



COUNTERPOINT

Family-owned multinational enterprises in the post-pandemic global economy

Andrea Calabrò¹,
James J. Chrisman² and
Liena Kano³

¹IPAG Entrepreneurship & Family Business Center, IPAG Business School, 4, Boulevard Carabacel, 06000 Nice, France; ²Center of Family Enterprise Research, Mississippi State University, 308/308A McCool Hall, College of Business, Mississippi State, MS 39762-9581, USA; ³Haskayne School of Business, University of Calgary, 2500 University Dr NW, Calgary, AB T2N 1N4, Canada

Correspondence:

A Calabrò, IPAG Entrepreneurship & Family Business Center, IPAG Business School, 4, Boulevard Carabacel, 06000 Nice, France
e-mail: a.calabro@ipag.fr

Abstract

Contractor (J Int Bus Stud, 2022) argues that the COVID-19 pandemic has only accelerated changes in the world economy that had already started, and that the fundamental rationale for globalization remains. Although we agree with much of Contractor's analysis and conclusions, we argue that in the case of large family-owned multinational enterprises (MNEs), international behavior after the pandemic is likely to be varied, reflecting the strategic persistence and the heterogeneity of the goals, governance, and resources of these firms compared to nonfamily firms. We therefore complement Contractor's article by discussing why most large family MNEs will pursue strategies that are consistent with globalization, but some will pursue strategies that move them in the opposite direction.

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INTRODUCTION

The purpose of this article is to extend the work of Contractor (2022) concerning the expected behavior of multinational enterprises (MNEs) following the COVID-19 pandemic. Contractor argues that the pandemic has accelerated, rather than induced, changes in the world economy that were already underway, driven primarily by renewed protectionism and continued digitization. He argues that the fundamental rationale for globalization, conceptualized broadly as cross-border movements of ideas, people, technology, routines, and capital (Verbeke, Coeurderoy, & Matt, 2018), remains. To support this contention, he suggests that scale economies in global production and global amortization of investment in innovation will remain important, and that costly efforts to increase the resilience of global value chains (GVCs) will be accompanied by other trends that will reduce risk while increasing (rather than sacrificing) efficiency. Contractor mentions that to increase resilience, MNEs have focused on decisions related to supplier management, the geographic diversification and propinquity of supply sources, and inventory levels. Each of these comes at a cost, and since cost competitiveness is extremely important, Contractor expects that MNEs will make only marginal adjustments to their business models. Indeed, Contractor points to other

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trends that are likely to reduce the risks of globalization after the pandemic, such as more sophisticated information systems based on digital technologies, closer relations between suppliers and buyers, and an increase in the number of common product standards. Overall, Contractor argues that MNEs will continue to stimulate globalization through the transfer of capital and capabilities across borders, diffusion of knowledge, and the spread of best practices. Contractor maintains that MNEs will continue to act as international bridging agents, transferors, and arbitrageurs. He sees little reason to assume that the role of MNEs in the global economy will change post-pandemic.

While we are generally in agreement with Contractor's (2022) primary assertions, we contend that whether MNEs have been or will be agents of globalization in the post-pandemic world depends on their goals, governance, and resources, and that these attributes vary substantially across MNEs in the global economy. Furthermore, the pandemic has had an uneven impact on firms across the globe (Kano & Oh, 2020). Current evidence of the adaptation of economic actors and markets to the different variations of the COVID-19 virus has highlighted heterogeneous post-pandemic responses by various types of organizations across the international landscape (George, Lakhani, & Puranam, 2020; Muzio & Doh, 2021).

In this article, we consider the role of large family MNEs in the world economy after the pandemic and speculate on the extent to which they contribute to further progress toward globalization or a regression away from it. This question has no simple answers, since the combination of heterogeneity in key characteristics of families, family firms, and institutional environments (Eddleston, Jaskiewicz, & Wright, 2020) and the differential consequences of the pandemic for those organizations suggests great variations in their strategic behavior and performance, and, consequently, their ability to absorb risks and contribute to global trade. One of the factors accounting for heterogeneity of firms' strategic responses to the pandemic is family involvement in ownership and management. In this article, we extend Contractor's work by focusing on the potential post-pandemic responses of large firms where the primary owners are members of a family or a small number of families (Chua, Chrisman, & Sharma, 1999).

