, when facing historical military friction, first-generation control will likely incentivize family managers to make decisions to protect the family’s SEW, making them more likely to reduce or withdraw their host-country investments (cf. foreign market exit; Arregle et al., 2021).

In contrast, scholars find that later generations can better interpret environmental uncertainties and act entrepreneurially to survive in competitive environments (Cruz & Nordqvist, 2012). In particular, with low family management and later-generation control, the emotional ties to the family firm heritage and the imprinting effects are reduced. In facing a historical military friction, nonfamily managers (i.e., in situations of low family management) may be better able to cope with the operational challenges, along with the support of later generations in

control, so that the positive impact of historical military friction on family firms’ foreign market exit will be mitigated. In sum, firms with high family management and first-generation control are more likely to sense potential threats to their family’s SEW, paying more attention to the influence of historical military friction on foreign market exit decisions compared to firms with low family management and later-generation control. Considering the above, we propose:

Hypothesis 3a. The positive impact of historical military friction on the foreign market exit of family firms will be greater with high family management and first-generation control, relative to low family management and later-generation control.

4.2. Family generation, family management, and cultural friction-family firms’ foreign market exit

As discussed earlier, when first-generation family control is coupled with high family management, family firms are more motivated to sustain the family’s SEW by building stronger relationships with stakeholders with a longer-term focus to sustain the business overtime. We theorize that this is key to exploit cultural frictions with host countries and thus reducing the likelihood of family firms’ foreign market exit.

However, when the family business is passed to later generations, family control is no longer concentrated, which leads to greater complexity in how SEW and financial goals are set in international market operations (Gómez-Mejía et al., 2014; Karaevli & Yurtoglu, 2021). Later generations may face difficulties in establishing authority with external stakeholders due to their different SEW and financial perspectives in decision-making and emphasis on changing the status quo of the family business (Cruz & Nordqvist, 2012; Karaevli & Yurtoglu, 2021). For instance, research shows that the survivability of Chinese family firms in foreign markets becomes weaker when the control moves to the second or later generations, while relationships with the host countries and the related cultural differences become more difficult to manage; this also corresponds to a saying in China that family firms often go from “clogs to clogs in three generations” (Lee et al., 2003: 658). Especially when there are fewer family members in management, later generations need to deal with increased agency problems and SEW/financial goal-setting conflicts (Chirico et al., 2020; Karaevli & Yurtoglu, 2021), thereby being more likely to exit from foreign markets when facing cultural frictions. Therefore, low family management and later-generation control will jointly and adversely affect the cultural friction-foreign market exit relationship in family firms. We propose:

Hypothesis 3b. The negative impact of cultural friction on the foreign market exit of family firms will be greater with high family management

Table 1
Sample distribution.

Panel A: Parent firm (N=413)					
I: Total assets (billion yuan)	N	%	IV: Location	N	%
Less than 1	41	9.93	Guangdong	99	23.97
1-20	350	84.75	Zhejiang	84	20.34
20-50	16	3.87	Jiangsu	53	12.83
Over 50	6	1.45	Beijing	26	6.30
II: Total employees			Shanghai	26	6.30
0-500	32	7.75	Others	125	30.26
500-2000	172	41.65	V: Number of owned subsidiaries		
2000-5000	127	30.75	1	182	44.07
More than 5000	82	19.85	2	80	19.37
III: Stock exchanges			3	43	10.41
Shanghai Stock Exchange (SHSE)	90	21.79	4	30	7.26
Shenzhen Stock Exchange (SZSE)	323	78.21	5 or more	78	18.89
Panel B: Subsidiary (N=1455)			III: Three major foreign destinations with most subsidiaries	N	%
I: Ownership	N	%	The United States	543	37.32
Wholly owned	1086	74.64	Germany	139	9.55
Partly owned	369	25.36	Australia	131	9.00
II: Status			(Total number of foreign destinations: 22)		
Exit	421	28.93			
Not Exit	1034	71.07			

and first-generation control, relative to low family management and later-generation control.

Our research model is depicted in Fig. 1.

5. Methodology

5.1. Sample

China has a unique societal culture system and, unfortunately, many historical military events, enabling us to test our hypotheses (Farh, Earley & Lin, 1997; Gao et al., 2018). Chinese family firms place great importance on the maintenance and continuity of their business (Cheng, Lin & Wei, 2015; Farh et al., 1997; Wong et al., 1992; Xu et al., 2015). For example, *Renqing* (feelings), *Yiqi* (loyalty), *Ganqing* (sympathy), and *Xiaodao* (filial piety and respect for ancestors) are highly esteemed by Chinese family firms (Wong et al., 1992), and they prioritize family interests, ownership, and relationships (Yang et al., 2020). In recent years, media and even governmental reports indicate that the internationalization of Chinese family firms is affected by their severe vulnerability to different types of bilateral frictions and tensions (MOFCOM, 2018; Ripsman, 2021). Thus, Chinese family firms offer an important context for exploring the impact of friction on international decision-making and foreign market exit in particular.

We constructed our dataset based on data collected from multiple sources. First, firm-level data were obtained from the China Stock Market & Accounting Research (CSMAR) database (2009 - 2019). We selected 2009 as the starting year, because CSMAR began to provide comprehensive family firm data (e.g., financial, governance, and family involvements) after 2008, and we aimed to isolate the Global Financial Crisis (GFC, 2007-2008) disruptions that affected firms' foreign market survival (Slesman, 2021). Second, we supplemented the firm-level data with country-level information according to the home and host countries of the firms. Cultural data were collected from the GLOBE project (House, Javidan, Hanges, & Dorfman, 2002), and historical military data were obtained from the Militarized Interstate Disputes (v4.3) database (MID) (e.g., Li et al., 2020). The geographical and trade information was collected from the CEPII database, and economic-related data were collected from the World Bank.

Following the extant literature, we identified the foreign subsidiaries that exited if they were not active in the subsequent year (Mata & Freitas, 2012). Specifically, information in year $t+1$ was employed to predict whether a subsidiary exited or not in year t . Hence data from 2009 to 2018 were used in our analyses. A family firm is defined as a

business where the family controls more than 5% of the voting rights (Cheng et al., 2015; Chrisman & Patel, 2012; Miller et al., 2007). We focused on the family firms listed on the Shanghai and Shenzhen Stock Exchanges (Zhang & Qu, 2016), since these public firms have relatively complete foreign investment information, which provides us with opportunities to observe their exits. Compared to private firms, listed firms are required to release comprehensive investment and governance information due to government monitoring and auditing in China (Li & Liang, 2015). After removing observations with missing data in key variables, we found an unbalanced panel dataset with 3,114 subsidiary-year observations. The dataset consists of 1,455 foreign subsidiaries established by 413 Chinese listed family firms between 2009 and 2018. To deal with the potential sample selection bias caused by missing values, we followed prior studies in conducting Little's Test of Missing Completely at Random (MCAR), which was not significant ($\chi^2 = 12051.24$, $df = 27199$, n.s.), mitigating the concerns of sample selection bias (Mahajan & Toh, 2014; Su, Zahra, & Fan, 2022).

Table 1 provides information about the sample distributions of the parent firms and their overseas subsidiaries. Most of the parent firms were in Guangdong (23.97%), Zhejiang (20.34%), and Jiangsu (12.83%) provinces in China. The subsidiaries were in 22 foreign destinations, and the three main destinations were the United States (37.32%), Germany (9.55%), and Australia (9.00%). The geographically dispersed subsidiaries enable us to test our proposed hypotheses based on subsidiaries across different countries. Between 2009 and 2018 a total of 421 subsidiaries exited from overseas, accounting for 28.93% of total subsidiaries.

5.2. Variables

5.2.1. Main variables

Our dependent variable is *foreign market exit*, a dummy variable indicating whether or not a subsidiary exited. It is coded as 1 for year t if a subsidiary did not appear in the database in year $t+1$, and 0 otherwise (Bernini et al., 2016; Mata & Freitas, 2012).

The two independent variables, *historical military friction and cultural friction*, were constructed based on Luo and Shenkar (2011). In line with previous studies (Goldstein, 1992; Li & Vashchilko, 2010), using data provided by the MID database, we employed the weighting scale of the military conflicts between countries to construct country-dyadic

Table 2
Variable operationalization and data sources.

Variables	Definition	Sources
<i>Dependent variable</i>		
Exit	A dummy variable coded as 1 for year t if a subsidiary did not appear in the database in year $t+1$ and 0 otherwise.	CSMAR
<i>Independent variables</i>		
Historical military friction	Calculated based on Luo and Shenkar's (2011) formula.	MID & CSMAR
Cultural friction	Calculated based on Luo and Shenkar's (2011) formula.	GLOBE & CSMAR
Family management	The proportion of family members in a firm's TMT.	CSMAR
Family generation	A dummy variable coded as 1 if the ultimate owners of the family firm are family members in the first generation and 0 if the ultimate owners involve at least one family member in the second or later generations.	CSMAR
<i>Control variables</i>		
Ownership percentage	Ownership percentage of a Chinese family firm in a foreign subsidiary.	CSMAR
Strategic asset seeking	= 1 if the host country is a member of OECD; 0 otherwise.	
Location choice (BRICS)	= 1 if the host country is Brazil, Russia, India, and South Africa and 0 otherwise.	
Time of entry	= 1 if the subsidiary was established after 2013 and 0 otherwise.	
Firm age	Natural logarithm of the years since the firm was established.	
Firm size	Natural logarithm of total assets.	
Market value	Natural logarithm of the number of tradable shares.	
Asset tangibility	The total tangible assets divided by total assets.	
Leverage ratio	The total liabilities divided by total assets.	
Quick ratio	The total cash and marketable securities divided by current liabilities.	
Equity turnover	The total sales divided by total equity.	
Family employees	The total family employees divided by total employees.	
Family CEO	= 1 if CEO was a family member and 0 otherwise.	
Insider promotion	= 1 if CEO was promoted from inside the firm; 0 otherwise.	
Ultimate owner's shareholding	The shareholding ratio of the ultimate owner.	
State ownership	The shareholding ratio of the government and related governmental agencies.	
Degree of internationalization	The total foreign sales divided by total sales.	
Stock exchange listed	= 1 if a family firm was listed on the Shanghai Stock Exchange; 0 otherwise.	
Geographical distance	The bilateral distances between China and the host country.	CEPII
RTA Trade	= 1 if the host country was included in RTA; 0 otherwise.	CEPII
Host-country trade flow	Natural logarithm of trade flow of manufactured goods.	CEPII
Host-country economic growth	The GDP growth rate of the host country.	World Bank

military conflicts (MC)². We calculated the cultural distance (CD)

² In line with previous studies (Goldstein, 1992; Li et al., 2020), the coding scheme is as follows: threat with force specified ("1 threat to use force" to "6 threat to join war") was weighted as 7.0; armed force mobilization, exercise, display, and military buildup ("7 show of troops" to "13 fortify border") were weighted as 7.6; seize position or possessions ("14 border violation" to "17 seizure") were weighted as 9.2; military attack, clash, and assault ("18 clash" to "24 use CBR weapons") were weighted as 10.

between China and host countries using the Euclidean approach, based on the data of the nine cultural dimensions³ provided by the GLOBE project (Dikova & Sahib, 2013). We then computed the internationalization speed (V), sequence (G), and contact surface (N) of firms based on the information of Chinese listed firms' foreign subsidiaries provided by CSMAR (Li et al., 2019; Luo & Shenkar, 2011; Nguyen et al., 2022).

