Received 10 September 2024
Revised 1 September 2025
24 April 2026
Accepted 26 July 2026

When do family firms avoid culturally distant FDI? The role of ownership concentration and economic threats

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Abstract

Purpose – This study investigates the relationship between ownership concentration in family firms and their propensity to establish foreign direct investments (FDI) in locations with significant cultural distance from their home country. It also examines how this relationship is influenced by the contingent role of internal (i.e. performance below target) and external (i.e. the global financial crisis) threats.

Design/methodology/approach – The hypotheses are tested using a panel of 730 medium- to large-sized Italian family firms over the period 2004–2014.

Findings – We find that firms with high family ownership concentration are less likely to establish FDI in culturally distant countries. However, this tendency diminishes when firms experience performance below target or during a global economic downturn.

Originality/value – This study offers a more comprehensive understanding of family firms' strategic behaviors in international markets by unveiling the dual impact of family ownership concentration on FDI location choices. It shows that while concentrated ownership often leads to an overreliance on family-centric priorities, it also provides the governance flexibility needed to recalibrate these biases in response to economic threats. This finding challenges the conventional views of family firms as either consistently risk-averse due to BB or as risk-seeking to safeguard their socioemotional wealth. Instead, it portrays family firms as adept at balancing their family priorities with the demands of the global market, adeptly shifting strategies in response to both internal and external economic pressures.

Keywords Family firms, Internationalization, FDI, Location choices, Cultural distance, Bifurcation bias (BB)

Paper type Research article

1. Introduction

Selecting the optimal location for foreign direct investments (FDIs) is critical for firms expanding internationally due to the substantial resource commitment and its long-term performance implications (Flores and Aguilera, 2007; Kim and Aguilera, 2016). When investing abroad, firms must transfer and recombine their firm-specific advantages with host-country

International Journal of Entrepreneurial Behavior & Research
Vol. 32 No. 11, 2026
pp. 418-444
Emerald Publishing Limited
e-ISSN: 1758-6534
p-ISSN: 1355-2554
DOI 10.1108/IJEBR-09-2024-0955

location-specific advantages (Rugman and Verbeke, 2001). This recombination becomes more complex as differences between the home and host country increase. In particular, cultural distance – defined as differences in values, norms and behaviors between countries (Hofstede, 1980) – intensifies the uncertainty surrounding the transferability and effective deployment of firm-specific advantages. For this reason, cultural distance has consistently been identified as a central determinant of FDI location choices (Beugelsdijk *et al.*, 2018).

Recent research suggests that ownership structure plays a significant role in shaping foreign location choices (Gu *et al.*, 2018; Lien and Filatotchev, 2015; Loehde *et al.*, 2020; Xu *et al.*, 2020). In family firms –defined as organizations in which a family holds significant ownership and exerts influence over strategic decision-making (Chua *et al.*, 1999) – ownership characteristics shape how international strategic choices are evaluated, as family owners typically combine economic objectives with family-related preferences in their decision-making (for recent reviews, see Arregle *et al.*, 2021; Debellis *et al.*, 2021; Maggi *et al.*, 2022). These considerations become particularly salient when firms assess culturally distant host countries, where strategic evaluation requires navigating heightened trade-offs between economic and noneconomic goals (Reuber, 2016). Despite extensive work on entry mode, geographic scope and location choices, we still know relatively little about whether and under which conditions family ownership shapes firms' selection of host countries in light of their cultural distance. This matters because accessing high-distance markets can unlock distinctive benefits yet requires more intensive recombination of home-grown firm-specific advantages with host location-specific advantages (Kano *et al.*, 2021a, b). Clarifying how family ownership influences firms' exposure to culturally distant markets is therefore essential to better understand the strategic boundaries of family firm internationalization.

To address this gap, this study focuses on family ownership concentration in family firms and its relationship with the cultural distance of FDI location choices. Specifically, we ask: How does family ownership concentration affect the cultural distance of FDI location choices, and does this relationship vary under different economic conditions?

Drawing on the bifurcation bias (BB) concept (Verbeke and Kano, 2012; Kano and Verbeke, 2018) and using socioemotional wealth (SEW) as a complementary theoretical lens (Gómez-Mejia *et al.*, 2007; Berrone *et al.*, 2012), we ground our argument in two related but distinct perspectives. BB refers to a bounded rationality problem in family firms whereby decision makers systematically privilege family-related assets and preferences over an objective evaluation of strategic alternatives (Kano and Verbeke, 2018; Verbeke *et al.*, 2020). The SEW perspective, rooted in the behavioral agency model, helps explain why family owners attach particular value to such family-related preferences and how this attachment shapes their risk preferences in strategic decision-making (Gómez-Mejia *et al.*, 2007; Berrone *et al.*, 2012), and particularly in internationalization (Jain *et al.*, 2023). Building on this framework, we argue that ownership concentration –identified as a primary determinant of BB (Calabrò *et al.*, 2022; Santulli *et al.*, 2019) – can lead family decision makers to privilege FDI locations aligned with family-related priorities over rational evaluations of alternatives (Kano and Verbeke, 2018; Verbeke *et al.*, 2020). When decision-making power is concentrated in the hands of a dominant family owner or a small coalition, family-centric priorities may face fewer internal constraints or countervailing voices, increasing the likelihood that heritage-related considerations prevail in host-country evaluation. At the same time, we argue that concentrated ownership structures may reweight decision criteria in response to economic threats. In particular, under negative economic conditions, concentrated family ownership may revise the emphasis on family-related priorities more easily than firms with dispersed ownership, where achieving consensus on a strategic direction is more complex. Thus, following Kano and Verbeke (2018), we introduce the moderating role of two specific economizing mechanisms as boundary conditions: performance below target and the global financial crisis, both recognized threats to financial stability and survival (Gómez-Mejia *et al.*, 2018; Minichilli *et al.*, 2016).

Using a longitudinal database on medium- to large-sized Italian family firms from 2004 to 2014, our results show that firms with high family ownership concentration exhibit lower cultural distance in their FDI location portfolios. However, this tendency diminishes when family firms experience performance below target or during a global economic downturn.

This study contributes to extant literature in two ways. First, it advances the ongoing debate on family firm heterogeneity in internationalization by showing that ownership concentration and economic threats jointly shape the cultural reach of international expansion (Arregle *et al.*, 2021; Debellis *et al.*, 2021; Hennart *et al.*, 2019), thereby clarifying when family firms are more or less likely to avoid culturally distant markets. Second, it refines the application of the BB framework to FDI location decisions by identifying performance below target and the global financial crisis as economically grounded boundary conditions that mitigate biased host-country selection (Kano and Verbeke, 2018). More specifically, the study shows that concentrated ownership amplifies biased avoidance of culturally distant locations under stable conditions, but that this bias weakens when economic threats shift decision criteria toward performance and survival considerations.

2. Theoretical background and hypotheses

2.1 Family ownership concentration and FDI location choices: a BB perspective

The decision regarding the location of FDI ideally involves a comparative assessment of the host-country advantages relative to the firm's internationalization goals (Kim and Aguilera, 2016). This decision often displays bounded rationality, given firms' incomplete information and biased judgments about host-country institutions, markets and logistics (Zaheer, 1995).

In this realm, family firms may face a unique bounded rationality challenge called BB. This bias manifests as a systematic preference for resources, activities or locations that are emotionally significant to the family, so-called *heritage assets*, and can become a critical family firm-specific barrier to pursuing internationalization efficiently (Verbeke and Kano, 2012; Verbeke *et al.*, 2020). While prioritizing family-centric goals is not inherently detrimental, it becomes problematic when it excessively overshadows business-centric objectives, obstructing a rational evaluation of available options (Verbeke and Kano, 2012). For example, Kano and Verbeke (2018) argue that FDI location can be strongly influenced by family members' personal preferences when the family firm has a strong BB: factors such as quality of life, career opportunities and existing family networks can become decisive sometimes leading to the relocation of a family member to directly oversee foreign activities. Prior research also shows unequal practices toward nonfamily employees, stemming from bifurcated and dysfunctional decision-making that assigns asymmetric preferential treatment to family assets even when their economic utility is lower (e.g. Calabrò *et al.*, 2022; Kano and Verbeke, 2018; Daspit *et al.*, 2021; Madison *et al.*, 2018).