Recent evidence indicates that large firms with family ownership are more likely to persist with a

given strategy over the long-term than their non-family counterparts (Fang, Chrisman, & Holt, 2021a). However, whether this persistence will lead to more globalization among family firms, thus fulfilling Contractor's predictions, or less, as argued by Ciravegna and Mikhailova (2022), is not completely clear and indeed, is likely to vary based on the key attributes of the firms, their owners, and their institutional environments.

Overall, because family firms are a particularly resilient form of organization that often outperforms nonfamily firms (van Essen, Carney, Gedajlovic, & Huegens, 2015; Villalonga & Amit, 2006), we contend that their unique combinations of goals, governance, and resources are likely to enhance globalization. On the other hand, under certain circumstances (i.e., in the short term, in the presence of governance dysfunction, and/or in certain regions of the world), the opportunities and threats that have emerged during the pandemic may slow the movement of family firms toward globalization. Indeed, while some family firms have been found to have superior performance in the face of external shocks (Minichilli, Brogi, & Calabrò, 2016), many have suffered from the effects of the global pandemic both financially and in terms of their noneconomic well-being, up to the point where their existence has been threatened (De Massis & Rondi, 2020). For example, a recent report by the STEP Project Global Consortium and KPMG Private Enterprise indicates that market uncertainty and government restrictions on social interactions and business operations have had a largely negative impact on family firms' revenues in most areas of the world (Calabrò & McGinness, 2021).

Because of their singular goals, governance, and resources (Chua, Chrisman, Steier, & Rau, 2012), family firms offer a unique organizational setting to consider the impact of the pandemic on the behavior of businesses around the world. These features appear to be responsible for the aggressive responses of family firms when short-term performance is below expectations (e.g., Chrisman & Patel, 2012; Gomez-Mejía, Makri, & Kintana, 2010), as well as their propensity for long-term strategic persistence regardless of whether performance is above or below expectations (Fang et al., 2021a). In the remainder of this paper, we attempt to add nuance to some of Contractor's core predictions by considering how these features may shape the strategic behavior of large family MNEs in the aftermath of the pandemic. We complement the

work of Contractor (2022), as well as the counterpoint by Ciravegna and Mikhailova (2022), by focusing on how family ownership affects the imperative of globalization in the post-pandemic world.

THE NATURE OF FAMILY FIRMS IN THE WORLD ECONOMY

Family firms play a significant role in the world economy and have made key contributions to globalization (La Porta, Lopez-de-Silanes, & Shleifer, 1999; Pukall & Calabrò, 2014). They employ nearly 60% of the global workforce (Family Firm Institute, 2017) and account for between 65 and 90% of all the firms in the world (Salvato, Chirico, Melin, & Seidi, 2019). Although most family firms are small (Aldrich & Cliff, 2003), family firms also make up a progressively increasing share of large MNEs, with The Economist (2015) predicting that 40% of large multinationals will be family controlled by 2025. Moreover, in some countries, a small number of families dominates economic activity (Fang, Singh, Kim, Marler, & Chrisman, 2021c; Morck & Yeung, 2004; Morck, Wolfenzon, & Yeung, 2005).

Because of family firms' ubiquity, neglecting the influence of family governance places limits on our ability to understand what might happen in the world economy in the aftermath of the pandemic. For example, some of the oldest MNEs in the world are family-owned (Ciravegna, Kano, Rattalino, & Verbeke, 2020), suggesting that family governance can, in certain circumstances, favorably position firms to be robust and resilient in the face of continuous change (Minichilli et al., 2016; Salvato, Sargiacomo, Amore, & Minichilli, 2020), and that family firms have the potential to contribute significantly to the post-pandemic recovery of the global economy.