V represents the growth rate of the number of active foreign subsidiaries held by the focal family firm in the corresponding year. G refers to the sequence of the establishment of the subsidiary, which is the ratio between the order of the subsidiary and the maximum number of subsidiaries established by a family firm in the specific country ($G \in [0, 1]$) (Luo & Shenkar, 2011). The value of G equals 0 if a subsidiary was the family firm's first investment in the host country. N equals the sum of all the active foreign subsidiaries held by a focal family firm in the corresponding year, and e is the constant (equal to 2.7183). The formula proposed by Luo and Shenkar (2011) was used to construct our two independent variables:

$$\text{Historical military friction} = e^{V(1-G)} \times \frac{MC}{10} \times N \quad (1)$$

$$\text{Cultural friction} = e^{V(1-G)} \times \frac{CD}{10} \times N \quad (2)$$

Family management was measured using the percentage of family members in the TMT (Kraiczy et al., 2015; Sciascia, Mazzola & Chirico, 2013). *Family generation* was measured using a dummy variable, where 1 means that ultimate owners of the family firm are family members in the first generation, and 0 means that ultimate owners involve at least one family member in the second or later generations (Westhead, & Howorth, 2006).

5.2.2. Control variables

At the subsidiary level, we controlled the *ownership percentage* of family firms in their foreign subsidiaries, as this reflects the degree of control over foreign operations (Gaur & Lu, 2007). Because the intention of a subsidiary's establishment is closely related to its exit decision, we included a dummy variable to indicate whether the foreign subsidiary was in OECD countries (equal to 1 if yes, 0 otherwise), given that prior literature maintains that firms tend to establish subsidiaries in OECD countries for *strategic asset-seeking* purposes (Cui et al., 2017). Since China cooperates closely with other countries that participated in BRICS (Boddewyn, 2016), we also used a dummy variable, *location choice (BRICS)*, to indicate whether the host country is a BRICS member (i.e., Brazil, Russia, India, or South Africa). To control for the impact of the Belt and Road Initiative (BRI) launched by the Chinese government in 2013, we included a dummy variable (*time of entry*) to indicate whether the subsidiary was established after 2013 (equal to 1 if yes, 0 if not).

At the parent firm level, since older and larger firms generally have more experience and rich networks for foreign market survival (Lu et al., 2014), we controlled *firm age* and *firm size* measured by the natural logarithm of the years since the firm was established and the natural logarithm of total assets, respectively. We also controlled the natural logarithm of the total number of tradable shares held by the family firms, since firms with higher *market value* often show greater foreign investment propensity and visibility in the global markets (Covrig, Lau & Ng, 2006). *Asset tangibility* was controlled using the tangible assets divided by total assets, reflecting the firm's ability to recover from external shocks (Li, Qiu, & Wan, 2011). Similarly, we controlled for the effects of *leverage ratio* (total debts divided by total assets) and *quick ratio* (total cash and marketable securities divided by current liabilities). We also controlled for the operational efficiency of family firms using their

³ They include uncertainty avoidance, future orientation, power distance, institutional collectivism, human orientation, performance orientation, in-group collectivism, gender egalitarianism and assertiveness.

Table 3
Descriptive statistics and correlations.

	Mean	S. D	1	2	3	4	5	6	7	8	9	10	11	12	
1. Exit	0.135	0.342	1												
2. Historical military friction	6.924	12.546	0.011	1											
3. Cultural friction	18.471	64.138	-0.018	0.749	1										
4. Family management	0.146	0.140	0.036	-0.122	-0.083	1									
5. Family generation	0.787	0.409	0.018	0.061	-0.003	-0.024	1								
6. Ownership percentage	0.924	0.166	-0.082	0.054	0.006	0.035	0.072	1							
7. Strategic asset seeking	0.837	0.370	0.007	0.071	0.009	0.017	-0.056	0.005	1						
8. Location choice (BRICS)	0.068	0.252	-0.040	-0.010	-0.017	0.003	0.035	0.010	-0.611	1					
9. Time of entry	0.700	0.458	-0.016	0.097	0.057	-0.029	0.011	-0.040	0.027	-0.06	1				
10. Firm age	2.722	0.321	-0.085	0.048	0.040	-0.055	-0.097	-0.031	-0.108	0.050	0.211	1			
11. Firm size	22.614	1.126	0.017	0.248	0.132	-0.332	-0.042	0.084	-0.028	0.030	0.088	0.128	1		
12. Market value	20.009	1.055	-0.025	0.131	0.027	-0.237	-0.037	0.073	-0.042	0.044	0.087	0.310	0.711	1	
13. Asset tangibility	0.181	0.111	-0.039	-0.121	-0.054	0.115	-0.053	-0.002	0.125	-0.010	-0.217	-0.064	-0.138	-0.009	
14. Leverage ratio	0.454	0.184	0.086	0.194	0.114	-0.285	0.047	0.064	-0.044	-0.009	-0.010	-0.036	0.572	0.305	
15. Quick ratio	1.276	1.103	-0.043	-0.100	-0.074	0.190	0.016	-0.013	-0.029	0.043	-0.043	-0.057	-0.327	-0.216	
16. Equity turnover	1.245	0.881	0.079	0.026	-0.022	-0.168	0.067	0.060	-0.094	0.006	-0.105	-0.086	0.304	0.152	
17. Family employee	0.002	0.002	-0.012	-0.125	-0.089	0.254	0.037	-0.059	-0.017	-0.026	0.020	0.019	-0.545	-0.353	
18. Family CEO	0.508	0.500	0.004	-0.068	-0.062	0.686	-0.002	0.037	0.012	0.016	0.019	0.062	-0.256	-0.111	
19. Insider promotion	0.845	0.362	-0.046	-0.121	-0.066	0.261	-0.097	-0.070	-0.040	0.056	-0.075	-0.029	-0.143	-0.087	
20. Ultimate owner's shareholding	0.192	0.198	0.088	0.009	-0.011	0.244	0.089	0.051	-0.028	0.004	-0.025	-0.246	-0.275	-0.381	
21. State ownership	0.003	0.010	0.031	0.068	-0.004	-0.091	-0.013	0.024	0.017	-0.044	0.089	-0.035	0.157	0.012	
22. Degree of internationalization	0.325	0.265	-0.021	-0.068	-0.084	0.106	0.045	0.123	0.078	-0.075	-0.049	-0.032	-0.177	-0.052	
23. Stock exchange listed	0.217	0.413	-0.017	-0.009	0.001	-0.125	-0.061	0.070	-0.089	0.058	-0.138	0.309	0.205	0.309	
24. Geographical distance	8.204	3.156	-0.023	0.054	0.009	0.003	-0.019	0.048	0.501	-0.251	0.007	0.065	-0.055	0.011	
25. RTA Trade	0.267	0.443	-0.016	-0.121	-0.029	-0.055	-0.014	-0.074	-0.585	0.232	0.101	0.033	0.035	-0.006	
26. Host-country economic growth	0.025	0.017	-0.042	-0.081	-0.024	-0.010	0.017	-0.020	-0.603	0.365	0.055	0.168	0.003	0.054	
27. Host-country trade flow	18.492	1.183	-0.049	0.179	-0.072	0.091	0.016	0.088	0.387	-0.199	-0.105	0.049	-0.065	0.056	
	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
13. Asset tangibility	1														
14. Leverage ratio	-0.052	1													
15. Quick ratio	-0.149	-0.590	1												
16. Equity turnover	0.029	0.558	-0.319	1											
17. Family employee	-0.086	-0.309	0.248	-0.253	1										
18. Family CEO	0.063	-0.251	0.181	-0.142	0.081	1									
19. Insider promotion	0.083	-0.207	0.081	-0.181	0.104	0.176	1								
20. Ultimate owner's shareholding	-0.066	-0.095	0.122	-0.095	0.131	0.157	0.041	1							
21. State ownership	-0.042	0.184	-0.075	0.011	-0.115	-0.073	-0.160	0.006	1						
22. Degree of internationalization	0.157	-0.052	-0.011	-0.041	0.059	0.088	-0.068	0.014	0.052	1					
23. Stock exchange listed	0.165	0.087	-0.098	0.123	-0.081	-0.109	0.094	-0.256	-0.025	-0.035	1				
24. Geographical distance	-0.004	-0.066	-0.001	-0.094	0.087	0.014	0.034	-0.049	-0.035	0.054	-0.070	1			
25. RTA Trade	-0.119	-0.022	-0.039	0.021	-0.040	-0.058	0.090	-0.042	-0.052	-0.079	-0.012	-0.532	1		
26. Host-country economic growth	-0.123	-0.079	0.025	0.010	0.019	0.032	0.025	-0.046	-0.050	-0.063	0.039	-0.331	0.586	1	
27. Host-country trade flow	0.086	-0.078	0.033	-0.055	0.072	0.111	0.024	-0.025	-0.017	0.078	0.024	0.452	-0.470	-0.168	1

Note: Values greater than |0.04| are significant at 0.05.

equity turnover (total sales divided by total equity), which can also reflect the firms' ability to generate revenue (Gallinger, 1982).

In terms of the parent firm's governance structure, the number of *family employees* was controlled, as it represents the size of the family network that affects the family firm in deciding internationalization strategies (Arregle et al., 2019). We used a dummy variable to control for the presence of a *family CEO*, and a dummy variable to indicate whether the firm's CEO was promoted from inside the firm, given the important role of CEOs in family firm exit decisions and outcomes (Kim et al., 2019; Salvato, Chirico, & Sharma, 2010). We used the *ultimate owner's shareholding* to proxy family ownership (Villalonga & Amit, 2006). *State ownership* was controlled using the shareholding ratio of the government and related governmental agencies. The *degree of internationalization* prior to exit was controlled using the ratio of foreign sales to total sales (Arregle et al., 2021). We also controlled *stock exchange-listed*, since research shows that the ownership structure of firms in the Shanghai Stock Exchange (coded as 1) generally differs from that in the Shenzhen Stock Exchange (coded as 0) (Zhang & Qu, 2016).