Verbeke and Kano (2012) claimed that BB tends to be stronger when firms expand into new geographic markets. Consistent with this, family firms' local embeddedness and stewardship-driven priorities can reinforce a "localness" bias aligned with BB, discouraging moves beyond culturally and institutionally familiar contexts (Majocchi *et al.*, 2018; Miller *et al.*, 2007). Transposed to FDI location, this bias translates into a preference for culturally proximate hosts, helping to explain a stronger home-region focus in many family firms' internationalization patterns (Banalieva and Eddleston, 2011; Hennart *et al.*, 2019). Thus, in the context of international expansion the BB framework is particularly apt for explaining the asymmetric treatment of family-related heritage versus nonfamily assets and the resulting dysfunctional decisions concerning international location (Kano and Verbeke, 2018; Majocchi *et al.*, 2018).

The theoretical concept of BB shares some convergence points with the SEW perspective, as both frameworks emphasize the complex interplay between family-centered and financial goals in family firms. Nevertheless, these two approaches have very different theoretical roots and emerged in distinct research domains. The SEW perspective, rooted in the behavioral agency model (Wiseman and Gómez-Mejia, 1998), is recognized as the family business home-grown theoretical paradigm to explain the risk preferences of family principals (Calabrò *et al.*, 2026; Gómez-Mejia *et al.*, 2007; Berrone *et al.*, 2012). By contrast, BB originates in transaction cost theory and has emerged within international business studies to highlight how bounded rationality takes place in family firms and its implications over international strategic decisions (Kano and Verbeke, 2018). While some family-centric preferences described by SEW can align with economizing and value creation, others might solely feed parochial family desires (Miller *et al.*, 2015). In short, the core feature of BB does not overlap with the concept of preserving SEW, but it represents a systemic and dysfunctional prioritization of SEW and related "heritage" assets over an objective and business-based evaluation of strategic alternatives (Kano and Verbeke, 2018). Thus, the BB approach sheds light on scenarios where an undue emphasis on family-centric objectives results in overlooking lucrative international opportunities not linked to family heritage, highlighting the negative aspects of family firms pursuing family-centric goals (Verbeke and Kano, 2012).

Kano and Verbeke (2018) acknowledge that not all family firms suffer equally from BB as organizations may exhibit a mix of biased and unbiased practices, varying across resource bundles, routines and organizational levels. For instance, personal values held by owners, nonfamily employees and the surrounding society may determine, respectively, susceptibility to BB, the severity of its consequences, and the cross-border transferability of resources and routines (Verbeke *et al.*, 2020). Certain governance features, such as openness to nonfamily managerial involvement (D'Angelo *et al.*, 2016), or diversity in board composition (Pongelli *et al.*, 2023), can moderate BB and enhance decision-making processes related to internationalization in family firms.

Conversely, the intensity and impact of BB can escalate when decision-making is overly centralized in the hands of family members (Calabrò *et al.*, 2022). If unchecked, this bias may lead family firms to favor areas aligned with family heritage in resources, activities and markets, potentially compromising efficiency and value creation. Under such circumstances, family firms fail to develop, transfer and exploit their Firm Specific Advantages (FSAs) in host contexts because their biased decision-making tends to transfer heritage assets with little exploitation potential abroad and they are reluctant to recombine these resources with locally accessed, nonfamily resources that would permit local responsiveness (Kano *et al.*, 2021a, b).

Ownership concentration is considered a main determinant of the BB, as it enhances the decision-making autonomy of dominant family owners by increasing their control and discretion over international strategy (Calabrò *et al.*, 2022; Kano *et al.*, 2021a, b). This greater autonomy allows family-centered preferences to exert stronger influence in the evaluation of strategic alternatives, particularly in complex contexts such as culturally distant markets. Thus, we focus on ownership concentration as the extent to which decision-making power is concentrated in one family owner or a small coalition, with other family members as minority shareholders (Calabrò *et al.*, 2024; Santulli *et al.*, 2019).

While this type of ownership can bring several beneficial effects like reduced complexity, simplified resource allocation decisions and faster decision-making processes (Gaur and Delios, 2015), it can also leave room for dysfunctional behaviors. For instance, it may bring principal-principal conflicts and thus goal incongruences between controlling and minority family shareholders (Calabrò *et al.*, 2024). Furthermore, due to their strong emotional attachment (Berrone *et al.*, 2012), dominant family owners might be bolder in making biased decisions as they can unilaterally prioritize family needs. This challenge is pronounced when multiple family owners or even multiple nuclear families control the firm (Santulli *et al.*, 2019; Pongelli *et al.*, 2016). With fewer voices to consider, the family principal can unilaterally force its family interests (Gómez-Mejia *et al.*, 2011). Conversely, dispersed ownership among family ownership complicates consensus-building on balancing family-centric needs with economic returns that benefit all owners as the family majority is constituted by a nonhomogeneous group of shareholders who might have different goals, strategic views and identities (Calabrò *et al.*, 2017; Gómez-Mejia *et al.*, 2011). In line with this, extended groups of family members are less sensitive to the need for family assets and career opportunities for their family members (Gu *et al.*, 2019).

In firms with concentrated family ownership, the control in the hands of a dominant family owner both strengthens emotional attachment and enables decisions based on nonfinancial criteria (Berrone *et al.*, 2012); under the BB lens, such concentrated control heightens the likelihood that family-centered priorities prevail in international decision-making choices (Kano and Verbeke, 2018).

2.2 BB and FDI in culturally distant locations

In this study, we focus on the *ex ante* evaluation of FDI locations, that is, how firms assess and select host countries prior to entry, rather than on post-entry adaptation or subsidiary-level decisions. Establishing an FDI in a culturally distant country introduces numerous challenges related to differing relational norms, business practices and stakeholders' expectations (Ojala, 2015), While these challenges amplify the perceived risk in the host location (Shenkar, 2001), the allure of greater economic and strategic benefits often drives firms to enter culturally distant markets (Beugelsdijk *et al.*, 2018).

The dysfunctional impact of BB on FDI location choices can be more pronounced when foreign locations are not just geographically far away but also culturally distinct. As cultural distance increases, differences in values, language and mindset typically become more pronounced (Hofstede, 1980). Beyond language, standard business practice in one country may be viewed differently in another one due to cultural nuances (Shenkar, 2001). Cultural distance can lead to misinterpretation of work practices and business ethics, complicating communication and decision-making, and requiring increased training to align business practices (Bhagat *et al.*, 2002).

In culturally similar countries, family firms with strong BB may continue to rely on family-related heritage assets and FSAs with limited need for adaptation (Kano and Verbeke, 2018; Kano *et al.*, 2021a, b). However, as cultural distance increases, differences in norms, institutions and business practices require greater recombination and adaptation, which can destabilize heritage-based resource configurations (Reuber, 2016) and make reliance on family-related assets more problematic (Pongelli *et al.*, 2021). These changes might alter resources that hold emotional significance for the family. The family reputation, a pivotal heritage asset (Majocchi *et al.*, 2018) and also a crucial FSA in the home market for its brand-building power (Kano *et al.*, 2021a, b), is exposed to greater hazard in culturally distant locations due to potential ethical issues like corruption and bribery (Rodriguez *et al.*, 2005). Achieving a strong brand reputation in such markets demands substantial recombination of resources with local factors, including integrating with local business practices and different consumer preferences (Deephouse and Jaskiewicz, 2013). This level of adaptation often goes beyond what family firms with a strong BB are able to undertake, potentially limiting the leverage of social capital in such markets. Likewise, family social capital, another critical FSA (Kano *et al.*, 2021a, b), can diminish in distant environments because relational routines and trust are context-embedded and depend on shared norms (Arregle *et al.*, 2007; Shenkar, 2001). Hence, the relational networks and social ties that family firms have nurtured and relied upon in their domestic market may not readily translate to or be as influential in the host market as effective redeployment typically requires becoming an "insider" in host networks and recombining home-grown ties with host location specific advantages (Johanson and Vahlne, 2009; Kano *et al.*, 2021a, b; Zhang *et al.*, 2025).