However, the role that family firms play in the global economy is multidimensional, and so, by extension, is their post-pandemic international activity. *First*, family firms are highly heterogeneous (Chua et al., 2012), which makes them an appropriate organizational form for investigating whether and to what extent the imperative of globalization after the pandemic will hold true. *Second*, and more broadly, research suggests that family firms have a tendency for risk aversion yet respond vigorously in a risk-seeking manner to immediate threats to the achievement of their economic and noneconomic goals (Chrisman &

Patel, 2012; Gomez-Mejía et al., 2010). *Third*, despite their ability and willingness to pivot in their strategic postures in the short run, family firms seem to prefer to persist with a given strategy over the long run (Fang et al., 2021a). Thus, family firms, for the most part, are likely to behave in a manner consistent with Contractor's (2022) assertions. However, because family firms, as well as the environments in which they operate, are heterogeneous, it would be a mistake to assume that large family MNEs will contribute to globalization in a uniform fashion in all parts of the world. In this context, we investigate the following research question: How are the unique features of family firms apt to shape their heterogeneous international strategic behavior after the pandemic?

UNIQUE FEATURES OF FAMILY FIRMS: GOALS, GOVERNANCE, RESOURCES

To explain the unique dimensions of family firms, as well as potential sources of heterogeneous strategic behavior, we use the 'goals, governance, and resources' framework originally proposed by Chua et al. (2012) and Chrisman, Sharma, Steier, and Chua (2013). The framework suggests that the nature of the goals family firms pursue, the governance systems they enact, and the idiosyncratic resources they deploy are the primary sources of differences in strategic behavior and performance between family and nonfamily firms, as well as among family firms. More specifically, *goals* refer to the motivations of the dominant coalition of family owners and managers of the firm, such as the intention to achieve and support transgenerational continuity. *Governance* refers to decisions concerning a firm's use of resources and how strategic behavior is controlled through family involvement in management, ownership, and boards of directors (Chrisman, Chua, Le Breton-Miller, Miller, & Steier, 2018). *Resources* include assets and routines that come from family embeddedness and involvement and are operationalized through unique resource-bundling processes (Chrisman et al., 2013).

Hereafter, we use goals, governance, and resources as the broad dimensions along which to investigate family firms' post-pandemic international behavior. Although we treat each dimension separately, as our subsequent discussion will show, these dimensions often interact. Thus, in this section, we briefly introduce them and identify a key aspect of each that best explains family firms'



behavior in terms of international strategies. We then consider how the key aspect of each dimension can influence family firms' international behavior post-pandemic. We argue that each identified aspect may have both functional and dysfunctional effects on family firms' internationalization after the pandemic (Kano, Verbeke, & Ciravegna, 2021b). Family firms that leverage the functional aspects of their goals, governance, and resources should be able to exploit their capabilities and assets across international borders, and thus are likely to advance globalization in line with Contractor's predictions. On the contrary, family firms that use aspects of their goals, governance, and resources in dysfunctional ways may put themselves in danger of losing their international market position post-pandemic or engage in risk reduction strategies that hinder their efforts to internationalize. Whether family firms will behave in functional or dysfunctional ways is difficult to predict, because the influence of family goals, governance, and resources leads to behaviors that vary considerably, both in comparison to one another and in comparison to nonfamily firms (Debellis, Rondi, Plakoyiannaki, & De Massis, 2021). As specified in the introduction, we focus on large family MNEs, even though we anticipate that much of our discussion applies to small family MNEs as well.

Noneconomic Goals

A major factor that distinguishes family firms from other types of organizations is the importance attached to family-centered noneconomic (FCNE) goals that generate socioemotional wealth (SEW) for the family (Gomez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007) and reflect the values, attitudes, and intentions of a firm's dominant decision-making coalition (Cyert & March, 1963). FCNE goals include achieving family unity and harmony, enhancing the family's reputation and social status, building and maintaining a positive legacy, behaving altruistically toward family members, pursuing owners' interests and passions, and, most importantly, maintaining control and achieving transgenerational continuity (cf., Berrone, Cruz, & Gomez-Mejía, 2012). In the context of dealing with the disruptions and consequences of the global pandemic, maintaining control to achieve transgenerational continuity – the intention to pass the firm to successive generations of the family – becomes particularly salient. Research has suggested that transgenerational

continuity is an important driver of different responses to crisis (e.g., Chrisman & Patel, 2012). Furthermore, by pursuing it, family firms are more likely to be able to devise a multitemporal strategy that blends concerns for the past, present, and future in a manner that increases their potential for long-term growth and profitability (Le Breton-Miller & Miller, 2011).