At the country level, we controlled for *geographical distance* (in 1000 kilometres) between China and the host country (Wu, Huang, Fan, Li, & Su, 2023). Because regional trade agreements (RTA) affect the costs for MNEs making international decisions (Egger et al., 2008), we used a dummy variable to control the RTA trade effects. In addition, *host-country economic growth* (i.e., GDP growth rate) and *host-country trade flow* were controlled, because market attractiveness and trade openness in the target affect a firm's decision to exit (Egger et al., 2008). Details of all the variables are shown in Table 2.

5.3. Modelling

Our analyses were based on subsidiary-year observations. We employed a random-effects probit model with robust standard errors, because of the unbalanced panel data used in this study (Mata & Freitas, 2012). We chose random-effects models over fixed-effects models for three reasons. First, our study focuses on the between-firm, rather than within-firm heterogeneity, in cultural and historical military frictions

Table 4
Historical military friction, cultural friction, and foreign market exit.

Variables	All controls	<i>p value</i>	Model 1	<i>p value</i>
Year dummies	Yes		Yes	
Industry dummies	Yes		Yes	
Constant	-1.912** (0.653)	0.003	-1.901** (0.635)	0.003
Ownership percentage	-0.165*** (0.045)	0.000	-0.165*** (0.040)	0.000
Strategic asset seeking	-0.138 (0.147)	0.350	-0.157 (0.149)	0.292
Location choice (BRICS)	-0.268 (0.179)	0.136	-0.329 [†] (0.181)	0.070
Time of entry	-0.072 (0.209)	0.731	-0.077 (0.171)	0.653
Firm age	-0.151** (0.052)	0.004	-0.148** (0.047)	0.002
Firm size	0.007 (0.070)	0.921	0.001 (0.071)	0.984
Market value	0.011 (0.060)	0.852	0.001 (0.059)	0.981
Asset tangibility	-0.087 [†] (0.047)	0.066	-0.084 [†] (0.047)	0.072
Leverage ratio	0.075 (0.059)	0.203	0.084 (0.060)	0.159
Quick ratio	-0.055 (0.058)	0.336	-0.054 (0.057)	0.337
Equity turnover	0.058 (0.049)	0.236	0.046 (0.050)	0.354
Family employees	0.041 (0.046)	0.369	0.038 (0.046)	0.406
Family CEO	0.198* (0.087)	0.022	0.195* (0.080)	0.015
Insider promotion	-0.152 (0.119)	0.203	-0.141 (0.114)	0.216
Ultimate owner's shareholding	0.100* (0.040)	0.012	0.094* (0.038)	0.013
State ownership	0.025 (0.030)	0.403	0.017 (0.031)	0.577
Degree of internationalization	-0.010 (0.038)	0.793	-0.016 (0.039)	0.676
Stock exchange listed	0.151 (0.109)	0.167	0.166 (0.107)	0.120
Geographical distance	-0.000 (0.043)	0.998	0.017 (0.044)	0.702
RTA Trade	-0.188 [†] (0.113)	0.095	-0.195 (0.114)	0.088
Host-country economic growth	-0.049 (0.046)	0.291	-0.045 (0.046)	0.328
Host-country trade flow	-0.078* (0.039)	0.047	-0.128** (0.045)	0.004
H1a: Historical military friction			0.115 * (0.051)	0.024
H1b: Cultural friction			-0.156 ** (0.056)	0.005
Log likelihood	-1127.129		-1121.933	
Wald χ^2	840.40	0.000	858.83	0.000

Note: Robust standard errors in parentheses; *p*-value is in italics.

*** ($p < 0.001$),

** ($p < 0.01$),

* ($p < 0.05$),

[†] ($p < 0.1$)

and their effects on the likelihood of foreign market exit (Certo, Withers, & Semadeni, 2017). Second, some variables used in our study are time-invariant (e.g., strategic asset seeking, location choice (BRICS), time of entry, stock exchange listed), making fixed-effects estimators inappropriate (Greene, 2003; Paruchuri, Pollock, & Kumar, 2019). Third, a random-effects probit model can address unobserved firm heterogeneity and can account for the non-independence of observations within firms (Durand, Rao, & Monin, 2007). To mitigate the influence of extreme values, all continuous variables were winsorized at both tails, and all continuous variables were standardized for better interpretation

of the results (Martí et al., 2013). Time lags were adopted between explanatory variables and dependent variables to avoid reverse causality issues, and the year and industry effects were controlled in all models.

6. Results

Table 3 presents the means, standard deviations (S.D), and correlations of the variables. The mean value of Variance Inflation Factors (VIFs) of all variables (1.92) and the largest VIF (4.06) were below 5, indicating that multicollinearity is not a concern (Kalinins, 2018).

Model 1 in Table 4 tests H1a and H1b, which predict that historical military and cultural frictions reduce and increase the propensity of foreign market exit by family firms, respectively. The results show that the coefficient of historical military friction is positive and significant ($\beta = 0.115$, $p < 0.05$), while that of cultural friction is negative and significant ($\beta = -0.156$, $p < 0.01$) Hence H1a and H1b were supported.

Table 5 presents the moderating effects of family management and the three-way interactions between bilateral frictions, family management and family generation. We first included two moderators in Model 2 and found that the results of H1a and H1b remained unchanged. Model 3 was used to test H2a and H2b. The interaction term of historical military friction and family management is positive and significant ($\beta = 0.112$, $p < 0.05$), and the interaction term of cultural friction and family management is negative and significant ($\beta = -0.111$, $p < 0.05$).

We plotted the predicted values of foreign market exit interacted with high (one standard deviation above the mean) and low (one standard deviation below the mean) levels of the two moderators in Figs. 2a and 2b, respectively. The simple slope analysis suggests that the impact of historical military and cultural frictions on foreign market exit significantly varies with the degree of family management, as predicted in our H2a and H2b.

Due to the nonlinear nature of the probit model, we followed the procedures provided by Ai and Norton (2003) to compute the magnitude and standard errors of the secondary and structural moderating effects of the interactions. The results indicate that the secondary moderating effect of family management on the relationship between historical military friction and exit is positive and significant (Z-score > 1.96) in 96.78% of cases (see Appendix 1). In contrast, the secondary moderating effect of family management on the relationship between cultural friction and foreign market exit is negative and significant (Z-score < -1.96) in 81.51% of cases (see Appendix 2). Moreover, we computed the value of each moderating effect at the means of all variables (Bowen, 2012). The total, structural, and secondary moderating effects of family management on the relationship between historical military friction and foreign market exit are 0.024, 0.002, and 0.023, significant at the level of 1%, 5%, and 5%, respectively. In contrast, the total, structural, and secondary moderating effects of family management on the relationship between cultural friction and foreign market exit are -0.019, -0.002, and -0.017, significant at the level of 5%, 5%, and 10%, respectively. These results also provide support for H2a and H2b.

Model 4 of Table 5 was used to predict the three-way interactions involving family management, family generation, and home-host-country frictions. The interaction term of historical military friction, family management, and family generation is negative and significant ($\beta = -0.596$, $p < 0.05$), and the interaction term of cultural friction, family management, and family generation is positive and marginally significant ($\beta = 0.308$, $p < 0.10$). We also plotted the three-way interactions, which show that historical military friction has stronger positive impacts (Fig. 3a), and cultural friction has stronger negative impacts (Fig. 3b), on foreign market exit in family firms with high family management and first-generation control compared with family firms with low family management and later-generation control. These results support H3a and H3b.

Table 5
The moderating effects of family management and family generation.

Variables	Model 2	<i>p</i> value	Model 3	<i>p</i> value	Model 4	<i>p</i> value
Year dummies	Yes		Yes		Yes	
Industry dummies	Yes		Yes		Yes	
Constant	-1.766** (0.631)	0.005	-1.752** (0.633)	0.006	-1.722** (0.638)	0.007
Ownership percentage	-0.169*** (0.037)	0.000	-0.167*** (0.039)	0.000	-0.163*** (0.036)	0.000
Strategic asset seeking	-0.149 (0.149)	0.319	-0.156 (0.150)	0.298	-0.153 (0.150)	0.309
Location choice (BRICS)	-0.331† (0.179)	0.064	-0.339† (0.180)	0.059	-0.320† (0.177)	0.071
Time of entry	-0.081 (0.147)	0.579	-0.076 (0.158)	0.628	-0.082 (0.146)	0.576
Firm age	-0.141** (0.046)	0.002	-0.144** (0.047)	0.002	-0.150** (0.046)	0.001
Firm size	-0.011 (0.072)	0.879	-0.009 (0.072)	0.897	0.003 (0.073)	0.968
Market value	0.010 (0.059)	0.861	0.005 (0.060)	0.937	-0.002 (0.061)	0.976
Asset tangibility	-0.081† (0.047)	0.082	-0.080† (0.047)	0.090	-0.088† (0.048)	0.068
Leverage ratio	0.096 (0.061)	0.117	0.094 (0.061)	0.122	0.082 (0.061)	0.179
Quick ratio	-0.048 (0.056)	0.393	-0.047 (0.056)	0.401	-0.059 (0.056)	0.289
Equity turnover	0.046 (0.051)	0.368	0.048 (0.051)	0.346	0.067 (0.051)	0.187
Family employees	0.011 (0.048)	0.826	0.014 (0.048)	0.775	0.015 (0.048)	0.750
Family CEO	0.049 (0.091)	0.594	0.051 (0.091)	0.576	0.070 (0.093)	0.455
Insider promotion	-0.202† (0.117)	0.084	-0.221† (0.120)	0.065	-0.214† (0.115)	0.062
Ultimate owner's shareholding	0.082* (0.037)	0.027	0.087* (0.038)	0.021	0.097* (0.038)	0.011
State ownership	0.019 (0.031)	0.529	0.025 (0.031)	0.423	0.033 (0.032)	0.298
Degree of internationalization	-0.016 (0.039)	0.679	-0.016 (0.039)	0.682	-0.004 (0.040)	0.911
Stock exchange listed	0.184† (0.106)	0.081	0.195† (0.107)	0.068	0.174† (0.105)	0.095
Geographical distance	0.016 (0.044)	0.721	0.009 (0.044)	0.836	0.017 (0.044)	0.694
RTA Trade	-0.194† (0.115)	0.090	-0.198† (0.117)	0.090	-0.210† (0.118)	0.074
Host-country economic growth	-0.043 (0.047)	0.360	-0.047 (0.047)	0.313	-0.046 (0.048)	0.345
Host-country trade flow	-0.131** (0.045)	0.003	-0.132** (0.045)	0.003	-0.138** (0.045)	0.002
Family management	0.123* (0.057)	0.032	0.123* (0.058)	0.035	-0.001 (0.083)	0.991
Family generation	0.048 (0.083)	0.563	0.041 (0.083)	0.625	0.028 (0.086)	0.740
H1a: Historical military friction	0.115* (0.050)	0.021	0.136** (0.050)	0.006	-0.054 (0.185)	0.771
H1b: Cultural friction	-0.155** (0.053)	0.004	-0.183*** (0.055)	0.001	0.052 (0.138)	0.706
H2a: Historical military friction × Family management			0.112* (0.053)	0.033	0.671** (0.236)	0.004
H2b: Cultural friction × Family management			-0.111* (0.051)	0.027	-0.405* (0.172)	0.019
Historical military friction × Family generation					0.205 (0.189)	0.277
Cultural friction × Family generation					-0.306† (0.157)	0.051
Family management × Family generation					0.184* (0.084)	0.029
H3a: Historical military friction × Family management × Family generation					-0.596* (0.243)	0.014
H3b: Cultural friction × Family management × Family generation					0.308† (0.183)	0.092
Log likelihood	-1118.692		-1116.090		-1103.666	
Wald χ^2	899.96	0.000	865.54	0.000	887.84	0.000