This process can be particularly demanding for family firms with strong BB, leading firms to favor culturally closer locations and overlook opportunities in more distant countries. This preference is not solely based on the perceived business risk (Strange *et al.*, 2009), but also on the anticipated effort required to adapt and recombine family-related assets in culturally distant contexts. All in all, drawing on prior research on BB and family firms internationalization (Kano and Verbeke, 2018; Kano *et al.*, 2021a, b; Calabrò *et al.*, 2022) this study suggests that family firms with concentrated ownership may be reluctant to locate FDI in culturally distant countries, as doing business in those locations could challenge their ability to prioritize and safeguard heritage assets and deploy their FSAs profitably in the foreign location.

H1. Family ownership concentration is negatively related to the cultural distance of the FDI location.

2.3 The contingent effect of internal and external economic threats

BB inherently influences decision-making in family firms unless “economizing mechanisms” are put in place (Verbeke and Kano, 2012). While BB can be pervasive, certain factors can temper its effects, prompting family owners to soften distortions arising from prioritizing family-centric heritage assets. Six safeguard mechanisms are proposed to limit BB in family firms: meritocracy, family members’ education, structured decision processes, rigorous performance measurement, external scrutiny and the introduction of higher standards of valuation for family assets (Kano and Verbeke, 2018).

While previous studies have focused on governance-related economizing mechanisms, like external managers or a diversely composed board (D’Angelo *et al.*, 2016; Pongelli *et al.*, 2023), we argue that economizing mechanisms can also be triggered by economic contingencies, specifically performance below target as an internal threat (Calabrò *et al.*, 2023, 2024; Gómez-Mejia *et al.*, 2018), and the global financial crisis as an external threat (Minichilli *et al.*, 2016). Even if not yet explicitly identified in prior research, performance below target can be seen as a “rigorous performance measurement” and global financial crises is an “external scrutiny” provided by the capital market (Kano and Verbeke, 2018). Specifically, performance below target – a classic problemistic-search trigger in the Behavioral Theory of the Firm – shifts decision criteria temporarily rebalancing the weighting of economic and family-related objectives (Cyert and March, 1963; Chrisman and Patel, 2012). Likewise, a global financial crisis acts as an exogenous disciplining shock, pushing family owners to adopt more structured, merit-based processes, consistent with economizing on BB (Minichilli *et al.*, 2016; Kano and Verbeke, 2018). In both cases, when the firm’s economic stability is jeopardized, the concern for the firm’s survival might compel family owners to reevaluate their FDI strategic decisions (Pongelli *et al.*, 2021).

This study has previously argued that family owners with concentrated ownership are more likely to prioritize family-related preferences than family owners with dispersed ownership. Yet, it suggests that, in the face of threats, owners with dominant stakes are better positioned to adjust their priorities due to their dominant control. Concentrated ownership allows family owners to change their priorities more easily when a threat approaches, as fewer family members are involved and the potential for internal conflicts decreases (Kidwell *et al.*, 2012). A dominant owner can decisively alter the firm’s direction, leveraging significant influence over strategic decisions (Santulli *et al.*, 2019; Calabrò *et al.*, 2017) without needing to compromise with other voices at the table. Consequently, concentrated ownership equips family owners to react promptly when financial threats encourage them to risk the heritage of today to protect the heritage for future generations.

Internal economic threat: performance below target.

Several studies highlight performance below aspirations as disciplining trigger that changes how family firms make strategic choices. In general, when outcomes fall below aspiration levels, firms initiate problemistic search and rely more on economizing, evidence-based criteria (Cyert and March, 1963). In family business settings, this shift tempers the pull of socioemotional goals, with evidence of efficiency-oriented strategic adjustments under negative feedback (Chrisman and Patel, 2012; Gómez-Mejia *et al.*, 2010, 2018). Pongelli *et al.* (2021) argued that, although SEW concerns often make acquisitions and joint ventures unattractive to many family firms, when performance falls below aspirations decision-making becomes less family-centric, leading to a greater risk tolerance in international ventures.

Building on the BB lens, we argue that economic threats can operate as economizing mechanisms that temporarily shift decision criteria toward efficiency, relaxing biased decisions in host-country selection (Kano and Verbeke, 2018). Specifically, when performance falls below target, family owners with concentrated ownership are more willing to reconsider culturally distant hosts, which they often avoid due to perceived misalignments with family-centric priorities (Chrisman and Patel, 2012; Strange *et al.*, 2009). Moreover, given negative performance feedback, family owners might be compelled to adopt a more merit-based approach for human resources, helping them decide on a foreign location with a lower emphasis on managerial positions and career opportunities for family members, which are usually easier to achieve in culturally close countries (Banalieva and Eddleston, 2011). When performance falls below aspiration levels, family owners with concentrated ownership might be spurred into a problemistic search (Cyert and March, 1963), leading them to evaluate FDI locations on a more traditional cost-effectiveness basis and their growth potential rather than alignment with family-related priorities. Importantly, we do not argue that performance shortfalls reduce family owners' attachment to heritage assets. Rather, we suggest that under conditions of economic strain, decision criteria may be temporarily reordered, with survival and performance considerations gaining greater weight in the evaluation of FDI location alternatives. In this view, the inherent bias against culturally distant locations in family firms with concentrated ownership diminishes under performance below target.

H2a. The negative relationship between family ownership concentration and the cultural distance of the FDI location is weaker at increasing levels of performance below target.

External economic threat: the global financial crisis.

A global financial crisis represents an exogenous macroeconomic shock that heightens uncertainty, and alters established organizational norms, structures and beliefs (Barton *et al.*, 1993). While not always causing immediate downturns, crises amplify uncertainty and risk, compelling firms to adapt for survival. FDI is also reactive to macroeconomic shocks, with firms diversifying abroad to mitigate domestic market risks (Chenaf-Nicet and Rougier, 2016). Within the BB framework, such shocks can function as an external economizing mechanism by intensifying survival concerns and increasing the salience of performance-oriented criteria in strategic decision-making (Kano and Verbeke, 2018). Under heightened environmental uncertainty, dominant family owners may reassess international location choices that would otherwise be filtered through family-centric preferences.

Prior research shows that family firms have valuable resources – such as higher employee productivity and better access to banks – that help them to overcome economic crises (Amore *et al.*, 2022). Yet, macroeconomic shocks can also trigger adjustments in strategic behavior, prompting family owners to reduce BB (Fourné *et al.*, 2023). In crisis conditions, the urgency to safeguard long-term continuity may prompt family owners to reevaluate previously avoided options, including culturally distant locations, if these are perceived as economically necessary to ensure survival and stability. In this sense, the global financial crisis can shift decision criteria away from default reliance on heritage assets and toward a more objective evaluation of host-country opportunities.

This adjustment is likely to be particularly pronounced in firms characterized by high ownership concentration. Concentrated ownership minimizes goal divergences and internal conflict (Schulze *et al.*, 2003; Calabrò *et al.*, 2017), enabling dominant family owners to rapidly revise strategic priorities in response to external threats. When monitoring needs increase under environmental volatility (Villalonga and Amit, 2010), centralized control may facilitate quicker and more decisive responses. Accordingly, during such crisis, the urgency to ensure firm survival might drive dominant family owners to protect future financial stability from biased decision-making. Leveraging their strategic control and faster decision-making, these owners can quickly respond to external threats by revising the drivers of FDI location choices, relaxing their inherent bias against culturally distant locations.