Transgenerational continuity considerations carry significant weight in family firms' decision-making processes and serve as an important reference point for their international strategic actions, particularly given that most global issues extend beyond quarterly decision cycles (Ye, 2021). Because it can enable the family firm to achieve both its economic and noneconomic goals, an emphasis on transgenerational continuity gives family firms a noneconomic as well as an economic incentive for resilience, which is defined as the "ability of organizations to avoid, absorb, respond to, and recover from situations that could threaten their existence" (Lengnick-Hall & Beck, 2005: 742). This commitment, if supported by proper governance, has been argued to be important for keeping family businesses afloat after the COVID-19 pandemic (Liberti, 2020).

Governance

Family firms have unique governance systems, owing to concentrated ownership, family-based asset specificity (Verbeke & Kano, 2012), and the ability of owner-managers to utilize significant and sometimes unilateral discretion in decision-making (Carney, 2005). Family firms' governance systems are also a source of heterogeneity, due to intrinsic differences in the level and types of family involvement in ownership, management, and boards of directors (Arregle, Naldi, Nordqvist, & Hitt, 2012; Basco, Campopiano, Calabrò, & Kraus, 2019; Calabrò & Mussolino, 2013). Governance structures have been demonstrated to be a primary source of organizational resilience (Carmeli & Markman, 2011), and as such, governance features help explain the behavior and performance of family firms in the post-pandemic global economy.

Of particular importance in family firm governance is the extent to which these firms avoid bifurcation bias, a dysfunctional decision rule whereby family-related assets are perceived as 'heritage' assets and are therefore afforded preferential treatment by default over all other assets, even when the economic utility of family assets is lower than that of nonfamily assets. At the same time,

nonfamily assets trigger negative affect and are treated as 'commodity' assets, regardless of their actual potential for economic value creation (Verbeke & Kano, 2012). Bifurcation bias creates an affect-driven barrier to efficient decision-making in family firms, as it leads to an excessive focus on noneconomic preferences that may go against an objective evaluation of strategic alternatives in the realm of international location choices, foreign operating modes, and structural and strategic organization of international operations (Kano & Verbeke, 2018). The propensity for, and ability to economize against, bifurcation bias is a major factor determining whether family firms will be able to successfully capitalize on their unique features in the post-pandemic world.

In international business, a particularly detrimental consequence of bifurcation bias is that it can lead to political rent seeking – the returns available from political activities that involve attempts to influence (e.g., bribe, coerce, etc.) government officials to make policies that are favorable to the family firm, often at the expense of new entrants and/or foreign MNEs (cf., Morck & Yeung, 2004).

Political rent-seeking is likely to occur when either the payoffs are judged to be greater than those available through productive investments such as innovation, or when international competition is judged to be a danger to performance (Morck et al., 2005). Not surprisingly, political rent-seeking seems to be most common in societies where institutions and property rights are weak (Gedajlovic, Carney, Chrisman, & Kellermanns, 2012). Since bifurcation-biased family firms are more likely to maintain family assets beyond their economically useful life, they seem more likely than unbiased firms to engage in political rent-seeking to preserve the family assets that they favor from the threat of new entry and innovation by foreign MNEs. As such, political rent-seeking may become a preferred strategy of biased family MNEs that seek to protect heritage assets that are no longer productive in the global marketplace.

Resources

Family firms are characterized by unique resource reservoirs, which stem from the systems of interaction among the family, individual family members, firm employees, and the business (Habbershon & Williams, 1999). Distinctive resources resulting from family involvement include stable and committed human capital, patient financial capital,

survivability capital, and social capital (Sirmon & Hitt, 2003). Family firms' successful internationalization depends on their ability to leverage, exploit, configure, and recombine these resources to develop relevant capabilities (Fernández & Nieto, 2014). These distinctive family-based resources can create either competitive advantages or disadvantages (Chrisman et al., 2013), and can facilitate or retard the post-pandemic resilience of large family MNEs.