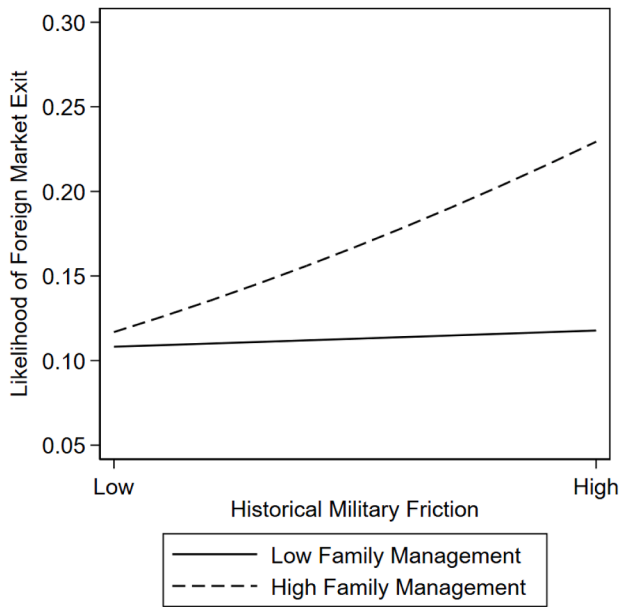


Fig. 2a. The impact of family management on the relationship between historical military friction and foreign market exit.

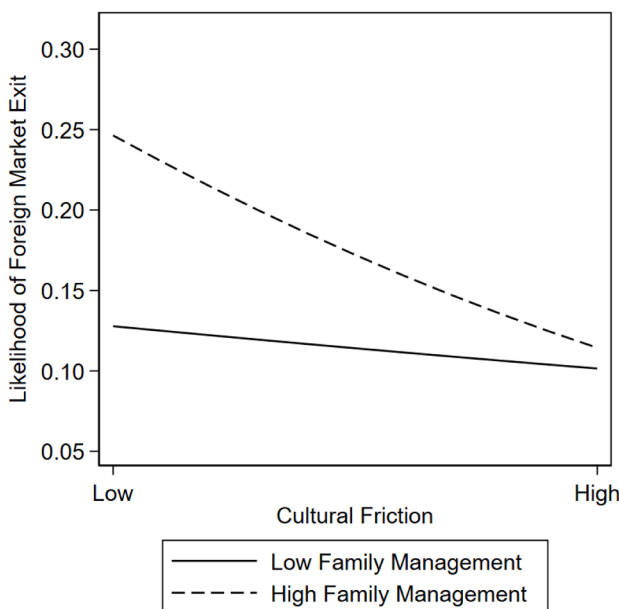


Fig. 2b. The impact of family management on the relationship between cultural friction and foreign market exit.

6.1. Robustness and additional tests

We conducted additional tests to check the robustness of our findings (see Appendix 3). We first used alternative data sources to compute the two independent variables. We followed the existing literature (Goldstein, 1992; Li et al., 2020) by using the average level of military hostility in dyadic disputes (including threats to use force, display of force, use of force, and interstate war) from the MID database as an alternative proxy of historical military conflicts between countries, and then

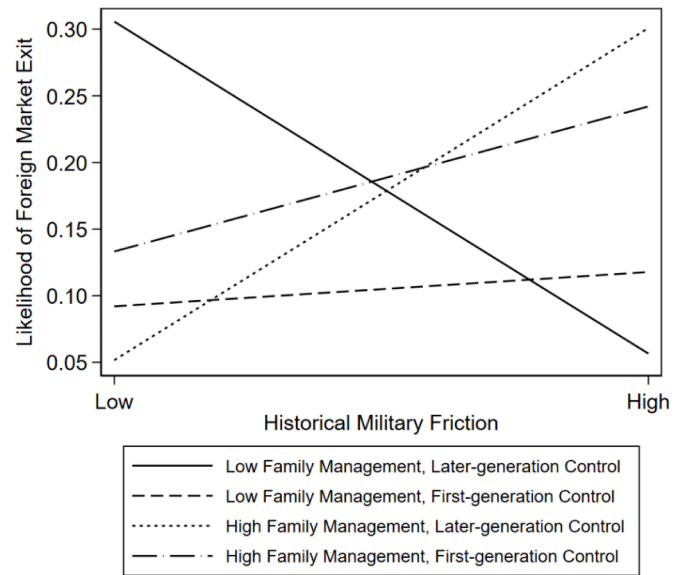


Fig. 3a. Three-way interaction among historical military friction, family management, and family generation.

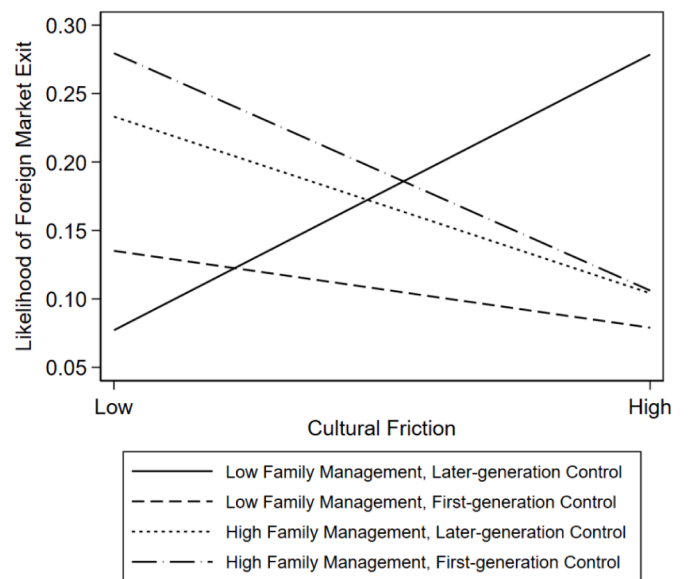
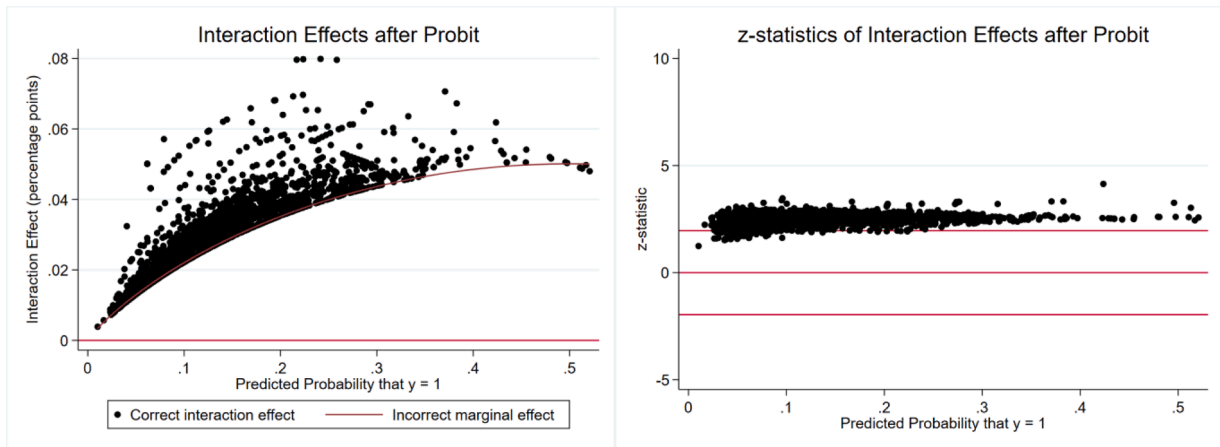


Fig. 3b. Three-way interaction among cultural friction, family management, and family generation.

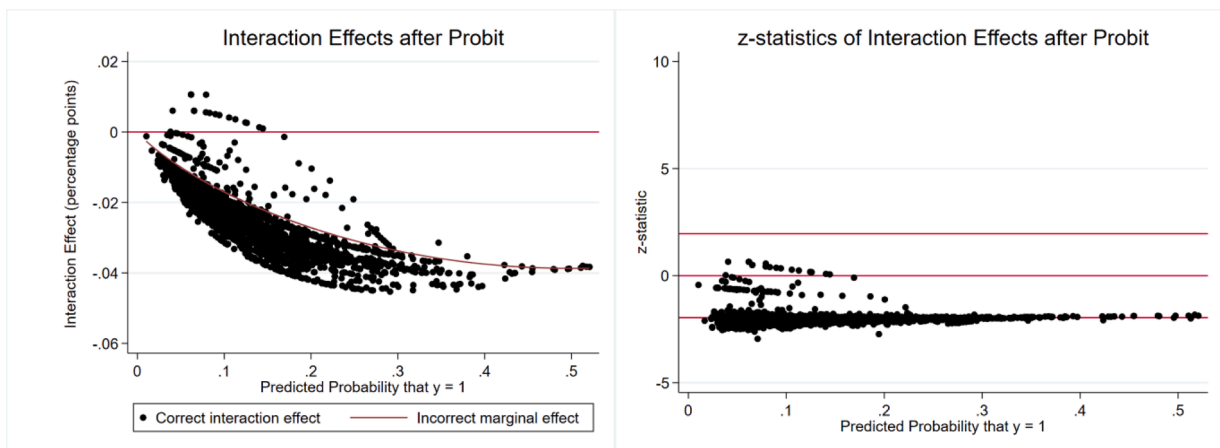
recalculated historical military friction. The findings were consistent with our main results (Test 1 in Appendix 3). Also, since Hofstede's cultural dimensions are also widely used in IB research (Beugelsdijk, Kostova, & Roth, 2017), we used the six cultural dimensions⁴ to construct an alternative measure of cultural distance and recalculate cultural friction (Hofstede, Hofstede, & Minkov, 2005; Wu, Huang, Fan, Li, & Su, 2023). The results align with our primary analyses (Test 2 in Appendix 3). Also, findings remained unchanged when we used a continuous measure of family generation.

Existing literature suggests that family firms operating in fractionalized countries tend to show more heterogeneity in accepting values

⁴ The six cultural dimensions are power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, and indulgence (see <https://www.hofstede-insights.com/>).



Appendix 1. The size effect and significance of the interaction between historical military friction and family management.