H2b. The negative relationship between family ownership concentration and the cultural distance of the FDI location is weaker during a global financial crisis.

3. Data and methods

3.1 Sample and data collection

The sample includes Italian family firms with annual sales exceeding 50 million euros in 2014. Italy provides a particularly suitable empirical setting for this study. First, it is characterized by a high prevalence of family-controlled firms, many of which exhibit concentrated ownership structures, making it an ideal context to examine the effects of family ownership concentration on strategic decision-making (Calabrò *et al.*, 2024; Miller *et al.*, 2013). Second, prior research has shown that Italian family firms are strongly influenced by family-centered priorities and governance mechanisms, making them especially relevant for studying bounded rationality processes such as BB (Calabrò *et al.*, 2022). Third, despite their strong domestic embeddedness, many Italian firms are actively engaged in internationalization through FDI, providing meaningful variation in FDI location choices (Pongelli *et al.*, 2021).

Taken together, these features make Italy a theoretically appropriate context for examining how ownership concentration shapes the evaluation of culturally distant locations. This setting is ideal for studying external growth through FDI, as smaller firms typically focus on domestic growth or export strategies (Naldi and Davidsson, 2014). Consistent with prior literature, family firms are defined as nonlisted firms where one or two families control the majority of shares (and 25% for listed firms on the stock market) (Miller *et al.*, 2013).

The data set is assembled from three different sources: financial data from Aida, i.e. the Italian accounting data service provider of Bureau van Dijk; ownership data using CONSOB (Italian Securities and Exchange Commission) data for listed firms and official public filings obtained from the Italian Chamber of Commerce for unlisted firms; data on FDI from Orbis (Bureau van Dijk), which contains information on over 160 million firms worldwide. Excluding subsidiaries of foreign parent firms from the sample, for each firm we collected relevant information on subsidiaries held abroad with a stake higher than 10% (excluding purely financial investments), including subsidiaries held indirectly (Debellis *et al.*, 2023). Then, we identified the year in which each FDI was conducted, reconstructing the portfolio of FDI for the period of 2004–2014. In particular, 1,304 family firms were found to be internationalized in 2014 (i.e. with at least one FDI), out of the initial sample of 2,651 family firms. In total, they account for 13,212 FDIs. Finally, we merged our data sources and dropped observations with missing values in key explanatory variables as well as observations with a negative or zero book value of assets. The resulting panel dataset enables monitoring of each entity's behavior throughout the entire period from 2004 to 2014.

3.2 Dependent variables

FDI location choices were measured by examining the cultural distance of FDI undertaken by each family firm in the sample. To ensure alignment between our theoretical argument and empirical operationalization, we measure FDI location choices using the average cultural distance of a firm's FDI portfolio for each year between 2004 and 2014. A higher value indicates greater exposure to culturally distant countries, reflecting a higher propensity to engage with culturally distant locations (Beugelsdijk *et al.*, 2018). To measure cultural distance between the host-country and home-country of the parent firm, we used the Hofstede index as revised by Kogut and Singh (1988), including the long-term orientation item (Confucian dynamism), since 14% of FDI are in Asian countries (Shenkar, 2001).

3.3 Independent variables

One key independent variable is family ownership concentration, measured through the Herfindahl index to account for the heterogeneity of distribution power among family owners (Gu *et al.*, 2019; Minichilli *et al.*, 2016). This index sums the squared percentages of shares controlled by the top seven family shareholders, resulting in a value between 0 and 1. A higher Herfindahl index value indicates greater decision-making autonomy for the main family shareholder (Hoskisson *et al.*, 2017; Martin *et al.*, 2017).

The first moderating variable for internal economic threats is *Performance below target* (Bromiley and Harris, 2014; Gómez-Mejia *et al.*, 2018; Kuusela *et al.*, 2017), defined by the distance between firm performance and social aspirations (within the industry). Following Gómez-Mejia *et al.* (2018), we compare the average ROA over the five years before each FDI with that of competitors. Competitor performance was measured as the average performance (of family and nonfamily firms) with sales exceeding 50 million euros in the respective two-digit SIC category in order to control for industry differences (Basuil and Datta, 2015). Performance below target measures the relative discrepancy between the firm's performance and its competitors. We used the absolute value of the ROA difference if negative; otherwise, the variable was set to 0. This measure of social aspirations is common in internationalization studies (Gómez-Mejia *et al.*, 2018) because family firms are generally less sensitive to their own performance (Gómez-Mejia *et al.*, 2007) and more threatened by competition (Souder *et al.*, 2017).

The second moderator of external threat is a dummy variable, labeled *Global financial crisis*, which takes the value 1 from 2009 onward. Although the global financial crisis began in 2007, its effect in Italy started in 2008 and were evident in 2009, with a 5.5% Gross Domestic Product (GDP) decrease (Italian National Bureau of Statistics). For this reason, FDI from 2009 onward are considered to have occurred during crisis times (Cerrato *et al.*, 2016). The interaction between the *Global financial crisis* and the *Herfindahl index* is examined to estimate the influences of adverse macroeconomic conditions on the decision to choose more culturally distant FDI.

3.4 Control variables

Following prior studies, we control for the characteristics of the investing firm to account for potential confounding factors that could affect our dependent variable. Beyond ownership concentration, prior research highlights that strategic decision-making in family firms is shaped by a broader set of firm-level characteristics such as size, age, financial conditions as well as other governance characteristics, including board structure, leadership configuration and prior international experience (Miller *et al.*, 2013; Pongelli *et al.*, 2021). These factors may influence how firms evaluate international opportunities and manage the trade-offs associated with entering culturally distant markets. Accordingly, we incorporate a set of control variables to account for these alternative influences on FDI location choices.

Firm size (*Ln firm sales*) is included as larger firms are more likely to possess the resources and capabilities required to expand into international markets, including more complex and culturally distant locations (Miller *et al.*, 2013). It is measured as the logarithmic transformation of sales.

Firm age (*Ln firm age*) is controlled for as older firms tend to accumulate experience and organizational routines that facilitate internationalization (Debellis *et al.*, 2023). It is measured as the logarithmic transformation of the number of years since the firm's foundation.

Financial conditions such as liquidity and leverage are controlled for, as they influence firms' ability to undertake and sustain international investments: *Firm liquidity* is calculated as the amount of current assets on current liabilities (Pongelli *et al.*, 2021), while *Firm leverage* is the ratio of the book value of debt to the equity book value of the firm (Boellis *et al.*, 2016).

In addition, we control for country-level differences that may affect the attractiveness and feasibility of foreign investments. In particular, we include measures of institutional and political distance between the home and host country, which capture differences in regulatory environments and governance systems that may influence firms' international location choices (Beugelsdijk *et al.*, 2018). *Institutional difference* is measured using country-level governance indicators (e.g. regulatory quality and rule of law), following prior research in international business (Boellis *et al.*, 2016), while *Political difference* is captured using data from the World Bank's Worldwide Governance Indicators (Kaufmann *et al.*, 2011).