Social capital is argued to be an essential resource of family firms (Rau, 2014), and one of special importance for their international strategies (Kano, Ciravegna, & Rattalino, 2021a). Family firms have unique advantages in the development and utilization of social capital, because their social capital is supported by shared culture, values, and knowledge, and is constantly reinforced through sustained socialization that links the family, the firm, and key external stakeholders (Arregle, Hitt, Sirmon, & Very, 2007; Gedajlovic & Carney, 2010; Pearson, Carr, & Shaw, 2008; Sirmon & Hitt, 2003). Social capital influences the extent to which the dominant coalition of decision-makers can transfer tacit knowledge across units, across borders, and to the next generation of leaders (Cabrera-Suárez, De Saá-Pérez, & García-Almeida, 2001). As large family MNEs facilitate important connections with internal and external actors (Basco & Calabrò, 2016), social capital is key in enabling these firms to act as international bridging agents (Contractor, 2022) post-pandemic.

FAMILY FIRMS IN THE POST-PANDEMIC WORLD

Transgenerational Continuity and Family Firms' Contribution to Post-Pandemic Global Economy
Understanding how family firms differ in their orientation toward maintaining family ownership and family management (Calabrò, Minichilli, Amore, & Brogi, 2018) and achieving transgenerational continuity (Chrisman, Chua, & Steier, 2011) helps explain why some will contribute more to globalization than others post-pandemic. Here, it is important to acknowledge that transgenerational continuity goals alone are no guarantee of continued international success (Kano et al., 2021a; Stieg, Hiebl, Kraus, Schüssler, & Sattler, 2017). Transgenerational continuity objectives provide an *incentive* for resilience and longevity, but must be supported



by efficient governance practices, particularly in highly volatile global settings.

Well-governed family MNEs tend to pursue transgenerational continuity in a disciplined fashion: that is, their desire to pass the firm to successive generations is accompanied by well-developed family and business governance structures and mechanisms (Lins, Volpin, & Wagner, 2013; Minichilli et al., 2016) designed to avoid dysfunctional practices emerging from transgenerational continuity objectives, such as rivalrous succession, entrenchment, managerial nepotism, and political rent-seeking. We predict that such family firms will continue to act as agents of globalization, much in line with Contractor's predictions. In fact, we argue that disciplined pursuit of transgenerational continuity and associated long-term orientation will enable these firms to fulfil their bridging, transferring, and arbitrating tasks, and to implement risk-reduction strategies, more effectively than nonfamily competitors. Evidence suggests that over the long-term, family firms are prone to tenaciously pursue their strategies (Fang et al., 2021a). Long-term orientation means that the family will be willing to supply the firm with patient capital (Sirmon & Hitt, 2003) and avoid myopic decisions (e.g., drastically reorganizing supply chains, downsizing, increasing inventory) that are tempting in crisis situations but are difficult to reverse and may prove costly in the long run. Indeed, the long-term perspective induces family firms to frame strategic problems broadly, which means that in good times they are adept at diversifying risks across strategic initiatives, and in bad times they are willing and able to aggressively ramp up their risk posture (Fang, Memili, Chrisman, & Tang, 2021b) without completely abandoning their fundamental strategic approach to international markets. This suggests that many family MNEs may be able to reduce the risk caused by the pandemic (Liberti, 2020) while at the same time making the investments needed to exploit international opportunities as the effects of the pandemic dissipates. In terms of aggregation strategies designed to create economies of scale and scope, family firms have been found to skew unrelated diversification and unrestricted internationalization in favor of related diversification and internationalization into countries that are culturally close (Gomez-Mejía et al., 2010; Hussinger & Issah, 2019).

Furthermore, transgenerational continuity and associated long-term horizons for international

strategic decision-making encourage subsidiary entrepreneurship, because managers are not judged solely on the ability to achieve short-term returns. Entrepreneurial initiatives have become critical ingredients of post-pandemic global success, enabling MNEs to quickly respond to potential disruptions and re-orchestrate resources throughout their global networks (Kano, Narula, & Surdu, 2022). Focusing on the longterm also signals reliability to external partners and regulators (Kano et al., 2021b), suggesting that family firms are uniquely able to foster (and strengthen) international linkages with relevant host-country actors. These connections are particularly valuable in a post-pandemic scenario, where they can act as a countervailing force to nationalistic policies of governments, and can help family firms secure and maintain access to critical information (Kano & Oh, 2020; Verbeke, 2020).