Appendix 2. The size effect and significance of the interaction between cultural friction and family management.

and absorbing new knowledge from their host countries (Li et al., 2020). Therefore, based on Fearon's (2003) ethnic and cultural diversity scores, we removed the subsidiaries located in the most fractionalized countries from our sample pool⁵. This set of tests also supports the findings in our main tests (Test 3 in Appendix 3).

Also, although we followed extant research in removing observations during the GFC period between 2007 and 2008 (Slesman, 2021), some studies maintain that firms may have been affected by the financial crisis in early 2009 (Bruno & Shin, 2014). Hence, we used a subsample to test our hypotheses by removing the observations in 2009 from our dataset (Test 4 in Appendix 3) – and the findings remained unchanged. Moreover, research shows that, when interaction terms of independent variables are included in models, regression results using probit and logit estimations may differ (Allison, 1999). We performed additional tests using the random-effects logit models to identify whether our findings are robust across different approaches (Test 5 in Appendix 3). In addition, we used the presence of a family CEO as a proxy of family management and both our three-way interaction hypotheses were confirmed. We also constructed an alternative variable to proxy family generation (=1 if the ultimate owners are from the same generation, and 0 otherwise) (Test 6 in Appendix 3), confirming our hypotheses. These tests showed that our findings are robust to alternative variables,

⁵ Countries that were removed from our dataset, based on their cultural fractionalized index (Fearon, 2003), include India (0.667), Indonesia (0.522), Malaysia (0.564), and South Africa (0.530).

subsamples, and analyses.

7. Discussion

The internationalization of family firms has been intensively researched, producing many insights related to family firms' international behaviours and strategies (Calabrò et al., 2016; Cesinger et al., 2016; Pukall & Calabrò, 2014). Yet there is a lack of attention devoted to family firms' foreign market exit decisions (Arregle et al., 2021; De Massis et al., 2018; Pukall & Calabrò, 2014; Xu et al., 2020). Integrating the family firm's SEW perspective and the friction lens from IB, this study examines how frictions affect family firms' foreign market exits and how family management and generation in control moderate the friction-exit relationships. Core to our findings is that both cultural and historical military frictions *highly* matter: historical-military friction increases family firms' foreign market exit to protect the family's SEW, while cultural friction reduces it to sustain/fuel the family's SEW. Also, these friction-exit relationships are strengthened by family management, and the relationships are stronger with high family management and controlled by first-generation, compared with low family management and later-generation in control.

Overall, our findings contribute to the literature in three important ways. First, despite many studies focused on family firms' internationalization, such as their entry modes, location choices, and diversification preferences, less is known about the factors contributing to family firms' foreign market exit decisions. As Arregle et al. (2021: 1189) explain “[d]e-internationalization and divestment in family firms presents a fruitful

Appendix 3

Summary of robustness test results.

Robustness tests		β	S.E	<i>p</i> value	Log likelihood	Wald χ^2
Test 1: Using an alternative measure of historical military friction (N=3,114)	H1a: Historical military friction → Exit	0.120	0.061	0.049	-1119.352	876.36
	H1b: Cultural friction → Exit	-0.175	0.063	0.006		
	H2a: Historical military friction × Family management → Exit	0.186	0.078	0.017	-1115.649	825.33
	H2b: Cultural friction × Family management → Exit	-0.194	0.075	0.009		
	H3a: Historical military friction × Family management × Family generation → Exit	-0.797	0.392	0.042	-1102.200	861.83
	H3b: Cultural friction × Family management × Family generation → Exit	0.425	0.298	0.154		
Test 2: Using an alternative measure of cultural friction (N=3,312)	H1a: Historical military friction → Exit	0.122	0.051	0.017	-1179.631	931.76
	H1b: Cultural friction → Exit	-0.169	0.055	0.002		
	H2a: Historical military friction × Family management → Exit	0.099	0.054	0.064	-1177.443	898.23
	H2b: Cultural friction × Family management → Exit	-0.112	0.053	0.035		
	H3a: Historical military friction × Family management × Family generation → Exit	-0.588	0.244	0.016	-1164.723	919.17
	H3b: Cultural friction × Family management × Family generation → Exit	0.303	0.190	0.111		
Test 3: Excluding fractionalized countries (N=2766)	H1a: Historical military friction → Exit	0.103	0.051	0.042	-997.050	798.53
	H1b: Cultural friction → Exit	-0.153	0.059	0.009		
	H2a: Historical military friction × Family management → Exit	0.105	0.055	0.056	-995.182	768.73
	H2b: Cultural friction × Family management → Exit	-0.091	0.053	0.087		
	H3a: Historical military friction × Family management × Family generation → Exit	-0.462	0.240	0.054	-986.611	802.52
	H3b: Cultural friction × Family management × Family generation → Exit	0.164	0.185	0.377		
Test 4: Removing the year 2009 from the sample (N=3,089)	H1a: Historical military friction → Exit	0.115	0.050	0.022	-1113.320	883.53
	H1b: Cultural friction → Exit	-0.156	0.053	0.003		
	H2a: Historical military friction × Family management → Exit	0.111	0.053	0.036	-1110.729	848.76
	H2b: Cultural friction × Family management → Exit	-0.113	0.051	0.025		
	H3a: Historical military friction × Family management × Family generation → Exit	-0.624	0.249	0.012	-1098.214	869.40
	H3b: Cultural friction × Family management × Family generation → Exit	0.322	0.185	0.083		
Test 5: Using logit regression (N=3,114)	H1a: Historical military friction → Exit	0.208	0.102	0.042	-1117.381	534.65
	H1b: Cultural friction → Exit	-0.295	0.130	0.023		
	H2a: Historical military friction × Family management → Exit	0.205	0.093	0.028	-1114.668	503.91
	H2b: Cultural friction × Family management → Exit	-0.199	0.112	0.075		
	H3a: Historical military friction × Family management × Family generation → Exit	-1.016	0.438	0.020	-1102.035	544.55
	H3b: Cultural friction × Family management × Family generation → Exit	0.539	0.317	0.089		
Test 6: Using an alternative measure of family generation (N=3,114)	H1a: Historical military friction → Exit	0.118	0.050	0.017	-1118.843	907.00
	H1b: Cultural friction → Exit	-0.157	0.053	0.003		
	H2a: Historical military friction × Family management → Exit	0.113	0.053	0.032	-1116.183	871.30
	H2b: Cultural friction × Family management → Exit	-0.113	0.050	0.026		
	H3a: Historical military friction × Family management × Family generation → Exit	-0.578	0.241	0.017	-1105.740	891.80
	H3b: Cultural friction × Family management × Family generation → Exit	0.302	0.182	0.097		

potential research avenue, due particularly to additional family firm-specific considerations related to affect, path dependency, family history or legacy". Our work reconciles the SEW perspective and the friction lens in IB to enrich existing literature about family firms' foreign market exit. Following calls from multiple authors (Arregle et al., 2021; Kano & Verbeke, 2018), we relied on both family firm and IB-specific arguments to explain family firms' foreign market exit, while offering important future research paths to pursue in relation to the roles of SEW and frictions on international exit decisions (Arregle et al., 2021; Kano & Verbeke, 2018). Relatedly, our study also contributes to the emergence of de-internationalization research, providing evidence to show the importance of family-specific factors and market conditions in affecting firms' propensity to not sustain internationalization (Kafourous et al., 2022; Witt, 2019).

Second, recent research on family firm internationalization

emphasizes the need to incorporate a temporal perspective, especially the role of time and changing external contexts, to study relevant internationalization topics (Arregle et al., 2021; Kano et al., 2021). Our empirical analysis answers this call. Specifically, this study examines the influence of historical military and cultural frictions, from *historical* (past) and *contemporary* (present) views, on family firms' propensity to exit from foreign markets. Our findings show that historical-military friction increases family firms' exit while cultural friction reduces it. Future research can further explore how the (external) context impact family firms' internationalization and how it changes over time (Calabrò et al., 2022; Nguyen et al., 2022). Relatedly, King et al. (2022) underline the importance of incorporating the external context when studying family firms' corporate restructuring, including exit. Our study advances existing theory by underlining the roles of different frictions in determining family firms' foreign market exit. In so doing, we also respond to

recent calls for research on the effect of the external context on strategic decisions (Agarwal et al., 2017; Davidsson, 2020).

Third, emergent research in family business research underlines the need to examine family firms' international strategic decisions across different levels of analysis (e.g., Arregle et al., 2021; Kano & Verbeke, 2018). The present study links the friction aspect with two key family firm heterogeneity elements – family management and generation in control – to explain family firms' diversity in international decisions. For instance, although some studies argue that family involvement in management is detrimental to internationalization due to the desire to avoid the dissipation of SEW (Arregle et al., 2021; Boellis et al., 2016), this study theorizes and finds that family management has varying impacts on family firms' international decision-making depending on the type of friction. Similarly, our work underlines the importance of the family generation in control (first versus later generations in control) and how it differently impacts family firms' decision-making in foreign market exit, along with the type of friction and the presence of family managers in the TMT (Boellis et al., 2016; Calabrò et al., 2016; Kano & Verbeke, 2018). Overall, our study confirms that family firms are not homogeneous in international decision-making and foreign market exit strategies (Calabrò et al., 2016; Debellis et al., 2021; Naldi et al., 2015).

Relatedly, the logic that SEW makes family firms loss-averse has been often used to explain family firms' internationalization (Arregle et al., 2021). However, the effects of this loss aversion on family firm internationalization are not clear. For example, Gómez-Mejía et al. (2010: 224) note that “family firms are pulled in two opposite directions when making diversification decisions,” and these firms “opt for less diversification in order to preserve SEW or choose greater diversification [. . .] in order to dilute or spread concentrated business risk.” This is because international diversification risks to lower both family control (thus reducing SEW) and business risk (thus preserving SEW). In contrast with previous studies, our work shows that family firms are not universally against business exit due to SEW concerns (see, e.g., Chirico et al., 2018; 2020; DeTienne & Chirico, 213; Gómez-Mejía et al., 2007; Kim et al., 2019). Rather, their foreign market exit propensity varies depending on multiple internal and external factors, impacting family firms' willingness to mitigate family losses while reducing business risk (Calabrò et al., 2022). As such, this study extends the SEW perspective and provides implications for future studies to explore the functions of family management and generational control in affecting family firms' exit strategies while coping with various types of frictions or disruptions.

This study also offers practical implications for improving family firms' ability to cope with global uncertainties. Considering the dysfunctional impacts of historical military friction, we suggest that family firms must devote themselves to searching for synergistic possibilities to create a fit between their non-economic goals and host-country environments. Seeking local collaboration can be an efficient way for family firms to establish trusting relationships in the host country and thus facilitate converting negative relationship-based frictions from problems to arbitrage opportunities (Cesinger et al., 2016; Koch et al., 2016). Regarding the functional advantages of cultural friction, establishing efficient communication approaches is critical for family firms for properly exploring the learning advantages in the host country and thus seeking more ways to extend their breadth of social capital (e.g., Debellis et al., 2022; Singh et al., 2019). In addition, decision-makers in family firms need to enhance governance flexibility to explore business opportunities and utilize later generations' knowledge while simultaneously appreciating the contributions of first generations for effective intergenerational knowledge transfer.