Board structure and leadership characteristics are included as prior research shows that governance configurations shape strategic decision-making and risk evaluation in family firms (Miller *et al.*, 2013). In particular, *Family leadership* is included as a dummy variable equal to 1 when the CEO belongs to the controlling family, and 0 otherwise (Miller *et al.*, 2013; Pongelli *et al.*, 2021). Board demographics such as *Board size*, defined as the number of directors, and the *Executive board ratio*, calculated as the percentage of executive board members, are also included (Miller *et al.*, 2018). On the leadership front, *Firm generation* distinguishes between firms led by the first, second, or subsequent generations (Calabrò *et al.*, 2023), and *Leader age* is considered important for career horizons in international strategic choices (Strike *et al.*, 2015). On the ownership side, the dummy variable *Financial investors* is coded as 1 if at least one institutional investor holds a stake higher than 2%, and 0 otherwise (Cambrea *et al.*, 2023), indicating the potential introduction of managerial knowledge and expertise that can facilitate internationalization, especially in distant countries. Finally, prior international experience (*N. FDI)* is included, counting the number of FDI undertaken by the family firms, as more experienced firms are better equipped to manage the complexity of culturally distant markets (Pongelli *et al.*, 2021).

A potential concern relates to the omission of direct measures of FDI motivations (e.g. market-seeking, efficiency-seeking or resource-seeking), which may influence firms' location choices (Beugelsdijk *et al.*, 2018). While such motivations are not directly observable in large-scale secondary datasets, prior research suggests that they are systematically associated with firm-level characteristics and internationalization patterns. Accordingly, the set of control variables included in our models provides a reasonable proxy for different investment logics. Moreover, our empirical focus is on how ownership concentration shapes the evaluation of culturally distant locations, rather than on the primary motivation for undertaking FDI *per se*. While investment motives may influence where firms invest, it is less clear that they systematically bias the relationship between ownership concentration and cultural distance. Taken together, these considerations reduce the likelihood that omitted FDI motivations drive our main results. Nevertheless, we acknowledge this limitation and encourage future research to examine more fine-grained measures of investment motives.

3.5 Models

Tables 1 and 2 present the means, standard deviation and correlation matrix among all variables used, excluding the interactions due to their high correlation with the originating variables. The tables show no unusual levels of correlation between all variables. We also assessed multicollinearity using the variance inflation factor, which never exceeded the threshold of 10 (Hair *et al.*, 1998).

For the regression analyses, OLS regression with industry and year fixed effects was employed to test the hypotheses. This approach was necessary because ownership structures in family firms rarely change over time (Zona *et al.*, 2025), leading to no within-group variation in the independent variable, making a fixed effect model ineffective (Plümper and Troeger, 2007; Gormley and Matsa, 2014). Given that the OLS regression might introduce bias by assuming no unobserved group heterogeneity or no correlation of the heterogeneity with the independent variable, a vector of industry and year dummies was introduced to capture both industry- and year-specific effects common to all firms due to changes in macroeconomic conditions (Gormley *et al.*, 2013).

Table 1. Descriptive statistics

	Mean	S.D.	Min	Max
1. Ln firm age	3.322	0.612	1	5.050
2. Ln firm sales	12.057	1.094	7	18.549
3. N FDI	9.007	14.968	1	300
4. Liquidity index	0.075	0.0789	0	0.737
5. Financial investors	0.065	0.247	0	1
6. Firm leverage	3.893	5.921	0	88.65
7. Family leadership	0.823	0.381	0	1
8. Board size	5.453	3.009	1	24
9. Firm generation	1.857	0.667	0	3
10. Leader age	59.465	12.232	28	94
11. Executive board ratio	0.573	0.298	0	1
12. Cultural distance	1.142	0.447	0.204	3.190
13. Herfindahl index	0.550	0.313	0	1
14. Performance below target	1.565	2.627	0	18.030
15. Global financial crisis	0.692	0.461	0	1
16. Institutional difference	14.532	4.467	3.451	49.139
17. Political difference	6.772	3.072	0.050	26.525

Source(s): Authors' own work

3.6 Analyses and results

The empirical specification is directly derived from our theoretical framework. Ownership concentration operationalizes the degree of decision-making autonomy of dominant family owners, while the dependent variable captures firms' propensity to engage with culturally distant locations. The interaction terms reflect the moderating role of economic threats, allowing us to test the boundary conditions proposed in Hypotheses 2a and 2b. The regression analyses are shown in Table 3. As shown in the first model, the beta coefficient of family ownership concentration is negative and statistically significant (−0.0537, *p*-value 0.003). This result supports Hypothesis 1, indicating that family firms with concentrated family ownership prefer less culturally distant regions when internationalizing through FDI. The second model introduces the impact of performance below target on the relationship between family ownership concentration and cultural distance of the FDI portfolio. The moderation effect is positive and statistically significant (+0.0170; *p*-value 0.016), thereby supporting Hypothesis 2a. This result suggests that the negative relationship between family ownership concentration and less culturally distant FDI location choices is weaker (less negative) when family firms experience performance below target.

To better understand how performance below target moderates the relationship between ownership concentration and cultural distance of the FDI portfolio, the moderating relationship is plotted in Figure 1. The figure illustrates the interaction effect of performance below target at six different levels of "distance" in performance between the firm and its competitors (each of which receives one point for the ROA). Consistent with the expectations, the figure shows that higher performance below target leads to higher cultural distance in the FDI portfolio when ownership is concentrated. The opposite trend occurs with lower ownership concentration.

The third model included the interaction between family ownership concentration and the global financial crisis dummy variable. The results indicate that the main relationship between family ownership concentration and the cultural distance of the FDI portfolio is positively moderated (+0.1041; *p*-value 0.004) by the global financial crisis. This suggests that during the financial crisis, the relationship between family ownership concentration and cultural distance between home and host countries becomes less negative. Hence,

Table 2. Correlation matrix

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. Ln firm age	1																
2. Ln firm sales	0.1062*	1															
3. N FDI	0.1162*	0.5480*	1														
4. Liquidity index	0.0500*	0.0307*	0.0840*	1													
5. Financial investors	−0.0133	0.2779*	0.1515*	0.0368*	1												
6. Firm leverage	−0.0576*	−0.0694*	−0.0335*	−0.0909*	−0.0249*	1											
7. Family leadership	0.0094	−0.1670*	−0.0914*	0.0032	−0.1463*	−0.0624*	1										
8. Board size	0.1472*	0.4452*	0.3323*	0.0200	0.3555*	−0.0642*	−0.2053*	1									
9. Firm generation	0.4045*	0.1283*	0.1176*	0.0329*	0.0491*	−0.0258*	−0.1949*	0.1545*	1								
10. Leader age	0.0732*	0.0156	−0.0427*	0.0199	−0.0283*	−0.0637*	0.1195*	−0.0219	−0.3456*	1							
11. Executive board ratio	−0.0937*	−0.2382*	−0.1797*	−0.0250*	−0.1959*	0.0321*	0.1509*	−0.5666*	−0.1532*	0.0523*	1						
12. Cultural distance	−0.0181	−0.0060	0.0806*	0.0356*	0.0025	−0.0145	0.0019	0.0212	0.0017	0.0055	−0.0145	1					
13. Herfindahl index	−0.1268*	−0.0376*	−0.0698*	−0.0170	−0.1632*	0.0291*	−0.0738*	−0.1825*	−0.0706*	−0.0394*	0.1511*	−0.0556*	1				
14. Perf. below target	−0.0255*	−0.1123*	−0.0412*	−0.1534*	−0.0338*	0.1741*	−0.0694*	−0.0032	0.0452*	−0.0610*	−0.0213	0.0029	−0.0115	1			
15. Global financial crisis	0.0452*	−0.0205	0.0727*	0.0574*	−0.0442*	−0.0238	−0.0167	−0.0588*	0.0288*	0.0493*	0.0429*	0.0631*	0.0160	−0.0103	1		
16. Institutional difference	−0.0189	−0.0277*	0.0765*	0.1002*	0.0083	−0.0355*	−0.0375*	0.0351*	0.0282*	0.0502*	−0.0006	0.4421*	−0.0013	−0.0066	0.1480*	1	
17. Political difference	−0.0446*	0.0399*	0.0616*	−0.0095	0.0322*	0.0030	−0.0331*	0.0384*	0.0142	0.0028	0.0073	0.5190*	−0.0017	0.0336*	0.1047*	0.4284*	1