Transgenerational continuity goals often manifest themselves in the degree of involvement that multiple and new generations have in the family firm. Family MNEs that properly leverage intergenerational family capabilities tend to invest in a targeted transgenerational dissemination of governance practices to make sure that the next generation of family owners and managers have access to the resources and routines needed to support the firm's international strategy. Such transgenerational transmission practices amplify the diffusion and spillover of capabilities, knowledge, and management routines that Contractor (2022) considers to be critical imperatives of globalization. Moreover, the focus on transgenerational continuity means that family firms can benefit from the capabilities and expertise of multiple generations, including the contribution that the younger generation can provide in the realm of digital transformation. As pointed out by Contractor (2022), the use of sophisticated information systems and advance technologies in governing cross-border transactions is likely to become more pervasive in the post-pandemic world, which suggests that the knowledge and skills of the young, tech-savvy generation may be advantageous. Thus, family firms that make use of their governance systems and resources to pursue transgenerational goals that create long-term advantages are likely to behave in a manner that promotes globalization.

On the other hand, indiscriminate prioritization of transgenerational continuity, without supportive good governance practices, will inhibit family firms' ability to survive and prosper in the post-

pandemic environment. Unconstrained pursuit of transgenerational continuity may lead some family firms to seek risk-averse international strategies that avoid complex or high-distance host markets (Arregle, Chirico, Kano, Kundu, Majocchi, & Schulze, 2021; Gomez-Mejía et al., 2010; Kano et al., 2021a), thus *de facto* limiting these firms' contribution to globalization. Family MNEs that pursue transgenerational continuity indiscriminately may also be less willing to engage in international alliances (Contractor, 2022) despite a greater ability to manage them (Loehde, Calabrò, Torchia, & Kraus, 2020). These strategies can lead to lost opportunities and ultimately dampen family firms' performance in the post-pandemic economic recovery or sacrifice the ability to innovate in favor of short-sighted rent-seeking. In terms of their contribution to the post-pandemic global economic activity, these firms will be unable to fulfill the arbitrageur role that Contractor (2022) deems important for the future of globalization.

Furthermore, to be successful, long-term strategies must be supported by relevant capabilities, most notably international knowledge and sophisticated managerial skills, which are frequently lacking in family firms that rely heavily on family-based resources (Fernández & Nieto, 2005). Transgenerational continuity goals can frustrate capability development if they cause the noneconomic utility of hiring family members to be more highly valued than the economic utility of hiring more qualified nonfamily experts (Chrisman, Memili, & Misra, 2014). Appointments based on affinity rather than merit may forestall success in the volatile, uncertain, complex, and ambiguous (VUCA) post-pandemic environment, where, according to Contractor (2022), MNEs will need to demand higher standards and practices.

Bifurcation Bias and Family Firms' Contribution to Post-Pandemic Global Economy

The advantages of family governance in global markets materialize when family owners and managers can safeguard against bifurcation bias. Economizing by eliminating or reducing the dysfunction brought about by bifurcation bias allows family firms to leverage their unique advantages, such as concentration of ownership and control, to withstand external shocks and reduce risks in the post-pandemic world. Centralization of control reduces complexity, simplifies resource allocation decisions, and facilitates information flow among geographically dispersed subsidiaries

(Kano et al., 2021b; Mitter, Duller, Feldbauer-Durstmüller, & Kraus, 2014), thus enabling the diffusion of knowledge and best practices across borders. Further, concentrated control, if exercised with discretion, facilitates speedy decision-making and execution (Fernández & Nieto, 2006) and grants managers the flexibility needed to devise unconventional corporate strategies to deal with changing circumstances and competitive dynamics (Carney, 2005; Miller, Wright, Le Breton-Miller, & Scholes, 2015). This speed and flexibility are important for the firms' ability to both implement immediate, albeit potentially marginal adjustments to their operations in direct response to the pandemic, and to engage in long-term risk-reducing strategies for the post-pandemic era, as discussed by Contractor (2022).

A focus on control also means that family owners are prone to avoid decisions and investments that reduce the family's present or future control over the firm. In functional terms, this means that family firms are likely *not* to overextend resources, attempt to exploit unreasonably risky opportunities, and pursue growth for the sake of growth. These policies contribute to the ability of family firms to absorb unexpected shocks. Furthermore, family firms appear able and willing to move from a low or balanced risk stance to an aggressive risk posture when that is required to avoid loss (Fang et al., 2021b; Patel & Chrisman, 2014). As such, it can be expected that family firms that exercise control in a disciplined way are likely to engage in a measured set of international investments post-pandemic that will enhance their existing strategy and enable an orderly recovery from the crisis.