7.1. Limitations and future research directions

This study has several limitations which offer scope for future research. First, although research shows that a “deep contextualization” can contribute to a better understanding of phenomena (Karaevli & Yurtoglu, 2021; Mondal et al., 2021), using a single country to test our

hypotheses may have led to generalizability issues. For instance, compared to other contexts and cultures, only relatively recently the fast-changing economic and societal development since Mao's Hundred Flowers Campaign in China (with a purpose of embracing diversified culture and cultural revolution) and the Opening-door reform have promoted cultural exchange activities in Chinese families and organizations (Storesletten & Zilibotti, 2014). Since then, foreign cultures have started to infuse into Chinese societies during the active interactions between China and the rest of the world. Chinese family firms have started to recognize the importance of learning new (foreign) cultures, which is reflected by their fast-moving lifestyles and increasing engagement in celebrating Western festivals such as Christmas, Halloween and Valentine's Day (e.g., Ahlstrom et al., 2008). Additionally, China's well-recorded history has profoundly impacted Chinese families and firms (Du, 2015; Kim & Gao, 2010). This is shown in traditional Chinese festivals, such as the Qingming Festival and Double Ninth Festival, which place great importance on remembering the deceased and respecting ancestors. Leaders also encourage collective memory of the military history of China, such as Victory Day⁶ (September 3), the Mukden Incident⁷ (September 18), the Memorial of the War to Resist US Aggression and Aid Korea (October 25), and the Nanjing Massacre⁸ (December 13). As such, the Chinese cultural context itself may have impacted our specific results. Future scholars could extend our work to other countries, across countries, or even compare the international behaviour of family firms in developed and developing countries, to avoid the results being influenced by country-of-origin attributes (Mondal et al., 2021).

Second, due to data limitations, we only considered foreign market exit decision, where a foreign subsidiary of the family firm has been removed from the host country, without considering their partial divestment decisions. Future studies can test the impacts of friction on other family firms' exit and entry decisions, such as partial divestments (selling a percentage of the business but not an exit) or market re-entries (i.e., firms return to markets that they previously exited) (e.g., Surdu et al., 2018). We also did not consider the family firms' different motives for market entry, which are important to investigate their propensity to exit a target country. Hence, future research should focus on alternative explanations for family firms' foreign market exit decisions. Future research may also take into account the foreign ownership, institutional holding, or state ownership of family firms, which can change the balance between their economic and non-economic considerations in making an exit decision (Dinh, Calabrò, Campopiano, & Basco, 2021).

Third, our data did not allow us to study the impact of CEOs' characteristics and management styles on the foreign market exit of family firms, especially when CEOs incorporate their political resources in decision-making (Dinh et al., 2021; Xu et al., 2015). The CEOs' backgrounds, such as their social class, political ideologies, and international experience, may also affect family firms' international decision-making. Future research is encouraged to consider the ownership structure and the background of CEOs in studying family firm internationalization (Calabrò et al., 2018; Dinh et al., 2021). We also did not consider the financial performance or market share of foreign subsidiaries due to the large amount of missing data. And we did not focus on other types of frictions which may affect family firms' foreign market exit. For example, economic friction and political friction can lead to a misfit between the firms' goals and the demands in the host country (e.g., Nguyen et al., 2022), which may also restrict the family firms' growth and lead to a higher propensity for exit. Future research may be

⁶ China celebrates Victory over Japan Day for the war of resistance against Imperial Japan in World War II.

⁷ The Mukden Incident is used to recall the dawn of Japanese military aggression in East Asia.

⁸ The Nanjing Massacre refers to the mass killing of Chinese civilians in Nanjing during the Sino-Japanese War.

channelled in these directions. Finally, our study only considered listed family firms, but different types of family firms (e.g., publicly listed and privately held) vary in their strategic choices (Carney, Van Essen, Gedajlovic, & Heugens, 2015). Future studies can test our hypotheses further, considering the heterogeneity between different public and private family firms.

8. Conclusion

Integrating insights from the SEW perspective and the friction lens, this study advances the realm of family firm internationalization by examining the impacts of historical and cultural military frictions on family firms' foreign market exit. It also incorporates unique family firm factors—family management and generation in control—to test family firms' foreign market exit reactions to friction. We hope this research informs, extends, and encourages future work at the intersection of family firm and IB studies to push the boundaries of family firm internationalization literature forward.

Data availability

Data will be made available on request.

Acknowledgements

We are grateful to JWB Editors and Guest Editors of the Special Issue, as well as three anonymous reviewers for their constructive comments and guidance. Special thanks to Professor Jun Xia (University of Texas at Dallas) and Professor Lin Cui (Australian National University) for their comments in revising the manuscript. The very early version of the manuscript was nominated for the "That's interesting" Award at the Academy of International Business (AIB) 2020 Annual Conference. We thank the participants at the conference for their helpful feedback. We acknowledge the support by the National Natural Science Foundation of China (NSFC) (Grant Nos. 71972148, 72372119).

Appendix

References

- Agarwal, R., Moeen, M., & Shah, S. K. (2017). Athena's birth: Triggers, actors, and actions preceding industry inception. *Strategic Entrepreneurship Journal*, 11(3), 287–305.
- Ahlstrom, D., Bruton, G. D., & Yeh, K. S. (2008). Private firms in China: Building legitimacy in an emerging economy. *Journal of World Business*, 43(4), 385–399.
- Ai, C., & Norton, E. C. (2003). Interaction terms in logit and probit models. *Economics Letters*, 80(1), 123–129.
- Allison, P. D. (1999). Comparing logit and probit coefficients across groups. *Sociological Methods & Research*, 28(2), 186–208.
- Arikan, I., & Shenkar, O. (2013). National animosity and cross-border alliances. *Academy of Management Journal*, 56(6), 1516–1544.
- Arregle, J. L., Chirico, F., Kano, L., Kundu, S. K., Majocchi, A., & Schulze, W. S. (2021). Family firm internationalization: Past research and an agenda for the future. *Journal of International Business Studies*, 52(6), 1159–1198.
- Arregle, J. L., Hitt, M. A., & Mari, I. (2019). A missing link in family firms' internationalization research: Family structures. *Journal of International Business Studies*, 50(5), 809–825.
- Banalieva, E. R., & Eddleston, K. A. (2011). Home-region focus and performance of family firms: The role of family vs non-family leaders. *Journal of International Business Studies*, 42(8), 1060–1072.
- Banalieva, E. R., Eddleston, K. A., & Zellweger, T. M. (2015). When do family firms have an advantage in transitioning economies? Toward a dynamic institution-based view. *Strategic Management Journal*, 36(9), 1358–1377.
- Bar-Tal, D. (2000). From intractable conflict through conflict resolution to reconciliation: Psychological analysis. *Political Psychology*, 21(2), 351–365.
- Bastid-Bruguère, M. (2008). Current trends in Chinese studies in France. *Journal of Modern Chinese History*, 2(1), 115–132.
- Bauweraerts, J., Sciascia, S., Naldi, L., & Mazzola, P. (2019). Family CEO and board service: Turning the tide for export scope in family SMEs. *International Business Review*, 28(5), Article 101583. -.
- Bernini, M., Du, J., & Love, J. H. (2016). Explaining intermittent exporting: Exit and conditional re-entry in export markets. *Journal of International Business Studies*, 47(9), 1058–1076.
- Berrone, P., Cruz, C., & Gómez-Mejía, L. R. (2012). Socioemotional wealth in family firms: Theoretical dimensions, assessment approaches, and agenda for future research. *Family Business Review*, 25(3), 258–279.
- Beugelsdijk, S., Kostova, T., & Roth, K. (2017). An overview of Hofstede-inspired country-level culture research in international business since 2006. *Journal of International Business Studies*, 48(1), 30–47.
- Boddewyn, J. J. (2016). International business-government relations research 1945–2015: Concepts, typologies, theories and methodologies. *Journal of World Business*, 51(1), 10–22.
- Boellis, A., Mariotti, S., Minichilli, A., & Piscitello, L. (2016). Family involvement and firms' establishment mode choice in foreign markets. *Journal of International Business Studies*, 47(8), 929–950.
- Bowen, H. P. (2012). Testing moderating hypotheses in limited dependent variable and other nonlinear models: Secondary versus total interactions. *Journal of Management*, 38(3), 860–889.
- Bruno, V., & Shin, H. S. (2014). Globalization of corporate risk taking. *Journal of International Business Studies*, 45(7), 800–820.
- Calabrò, A., Brogi, M., & Torchia, M. (2016). What does really matter in the internationalization of small and medium-sized family businesses? *Journal of Small Business Management*, 54(2), 679–696.
- Calabrò, A., Campopiano, G., & Basco, R. (2017). Governance structure and internationalization of family-controlled firms: The mediating role of international entrepreneurial orientation. *European Management Journal*, 35(2), 238–248.
- Calabrò, A., Chrisman, J. J., & Kano, L. (2022). Family-owned multinational enterprises in the post-pandemic global economy. *Journal of International Business Studies*, 53(5), 920–935.
- Calabrò, A., Minichilli, A., Amore, M. D., & Brogi, M. (2018). The courage to choose! Primogeniture and leadership succession in family firms. *Strategic Management Journal*, 39(7), 2014–2035.
- Carney, M., Van Essen, M., Gedajlovic, E. R., & Heugens, P. P. (2015). What do we know about private family firms? A meta-analytical review. *Entrepreneurship Theory and Practice*, 39(3), 513–544.
- Ceipek, R., Hautz, J., De Massis, A., Matzler, K., & Ardito, L. (2021). Digital transformation through exploratory and exploitative internet of things innovations: The impact of family management and technological diversification. *Journal of Product Innovation Management*, 38(1), 142–165.
- Certo, S. T., Withers, M. C., & Semadeni, M. (2017). A tale of two effects: Using longitudinal data to compare within- and between-firm effects. *Strategic Management Journal*, 38(7), 1536–1556.
- Cesinger, B., Hughes, M., Mensching, H., Bouncken, R., Fredrich, V., & Kraus, S. (2016). A socioemotional wealth perspective on how collaboration intensity, trust, and international market knowledge affect family firms' multinationality. *Journal of World Business*, 51(4), 586–599.
- Chang, Y. C., Kao, M. S., & Kuo, A. (2014). The influences of governance quality on equity-based entry mode choice: The strengthening role of family control. *International Business Review*, 23(5), 1008–1020.
- Chen, S. (2017). Profiting from FDI in conflict zones. *Journal of World Business*, 52(6), 760–768.
- Chen, M., Xiao, J. Z., & Zhao, Y. (2021). Confucianism, successor choice, and firm performance in family firms: Evidence from China. *Journal of Corporate Finance*, 69, Article 102023. <https://doi.org/10.1016/j.jcorpfin.2021.102023>
- Cheng, M., Lin, B., & Wei, M. (2015). Executive compensation in family firms: The effect of multiple family members. *Journal of Corporate Finance*, 32, 238–257.
- Chirico, F., Gómez-Mejía, L. R., Hellerstedt, K., Withers, M., & Nordqvist, M. (2020). To merge, sell, or liquidate? Socioemotional wealth, family control, and the choice of business exit. *Journal of Management*, 46(8), 1342–1379.
- Chirico, F., Salvato, C., Byrne, B., Akhter, N., & Arriaga Muzquiz, J. (2018). Commitment escalation to a failing family business. *Journal of Small Business Management*, 56(3), 494–512.
- Chirico, F., Sirmon, D. G., Sciascia, S., & Mazzola, P. (2011). Resource orchestration in family firms: Investigating how entrepreneurial orientation, generational involvement, and participative strategy affect performance. *Strategic Entrepreneurship Journal*, 5(4), 307–326.
- Chrisman, J. J., & Patel, P. C. (2012). Variations in R&D investments of family and nonfamily firms: Behavioral agency and myopic loss aversion perspectives. *Academy of Management Journal*, 55(4), 976–997.
- Combs, J. G., Jaskiewicz, P., Rau, S. B., & Agrawal, R. (2023). Inheriting the legacy but not the business: When and where do family nonsuccessors become entrepreneurial? *Journal of Small Business Management*, 61(4), 1961–1990.
- Covrig, V., Lau, S. T., & Ng, L. (2006). Do domestic and foreign fund managers have similar preferences for stock characteristics? A cross-country analysis. *Journal of International Business Studies*, 37(3), 407–429.
- Cruz, C., & Nordqvist, M. (2012). Entrepreneurial orientation in family firms: A generational perspective. *Small Business Economics*, 38(1), 33–49.
- Cui, L., Fan, D., Liu, X., & Li, Y. (2017). Where to seek strategic assets for competitive catch-up? A configurational study of emerging multinational enterprises expanding into foreign strategic factor markets. *Organization Studies*, 38(8), 1059–1083.
- Dai, L., Eden, L., & Beamish, P. W. (2013). Place, space, and geographical exposure: Foreign subsidiary survival in conflict zones. *Journal of International Business Studies*, 44, 554–578.
- Davidsson, P. (2020). Look out! See change? Sea change ahead! *Academy of Management Discoveries*, 6(3), 321–324.