Source(s): Authors' own work

Table 3. Regression coefficients of the FDI portfolio on cultural distance

Dependent variable: Cultural Distance	Base model (1)		First interaction (2)		Second interaction (3)		Full model (4)	
	Θ (SE)	*P* value	*Θ* (SE)	*P* value	*Θ* (SE)	*P* value	*Θ* (SE)	*P* value
N FDI	0.0019 (0.0001)	0.000	0.0020 (0.0001)	0.000	0.0020 (0.0001)	0.000	0.0020 (0.0001)	0.000
Ln firm age	0.0191 (0.0711)	0.071	0.0205 (0.0530)	0.053	0.0186 (0.0784)	0.078	0.0200 (0.0586)	0.059
Ln firm sales	−0.0071 (0.3132)	0.313	−0.0074 (0.2909)	0.291	−0.0073 (0.2944)	0.294	−0.0077 (0.2730)	0.273
Liquidity index	0.1327 (0.0512)	0.051	0.1349 (0.0505)	0.051	0.1319 (0.0525)	0.053	0.1341 (0.0517)	0.052
Financial investors	−0.0220 (0.4199)	0.420	−0.0253 (0.3551)	0.355	−0.0220 (0.4193)	0.419	−0.0253 (0.3543)	0.354
Firm leverage	−0.0001 (0.9332)	0.933	−0.0001 (0.8871)	0.887	−0.0001 (0.9308)	0.931	−0.0001 (0.8838)	0.884
Family leadership	0.0067 (0.6627)	0.663	0.0077 (0.6143)	0.614	0.0077 (0.6135)	0.613	0.0088 (0.5661)	0.566
Board size	−0.0064 (0.0137)	0.014	−0.0063 (0.0161)	0.016	−0.0066 (0.0121)	0.012	−0.0064 (0.0143)	0.014
Firm generation	−0.0082 (0.4192)	0.419	−0.0083 (0.4173)	0.417	−0.0082 (0.4222)	0.422	−0.0082 (0.4202)	0.420
Leader age	−0.0012 (0.0123)	0.012	−0.0012 (0.0138)	0.014	−0.0012 (0.0126)	0.013	−0.0012 (0.0142)	0.014
Executive board ratio	−0.1009 (0.0000)	0.000	−0.1016 (0.0000)	0.000	−0.1022 (0.0000)	0.000	−0.1029 (0.0000)	0.000
Institutional difference	0.0257 (0.0000)	0.000	0.0257 (0.0000)	0.000	0.0257 (0.0000)	0.000	0.0256 (0.0000)	0.000
Political difference	0.0443 (0.0000)	0.000	0.0444 (0.0000)	0.000	0.0444 (0.0000)	0.000	0.0445 (0.0000)	0.000
Herfindahl index (HI)	−0.0537 (0.0181)	0.003	−0.0800 (0.0212)	0.000	−0.1258 (0.0311)	0.000	−0.1528 (0.0330)	0.000

(*continued*)

Table 3. Continued

Dependent variable: Cultural Distance	Base model (1) Θ (SE)	P value	First interaction (2) Θ (SE)	P value	Second interaction (3) Θ (SE)	P value	Full model (4) Θ (SE)	P value
Performance below target (PBT)			−0.0092 (0.0551)	0.055			−0.0092 (0.0536)	0.054
HI*BTP			0.0170 (0.0071)	0.016			0.0171 (0.0154)	0.015
Global financial crisis (GFC)					−0.0742 (0.0940)	0.094	−0.0757 (0.0876)	0.088
HI*GFC					0.1041 (0.0365)	0.004	0.1046 (0.0365)	0.000
Constant	0.9152 (0.0000)	0.000	0.9254 (0.0000)	0.000	0.9756 (0.0000)	0.000	0.9873 (0.0000)	0.000
Observations	6,066		6,066		6,066		6,066	
Year dummies	Y		Y		Y		Y	
Industry dummies	Y		Y		Y		Y	
R-squared	0.4106		0.4112		0.4114		0.4120	

Source(s): Authors' own work

Hypothesis 2b is supported, as illustrated in Figure 2. The fourth model includes both interactions with ownership concentration, and the significance levels remained largely unchanged.

3.7 Robustness checks and additional analyses

To increase the reliability of the results, several robustness checks were performed. First, we re-estimate the models using the variance of cultural distance in the FDI portfolio as an alternative dependent variable. The results, reported in the first column of Table 4, remain

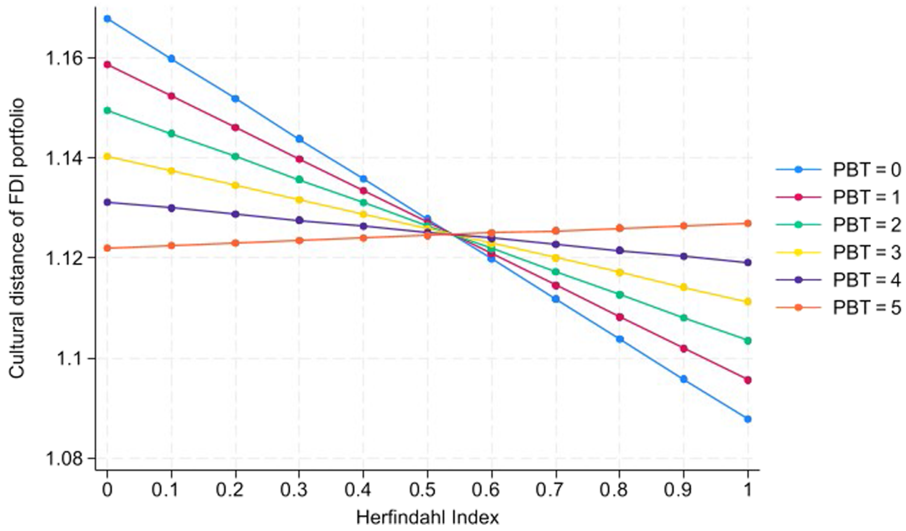

Figure 1. The moderating effect of performance below target (PBT). Source: Authors’ own work

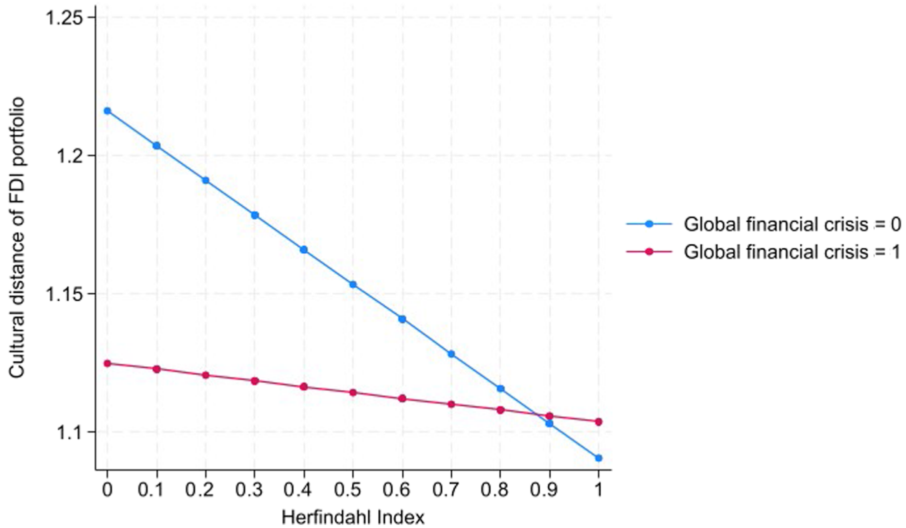

Figure 2. The moderating effect of the global financial crisis. Source: Authors’ own work