- De Massis, A., Frattini, F., Majocchi, A., & Piscitello, L. (2018). Family firms in the global economy: Toward a deeper understanding of internationalization determinants, processes, and outcomes. *Global Strategy Journal*, 8(1), 3–21.
- Debellis, F., Rondi, E., Plakoyiannaki, E., & De Massis, A. (2021). Riding the waves of family firm internationalization: A systematic literature review, integrative framework, and research agenda. *Journal of World Business*, 56(1), Article 101144. <https://doi.org/10.1016/j.jwb.2020.101144>
- Debellis, F., Torchia, M., Quarato, F., & Calabrò, A. (2022). Board openness and family firm internationalization: A social capital perspective. *Small Business Economics*, 60(4), 1431–1448.
- DeTienne, D. R., & Chirico, F. (2013). Exit strategies in family firms: How socioemotional wealth drives the threshold of performance. *Entrepreneurship Theory and Practice*, 37(6), 1297–1318.
- Dikova, D., & Sahib, P. R. (2013). Is cultural distance a bane or a boon for cross-border acquisition performance? *Journal of World Business*, 48(1), 77–86.
- Dinh, T. Q., Calabrò, A., Campopiano, G., & Basco, R. (2021). The Impact of politically connected CEOs and boards of directors on firm performance: A study of Vietnamese family and non-family firms. *Entrepreneurship Theory and Practice*, 46(5), 1284–1316.
- Du, X. (2015). Is corporate philanthropy used as environmental misconduct dressing? Evidence from Chinese family-owned firms. *Journal of Business Ethics*, 129(2), 341–361.
- Durand, R., Rao, H., & Monin, P. (2007). Code and conduct in French cuisine: Impact of code changes on external evaluations. *Strategic Management Journal*, 28(5), 455–472.
- Egger, H., Egger, P., & Greenaway, D. (2008). The trade structure effects of endogenous regional trade agreements. *Journal of International Economics*, 74(2), 278–298.
- Farh, J. L., Earley, P. C., & Lin, S. C. (1997). Impetus for action: A cultural analysis of justice and organizational citizenship behavior in Chinese society. *Administrative Science Quarterly*, 421–444.
- Fearon, J. D. (2003). Ethnic and cultural diversity by country. *Journal of Economic Growth*, 8(2), 195–222.
- Financial Times. (2018). Asian bike-sharing companies find road is tougher in Europe, February 28. <https://www.ft.com/content/1e8ce02e-1c7c-11e8-956a-43db76e69936>.
- Gallinger, G. W. (1982). Corporate vulnerability to cash tender offers. *Strategic Management Journal*, 3(3), 179–196.
- Gao, G. Y., Wang, D. T., & Che, Y. (2018). Impact of historical conflict on FDI location and performance: Japanese investment in China. *Journal of International Business Studies*, 49(8), 1060–1080.
- Gaur, A. S., & Lu, J. W. (2007). Ownership strategies and survival of foreign subsidiaries: Impacts of institutional distance and experience. *Journal of Management*, 33(1), 84–110.
- Goldstein, J. S. (1992). A conflict-cooperation scale for WEIS events data. *Journal of Conflict Resolution*, 36(2), 369–385.
- Gómez-Mejía, L., Cruz, C., & Imperatore, C. (2014). Financial reporting and the protection of socioemotional wealth in family-controlled firms. *European Accounting Review*, 23(3), 387–402.
- Gómez-Mejía, L. R., Haynes, K. T., Núñez-Nickel, M., Jacobson, K. J., & Moyano-Fuentes, J. (2007). Socioemotional wealth and business risks in family-controlled firms: Evidence from Spanish olive oil mills. *Administrative Science Quarterly*, 52(1), 106–137.
- Gómez-Mejía, L. R., Makri, M., & Kintana, M. L. (2010). Diversification decisions in family-controlled firms. *Journal of Management Studies*, 47(2), 223–252.
- Gomez-Mejia, L. R., Cruz, C., Berrone, P., & De Castro, J. (2011). The bind that ties: Socioemotional wealth preservation in family firms. *The Academy of Management Annals*, 5(1), 653–707.
- Greene, W. (2003). *Econometric analysis* (5th edn). Upper Saddle River, NJ: Prentice Hall.
- Heaver, S. (2014). When China and France went to war: 130 years since forgotten conflict. *South China Morning Post*, 23 August Available <https://www.scmp.com/magazines/post-magazine/article/1578428/no-charm-intended>.
- Hofstede, G., Hofstede, G. J., & Minkov, M. (2005). *Cultures and organizations: Software of the mind*, 2. New York: McGraw-Hill.
- Hoskisson, R. E., Chirico, F., Zyung, J., & Gambeta, E. (2017). Managerial risk taking: A multitheoretical review and future research agenda. *Journal of Management*, 43(1), 137–169.
- House, R., Javidan, M., Hanges, P., & Dorfman, P. (2002). Understanding cultures and implicit leadership theories across the globe: An introduction to project GLOBE. *Journal of World Business*, 37(1), 3–10.
- Kafourous, M., Cavusgil, S. T., Devinney, T. M., Ganotakis, P., & Fainshmidt, S. (2022). Cycles of de-internationalization and re-internationalization: Towards an integrative framework. *Journal of World Business*, 57(1), Article 101257. <https://doi.org/10.1016/j.jwb.2021.101257>
- Kalnis, A. (2018). Multicollinearity: How common factors cause Type 1 errors in multivariate regression. *Strategic Management Journal*, 39(8), 2362–2385.
- Kano, L., & Verbeke, A. (2018). Family firm internationalization: Heritage assets and the impact of bifurcation bias. *Global Strategy Journal*, 8(1), 158–183.
- Kano, L., Ciravegna, L., & Rattalino, F. (2021). The family as a platform for FSA development: Enriching new internationalization theory with insights from family firm research. *Journal of International Business Studies*, 52(1), 148–160.
- Karaevli, A., & Yurtoglu, B. B. (2021). Family ownership, market development, and internationalization of Turkish business groups (1925–2017). *Journal of World Business*, 56(6), Article 101264.
- Kellermanns, F. W., & Eddleston, K. A. (2006). Corporate entrepreneurship in family firms: A family perspective. *Entrepreneurship Theory and Practice*, 30(6), 809–830.
- Kim, Y., & Gao, F. Y. (2010). An empirical study of human resource management practices in family firms in China. *The International Journal of Human Resource Management*, 21(12), 2095–2119.
- Kim, H., Hoskisson, R. E., & Zyung, J. D. (2019). Socioemotional favoritism: Evidence from foreign divestitures in family multinationals. *Organization Studies*, 40(6), 917–940.
- King, D. R., Meglio, O., Gomez-Mejia, L., Bauer, F., & De Massis, A. (2022). Family business restructuring: A review and research agenda. *Journal of Management Studies*, 59(1), 197–235.
- Koch, P. T., Koch, B., Menon, T., & Shenkar, O. (2016). Cultural friction in leadership beliefs and foreign-invested enterprise survival. *Journal of International Business Studies*, 47(4), 453–470.
- Kraiczy, N. D., Hack, A., & Kellermanns, F. W. (2015). What makes a family firm innovative? CEO risk-taking propensity and the organizational context of family firms. *Journal of Product Innovation Management*, 32(3), 334–348.
- Kraus, S., Mensching, H., Calabrò, A., Cheng, C. F., & Filser, M. (2016). Family firm internationalization: A configurational approach. *Journal of Business Research*, 69(11), 5473–5478.
- Lee, K. S., Lim, G. H., & Lim, W. S. (2003). Family business succession: Appropriation risk and choice of successor. *Academy of Management Review*, 28(4), 657–666.
- Li, C., Arian, I., Shenkar, O., & Arian, A. (2020). The impact of country-dyadic military conflicts on market reaction to cross-border acquisitions. *Journal of International Business Studies*, 51(3), 299–325.
- Li, J., Liu, B., & Qian, G. (2019). The belt and road initiative, cultural friction and ethnicity: Their effects on the export performance of SMEs in China. *Journal of World Business*, 54(4), 350–359.
- Li, S., Qiu, J., & Wan, C. (2011). Corporate globalization and bank lending. *Journal of International Business Studies*, 42(8), 1016–1042.
- Li, X. H., & Liang, X. (2015). A Confucian social model of political appointments among Chinese private-firm entrepreneurs. *Academy of Management Journal*, 58(2), 592–617.
- Li, Q., & Vashchilko, T. (2010). Dyadic military conflict, security alliances, and bilateral FDI flows. *Journal of International Business Studies*, 41, 765–782.
- Löhde, A. S. K., Campopiano, G., & Calabrò, A. (2020). Beyond agency and stewardship theory: Shareholder–manager relationships and governance structures in family firms. *Management Decision*, 59(2), 390–405.
- Lu, J., Liu, X., Wright, M., & Filatotchev, I. (2014). International experience and FDI location choices of Chinese firms: The moderating effects of home country government support and host country institutions. *Journal of International Business Studies*, 45(4), 428–449.
- Luo, Y., & Shenkar, O. (2011). Toward a perspective of cultural friction in international business. *Journal of International Management*, 17(1), 1–14.
- Mahajan, A., & Toh, S. M. (2014). Facilitating expatriate adjustment: The role of advice-seeking from host country nationals. *Journal of World Business*, 49(4), 476–487.
- Martí, J., Menéndez-Requejo, S., & Rottke, O. M. (2013). The impact of venture capital on family businesses: Evidence from Spain. *Journal of World Business*, 48(3), 420–430.
- Mata, J., & Freitas, E. (2012). Foreignness and exit over the life cycle of firms. *Journal of International Business Studies*, 43(7), 615–630.
- Miller, D., Le Breton-Miller, I., Lester, R. H., & Cannella, A. A., Jr (2007). Are family firms really superior performers? *Journal of Corporate Finance*, 13(5), 829–858.
- Miroshnychenko, I., Eddleston, K. A., & De Massis, A. (2023). Fight or flight? Understanding family firm internationalization when the rules of the game change. *Journal of World Business*, 58(5), Article 101462. <https://doi.org/10.1016/j.jwb.2023.101462>
- MOFCOM. (2018). *Statistical Bulletin of China's Outward Foreign Direct Investment*. Beijing: Ministry of Commerce and National Bureau of Statistics.
- Mondal, A., Lahiri, S., & Ray, S. (2021). Strategic response to inward foreign direct investment: A study of Indian family firms. *Management International Review*, 61(2), 207–233.
- Murray, L. (2012). Wahaha stakes \$220m on WA dairy farms. *Australian Financial Review*. March 19, 2012 <https://www.afr.com/companies/financial-services/wahaha-stakes-220m-on-wa-dairy-farms-20120316-j3cqe>.
- Nyamrunda, F. C., & Freeman, S. (2021). Strategic agility, dynamic relational capability and trust among SMEs in transitional economies. *Journal of World Business*, 56(3), Article 101175.
- Naldi, L., Chirico, F., Kellermanns, F. W., & Campopiano, G. (2015). All in the family? An exploratory study of family member advisors and firm performance. *Family Business Review*, 28(3), 227–242.
- Nguyen, H. T. T., Larimo, J., & Ghauri, P. (2022). Understanding foreign divestment: The impacts of economic and political friction. *Journal of Business Research*, 139, 675–691.
- Paruchuri, S., Pollock, T. G., & Kumar, N. (2019). On the tip of the brain: Understanding when negative reputational events can have positive reputation spillovers, and for how long. *Strategic Management Journal*, 40(12), 1965–1983.
- Pukall, T. J., & Calabrò, A. (2014). The internationalization of family firms: A critical review and integrative model. *Family Business Review*, 27(2), 103–125.
- Ripsman, N. M. (2021). Globalization, deglobalization and Great Power politics. *International Affairs*, 97(5), 1317–1333.
- Salvato, C., Chirico, F., & Sharma, P. (2010). A farewell to the business: Championing exit and continuity in entrepreneurial family firms. *Entrepreneurship & Regional Development*, 22(3–4), 321–348.
- Schulze, W. S., Lubatkin, M. H., Dino, R. N., & Buchholtz, A. K. (2001). Agency relationships in family firms: Theory and evidence. *Organization Science*, 12(2), 99–116.
- Sciascia, S., Mazzola, P., & Chirico, F. (2013). Generational involvement in the top management team of family firms: Exploring nonlinear effects on entrepreneurial orientation. *Entrepreneurship Theory and Practice*, 37(1), 69–85.