Table 4. Regression coefficients of robustness checks

Dependent variable: Cultural DISTANCE	With median-based approach (1)		With the equity share of the first shareholder (2)		With different measurement of the global financial crisis (3)		With FDI only after 2004 (4)	
	Θ (SE)	*p*-value	Θ (SE)	*p*-value	Θ (SE)	*p*-value	Θ (SE)	*p*-value
N FDI	0.0010 (0.0889)	0.089	0.0020 (0.0001)	0.000	0.0020 (0.0001)	0.000	0.0056 (0.2153)	0.215
Ln firm age	−0.0335 (0.0171)	0.017	0.0217 (0.0404)	0.040	0.0202 (0.0560)	0.056	−0.0328 (0.1868)	0.187
Ln firm sales	−0.0005 (0.9618)	0.962	−0.0087 (0.2155)	0.215	−0.0077 (0.2743)	0.274	−0.0175 (0.3173)	0.317
Liquidity index	−0.1745 (0.0558)	0.056	0.1335 (0.0529)	0.053	0.1348 (0.0505)	0.051	0.2994 (0.0192)	0.019
Financial investors	−0.0777 (0.0146)	0.015	−0.0150 (0.5809)	0.581	−0.0259 (0.3435)	0.344	−0.0270 (0.7768)	0.777
Firm leverage	−0.0063 (0.0000)	0.000	−0.0001 (0.9085)	0.908	−0.0001 (0.8888)	0.889	−0.0054 (0.0105)	0.011
Family leadership	−0.0046 (0.8160)	0.816	0.0106 (0.4915)	0.492	0.0087 (0.5698)	0.570	−0.0807 (0.0264)	0.026
Board size	−0.0055 (0.1042)	0.104	−0.0059 (0.0235)	0.024	−0.0063 (0.0151)	0.015	0.0112 (0.0726)	0.073
Firm generation	0.0272 (0.0429)	0.043	−0.0078 (0.4448)	0.445	−0.0083 (0.4164)	0.416	−0.0595 (0.0062)	0.006
Leader age	0.0009 (0.1840)	0.184	−0.0012 (0.0186)	0.019	−0.0012 (0.0137)	0.014	−0.0033 (0.0025)	0.003
Executive board ratio	0.0470 (0.1051)	0.105	−0.1047 (0.0000)	0.000	−0.1027 (0.0000)	0.000	−0.0667 (0.1655)	0.166
Institutional differences	0.0342 (0.0000)	0.000	0.0255 (0.0000)	0.000	0.0256 (0.0000)	0.000	0.0231 (0.0000)	0.000
Political differences	0.0237 (0.0000)	0.000	0.0444 (0.0000)	0.000	0.0444 (0.0000)	0.000	0.0475 (0.0000)	0.000

(*continued*)

Table 4. Continued

Dependent variable: Cultural DISTANCE	With median-based approach (1) Θ (SE)	*p*-value	With the equity share of the first shareholder (2) Θ (SE)	*p*-value	With different measurement of the global financial crisis (3) Θ (SE)	*p*-value	With FDI only after 2004 (4) Θ (SE)	*p*-value
Herfindahl index (HI)[a]	−0.1714 (0.0001)	0.000	−0.1444 (0.0002)	0.000	−0.1453 (0.0000)	0.000	−0.3113 (0.0001)	0.000
Performance below target (PBT)	−0.0043 (0.4708)	0.471	−0.0118 (0.0615)	0.061	−0.0092 (0.0537)	0.054	−0.0057 (0.1914)	0.191
HI*BTP[a]	0.0209 (0.0149)	0.015	0.0185 (0.0300)	0.030	0.0171 (0.0152)	0.015	0.0113 (0.0648)	0.065
Global financial crisis (GFC)	−0.1159 (0.0447)	0.045	−0.1009 (0.0383)	0.038	−0.0804 (0.0620)	0.062	−0.1147 (0.1968)	0.062
HI*GFC[a]	0.1277 (0.0080)	0.008	0.1251 (0.0036)	0.004	0.0972 (0.0066)	0.007	0.1641 (0.0572)	0.057
Constant	0.3257 (0.0123)	0.000	0.9993 (0.0000)	0.000	0.9694 (0.0000)	0.000	1.6939 (0.0000)	0.000
Observations	4,003		6,066		6,066		1,745	
Year dummies	Y		Y		Y		Y	
Industry dummies	Y		Y		Y		Y	
R-squared	0.1784		0.4112	0.4119	0.5456	0.4112	0.4119	

Note(s): [a]Equity share of the first shareholder in the third model
Source(s): Authors' own work

unchanged. While the average cultural distance reflects firms' overall exposure to culturally distant locations, the variance captures the dispersion and heterogeneity of firms' international location choices, allowing us to assess whether our results hold when considering the spread of investments across culturally proximate and distant countries (Beugelsdijk *et al.*, 2018).

Second, to investigate the heterogeneity of family firms, the influence of dominant family owners in FDI location preferences was substituted with the *Equity share of the first shareholder* (Calabrò *et al.*, 2024). The findings in the second column show a negative and statistically significant effect, confirming and extending Hypothesis 1, while the moderation effects remained valid. Third, the *global financial crisis* dummy variable was recalculated to reflect the period from 2008 to 2013 as 1, and 0 otherwise (Cambrea *et al.*, 2023), considering 2014 a steady-state period due to a near-zero GDP growth rate. The results, in the third column of Table 4, were unchanged.

Fourth, we restricted the sample to family firms that initiated their internationalization through FDI from 2005 onward (the first year in which we can identify whether an investment represents the firm's initial FDI). This allows us to test whether our results hold for firms without prior FDI experience. The results, reported in the fourth column of Table 4, are consistent with the main findings and suggest that both *Performance below target* and the *Global financial crisis* have a stronger impact on newly internationalizing family firms.

Finally, the hypotheses were tested using an alternative measure for performance below target, represented by the standard deviation in ROA over the last five years prior to internationalization, employing the volatility of firm performance instead of the firm average. This was done because performance variability is widely considered a suitable proxy for reflecting the business risk of firms (Gómez-Mejia *et al.*, 2010). This value was then compared to that of other similar firms within a given year and industry (approximated by the first two-digit ATECO code). If the difference was positive (higher variability than that of competitors), the absolute value of the difference was taken; otherwise, the variable was set to 0. Furthermore, performance below target was operationalized using different performance measures, such as ROE and ROI, with the findings supporting the first set of hypotheses. Similar results were found, and the findings are available upon request.

4. Discussion

By considering family ownership concentration as a key driver of BB, this study theorizes and tests the contention that family owners exhibit different levels of exposure to BB, which in turn shape FDI location choices. We also investigate how two specific economizing mechanisms (performance below target and the global financial crisis) can relax the dysfunctional decision-making of dominant family owners in the evaluation of international location choices.

Our findings support this argument, showing that family firms with high ownership concentration prefer culturally proximate locations in their FDI portfolio, unless they face internal or external economic threats. This result is consistent with the BB perspective, suggesting that family heritage assets significantly influence decision-making, while economizing mechanisms can attenuate such bias (Kano and Verbeke, 2018; Verbeke and Kano, 2012).

Rather than reiterating the main effect, these findings point to ownership concentration as a structural condition shaping how international opportunities are evaluated. This bias stems from an overemphasis on family-based assets and an undervaluation of nonfamily resources (Verbeke *et al.*, 2020), which becomes particularly salient when decision-making authority is concentrated. In such contexts, fewer internal constraints and countervailing voices allow family-centric preferences to dominate the evaluation of FDI location choices. By contrast, more dispersed ownership structures introduce a broader set of perspectives and increase the need to build consensus, fostering a more balanced assessment of culturally distant opportunities (Martin *et al.*, 2017; Gómez-Mejia *et al.*, 2011). Building on this insight, ownership concentration can be understood as a key mechanism through which BB translates into distinct patterns of managerial discretion and international strategic behavior (Gu *et al.*, 2018; Lien and Filatotchev, 2015; Xu *et al.*, 2020).