- Sharma, P., & Chua, J. H. (2013). Asian family enterprises and family business research. *Asia Pacific Journal of Management*, 30, 641–656.
- Shenkar, O., Luo, Y., & Yehekel, O. (2008). From “distance” to “friction”: Substituting metaphors and redirecting intercultural research. *Academy of Management Review*, 33(4), 905–923.
- Singh, D., Pattnaik, C., Lee, J. Y., & Gaur, A. S. (2019). Subsidiary staffing, cultural friction, and subsidiary performance: Evidence from Korean subsidiaries in 63 countries. *Human Resource Management*, 58(2), 219–234.
- Slesman, L., Abubakar, Y. A., & Mitra, J. (2021). Foreign direct investment and entrepreneurship: Does the role of institutions matter? *International Business Review*, 30(4), Article 101774.
- Storesletten, K., & Zilibotti, F. (2014). China's great convergence and beyond. *Annual Review of Economics*, 6, 333–362.
- Su, Y., Zahra, S. A., & Fan, D. (2022). Stratification, entrepreneurial choice and income growth: The moderating role of subnational marketization in an emerging economy. *Entrepreneurship Theory and Practice*, 46(6), 1597–1625.
- Surdu, I., Mellahi, K., Glaister, K. W., & Nardella, G. (2018). Why wait? Organizational learning, institutional quality and the speed of foreign market re-entry after initial entry and exit. *Journal of World Business*, 53(6), 911–929.
- Tan, W. L., & Fock, S. T. (2001). Coping with growth transitions: The case of Chinese family businesses in Singapore. *Family Business Review*, 14(2), 123–139.
- The Guardian. (2018). Gobe.ebike pulls out of France due to ‘mass destruction’ of its dockless bike fleet. February 25. <https://www.theguardian.com/world/2018/feb/25/gobeebike-france-mass-destruction-dockless-bikes>.
- Villalonga, B., & Amit, R. (2006). How do family ownership, control and management affect firm value? *Journal of Financial Economics*, 80(2), 385–417.
- Westhead, P., & Howorth, C. (2006). Ownership and management issues associated with family firm performance and company objectives. *Family Business Review*, 19(4), 301–316.
- Witt, M. A. (2019). De-globalization: Theories, predictions, and opportunities for international business research. *Journal of International Business Studies*, 50(7), 1053–1077.
- Wong, B., McReynolds, B. S., & Wong, W. (1992). Chinese family firms in the San Francisco Bay area. *Family Business Review*, 5(4), 355–372.
- Wu, S., & Fan, D. (2023). Taking two to tango: A comparative nationalism view of cross-border acquisitions. *International Business Review*, 32(3), 102069.
- Wu, S., Huang, X., Fan, D., Li, Y., & Su, Y. (2023). Cluster linkages in the global production networks: Exploring the impacts on the expansion of emerging market multinationals. *Transportation Research Part E: Logistics and Transportation Review*, 171, 103039. <https://doi.org/10.1016/j.tre.2023.103039>.
- Xu, K., Hitt, M. A., & Miller, S. R. (2020). The ownership structure contingency in the sequential international entry mode decision process: Family owners and institutional investors in family-dominant versus family-influenced firms. *Journal of International Business Studies*, 51(2), 151–171.
- Xu, N., Yuan, Q., Jiang, X., & Chan, K. C. (2015). Founder's political connections, second generation involvement, and family firm performance: Evidence from China. *Journal of Corporate Finance*, 33, 243–259.
- Yang, X., Li, J., Stanley, L. J., Kellermanns, F. W., & Li, X. (2020). How family firm characteristics affect internationalization of Chinese family SMEs. *Asia Pacific Journal of Management*, 37(2), 417–448.
- Yu, X., Stanley, L., Li, Y., Eddleston, K. A., & Kellermanns, F. W. (2020). The invisible hand of evolutionary psychology: The importance of kinship in first-generation family firms. *Entrepreneurship Theory and Practice*, 44(1), 134–157.
- Zahra, S. A. (2012). Organizational learning and entrepreneurship in family firms: Exploring the moderating effect of ownership and cohesion. *Small Business Economics*, 38(1), 51–65.
- Zhang, Y., & Qu, H. (2016). The impact of CEO succession with gender change on firm performance and successor early departure: Evidence from China's publicly listed companies in 1997–2010. *Academy of Management Journal*, 59(5), 1845–1868.
- Sihong Wu** (Ph.D. , *The University of Western Australia*) is a Lecturer at the University of Auckland, New Zealand. . Her current research interest focuses on global innovation and international business strategies. Her publications appear in journal, such as, *International Business Review*, *Management International Review*, *Journal of International Management*, *Transportation Research Part E: The Logistics and Transportation Review*, *Technological Forecasting and Social Change*, *International Journal of Manpower*, *American Business Review*, and *Journal of General Management*.
- Francesco Chirico** (Ph.D. University of Lugano USI, Switzerland) is a Professor of Management in the Macquarie Business School, Macquarie University (Australia) and Jonkoping International Business School (Sweden). His research focuses on the intersection of strategy and entrepreneurship with a special focus on family firms. His publications appear in journals, such as *Journal of Management*, *Journal of International Business Studies*, *Journal of Management Studies*, *Entrepreneurship, Theory & Practice*, *Strategic Entrepreneurship Journal*, *Organization Studies*, *Human Relations*, *Small Business Economics*, and *Family Business Review*.
- Di Fan** (Ph.D. *Monash University*, CPA) is a Professor of Management in the School of Management, RMIT University, Melbourne, Australia. His current research interest includes, international business strategies, and international human resource management. His publications appear in journals, such as *Organization Studies*, *Journal of Management Studies*, *Entrepreneurship Theory and Practice*, *Regional Studies*, *Journal of World Business*, *Academy of Management Learning & Education*, *Global Strategy Journal*, *Long Range Planning*, *Public Administration Review*.
- Jiayan Ding** (Ph.D. Candidate, *Tongji University*) is a Ph.D. Candidate in the Innovation and Strategy field. Her current research interest includes, family business succession, corporate financialization, and the role of top management team in strategic management.
- Yiyi Su** (Ph.D *Peking University*) is an Associate Professor in management in the School of Economics and Management of Tongji University, Shanghai, China. Her research centres on innovation and entrepreneurship, corporate governance and Chinese Management. Her recent studies are published in *Entrepreneurship Theory and Practice*, *Academy of Management Discoveries*, *Public Administration Review*, *Management International Review*, *Entrepreneurship & Regional Development*, *Management and Organization Review*, *International Journal of Human Resource Management*, *Long Range Planning*, and *Asia Pacific Journal of Management*.