Extending this reasoning, our findings highlight the importance of accounting for heterogeneity in both managerial discretion and risk preferences in family firms. This interpretation is consistent with the work of Hoskisson *et al.* (2017), who stressed the urgency to better differentiate between decision makers, as some executives have the “discretion to force his or her will” (p. 156). When ownership is concentrated, decision-making becomes more centralized (Feltham *et al.*, 2005) and potential PP conflicts are silenced by the dominant owner’s authority; by contrast, when discretion is more dispersed across owners, family firms are more prone to conflict (Martin *et al.*, 2017). Consistent with prior research, these differences in ownership structure also translate into heterogeneous risk preferences, with family firms tending to avoid culturally distant locations when such environments are perceived as challenging for the deployment of firm-specific advantages (Gómez-Mejia *et al.*, 2010; Villalonga and Amit, 2010).

Furthermore, to provide a more granular picture of family firms’ international location choices, we identify the boundary conditions under which the BB can be relaxed. Our findings show that both internal (performance below target) and external (the global financial crisis) economic threats increase the cultural distance of the firms’ FDI location choices at higher levels of family ownership concentration, supporting Hypotheses 2a and 2b. These findings suggest that economic threats act as economizing mechanisms by reweighting decision criteria, shifting attention away from family heritage assets toward performance and survival considerations.

This effect appears to be particularly pronounced in firms with concentrated ownership, where dominant family owners can more rapidly revise strategic priorities due to greater decision-making authority and fewer internal conflicts (Feltham *et al.*, 2005). By contrast, when ownership is more dispersed, economic threats tend to amplify conflicting SEW priorities (Berrone *et al.*, 2012), slowing decision-making and fostering organizational inertia as no dominant family owner has the authority to impose a clear strategic direction (Calabrò *et al.*, 2024). An alternative explanation is that dominant owners may more effectively mobilize survival capital under adverse conditions, thereby facilitating strategic adaptation (Arregle *et al.*, 2007). In sum, this evidence highlights that ownership concentration not only shapes BB but also determines the extent to which family firms can adapt their strategic behavior under conditions of economic pressure.

These findings also carry important implications for both theory and practice. Our study contributes to family business research by consolidating the use of the BB approach as a valuable theoretical perspective in the internationalization field, showing how family firms adapt their FDI location decisions in response to internal and external threats.

Our finding aligns with the theoretical contention that family firms with concentrated ownership are more prone to making family-centric decisions, often avoiding culturally distant locations regardless of their potential advantages. Moreover, financial threats not only mitigate BB but also reveal a broader range of economizing mechanisms (Kano and Verbeke, 2018) available to family firms, enabling a recalibration of decision criteria under pressure for effective international decision-making.

We thus offer a more granular picture of the BB perspective, showing that under economic threats (performance below target and global financial crisis), economizing mechanisms reweight host-country selection away from default heritage-asset prioritization, thereby relaxing BB and enabling consideration of culturally more distant FDI (Kano and Verbeke, 2018). In doing so, we advance the debate on the importance of identifying boundary conditions of BB, clarifying when the bias induced by concentrated family ownership is moderated, thus reducing overreliance on family-centric priorities in strategic choices (Verbeke and Kano, 2012; Calabrò *et al.*, 2022).

Building on this contribution, this research integrates the BB and SEW approaches, presenting a more complex and dynamic picture of how family firms navigate international markets. It moves beyond the traditional perspectives that portray these firms as either consistently risk-averse due to BB or inclined toward riskier ventures to protect their SEW (Calabrò *et al.*, 2023). Family firms exhibit a nuanced strategy balancing their intrinsic family-driven goals with the global business demands, shifting in response to internal and external pressures. In particular, in the face of threats to survival or growth, this study indicates that family firms can pivot from a strong focus on family heritage assets to adopting more exploratory and innovative approaches, a flexibility not fully captured in existing models. This work underscores the strategic agility inherent in family firms, challenging the view of these entities as monolithic in their approach to internationalization. Thus, controlling families can adapt their strategies, sometimes prioritizing SEW, while recognizing the need for economic pragmatism. This duality represents a central contribution of the study, as it provides a richer understanding of how family firms manage the complex interplay between familial and business interests in the international arena.

In addition, we contribute to the family-firm heterogeneity debate by showing that family firms cannot be treated as homogeneous (Daspit *et al.*, 2021; Mostafiz *et al.*, 2024). In particular, expanding prior research on heterogeneity in family ownership structures and internationalization (Arregle *et al.*, 2021; Debellis *et al.*, 2021; Estrada-Robles *et al.*, 2020; Maggi *et al.*, 2022), we argue that BB is unlikely to be equally entrenched across family members and contingent on circumstances, showing that majority and minority owners differ in their ability to reconfigure and recombine their family-related heritage assets with local resources, according to their family-centric priorities.

Finally, this study enriches understanding of family firms' internationalization by examining location strategies through the BB lens. It discusses how an overreliance on heritage assets in family firms might lead to underestimating challenges in culturally close markets, potentially resulting in strategic missteps. By integrating the BB perspective, this article advances the debate on the need for a more critical approach to location choices (Hennart *et al.*, 2019), emphasizing that proximity does not always equate to simplicity. In addition, we highlight the role of family owners by using a measure of family ownership concentration, which provides more fine-grained evidence than previous findings on the relationship between family ownership and internationalization choices (Arregle *et al.*, 2017; Liang *et al.*, 2014; Sánchez-Bueno and Usero, 2014). This perspective broadens the understanding of family firms' internationalization and offers valuable insights for these firms as they balance heritage preservation with adapting to diverse market demands.

Building on the above discussion, the findings provide practical guidance for family business owners and managers on how the ownership structure shapes strategic decision-making during international expansion. Awareness that noneconomic, family-centric considerations – including emotional attachment – can influence family firms' host-country selection should prompt family owners to anticipate and explicitly assess these effects ex ante. To improve decision quality in overseas markets, they could benefit from the counseling of independent directors with international experience, and by setting explicit criteria for entering higher-distance markets when strategic benefits outweigh perceived socioemotional losses. Indeed, recent studies extend the benefits of the monitoring role of outside directors under several different principal's configurations (Zona *et al.*, 2025).

Furthermore, concentrated family ownership may foster family-centered decision-making, but in financial downturns it can be advantageous, allowing more flexible responses to adverse conditions. By contrast, shared ownership heightens conflict during risky decisions, such as entering culturally distant markets. Thus, to minimize conflict in difficult times, controlling families may ensure that the lead decision-maker holds a majority equity stake, aligning authority and control to speed decisive action.

Despite these contributions, this study also presents several limitations that open avenues for future research. Although the BB approach is at the core of the theoretical argumentation, this study does not directly measure the differential treatment between family heritage assets and nonfamily assets, nor its direct impact on FDI location choices. This theoretical approach is still in its infancy, with limited empirical evidence and this study represents an initial attempt to understand when BB is mitigated in bifurcation-biased firms. Future studies could more effectively address this issue by empirically isolating other specific economizing mechanisms that foster their activation.

Moreover, the cultural distance of the FDI portfolio is used to measure strategic decision-making behavior. While this distance captures differences in values, norms, behaviors (Hofstede, 1980) and country risk, it overlooks the strategic appeal and financial opportunities, such as GDP growth, in culturally distant countries. Future research could consider the inclusion of specific host-country factors that include the economic potential of countries as well as other determinants of location choices in order to better capture the investment motivations behind FDI (Jain *et al.*, 2016). Finally, generalizability beyond Italy may be limited. Future research may replicate our study in other institutional settings, incorporating entry-mode data and subsidiary-level ownership stakes.

Acknowledgments
This paper is dedicated to the memory of Guido Corbetta, whose enduring legacy will continue to guide and inspire our work.

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