However, in the presence of bifurcation bias, unconstrained pursuit of control can lead to significant problems, which essentially boil down to the failure to seize opportunities afforded by family firms' unique governance features (Hennart, Majocchi, & Forlani, 2019) and the entrenchment of unqualified family managers and obsolete heritage assets (Verbeke & Kano, 2012). Fortunately, not all family firms are equally susceptible to bifurcation bias; its severity seems to be linked to a variety of factors such as differences in goals, degree of ownership concentration, the ability to assess the value of human and physical resources, the types of opportunities available to capture, and the structure of the family (Arregle, Hitt, & Mari, 2019). Ultimately, the presence or absence of bifurcation bias depends on the controlling family's ability and willingness to implement effective operating



strategies and human resource policies (Eddleston, Sarathy, & Banalieva, 2019; Kano & Verbeke, 2018).

Bifurcation biased family MNEs will use their control to protect heritage assets and/or increase the family's private benefits. For example, Kim et al. (2019) find that family firms with a family CEO are less likely to divest foreign subsidiaries with large socioemotional endowments. Such policies may inhibit MNEs' ability to maintain their international posture and advance globalization post-pandemic. Desire to preserve heritage assets may lead family firms to avoid attractive international markets seen as risky, and to reject opportunities to obtain outside equity that may be necessary for post-pandemic recovery (Kano et al., 2021b; Fang et al., 2021c). Particularly when heritage assets and locations are involved, bifurcation biased family firms may be reluctant to offshore and outsource operations (Kano & Verbeke, 2018). This will prevent biased family firms from implementing the modifications and risk reduction strategies discussed by Contractor (2022), especially those involving diversification of inputs, suppliers, and partners. Finally, revenue diversification, predicted to be an effective strategy for safeguarding the future earnings of MNEs (Verbeke, 2020), may not be accessible to biased family firms that are reluctant to divert resources from heritage business lines (Anderson & Reeb, 2003; Gomez-Mejía et al., 2010).

Indeed, the strategic adaptations discussed by Contractor (2022), even if marginal, require resource recombination, which means leveraging existing resources in novel ways and/or integrating new, complementary resources in host markets (Narula, 2014; Verbeke, 2013). The risk-reduction strategies proposed by Contractor, such as implementing new technologies, rethinking partnerships, diversifying inputs, and developing new standards often require family firms to surrender some control, particularly when requisite complementary resources (e.g., technological knowledge) are owned by external actors. Bifurcation bias inhibits recombination capability (Kano et al., 2021a), and thus may lead family firms to an "orientation lock" (Herrero & Hughes, 2019: 10), whereby they are unwilling and unable to adapt to the new environment.

In addition to its direct negative impact on the strategies and performance of family MNEs, in certain circumstances bifurcation bias can have a broader impact on economic development and globalization. As noted above, family firms tend to be persistent in their strategizing (Fang et al.,

2021a), and bifurcation bias is all about protecting the positions of family members and preserving heritage assets that have lost economic value (Verbeke & Kano, 2012). Almost by definition, family MNEs that suffer from bifurcation bias are likely to exhibit strategic persistence, albeit a dysfunctional rather than a function form. Unfortunately, the dysfunctional form of strategic persistence caused by bifurcation bias can lead family MNEs to invest in political rent-seeking rather than the pursuit of productive opportunities, because political rent-seeking can protect family assets that have lost their economic value when faced with global competition. Post-pandemic, political rent-seeking may be particularly attractive to firms given the growing role of the state and increasingly volatile institutions. Since the intent of political rent-seeking is to secure preferential treatment and reduce domestic and international competition, it tends to stunt economic growth and frustrate globalization (Morck & Yeung, 2004). Making matters worse, bifurcation biased family firms can endure while destroying rather than creating wealth for relatively prolonged periods of time, particularly in institutional environments with weak property rights (Gedajlovic et al., 2012; Morck et al., 2005). Thus, in weak property rights regimes, large, bifurcation biased family firms can be expected to support and promote moves toward protectionism rather than seek ways to overcome it, because it generates private benefits and allows the achievement of FCNE goals.

Social Capital and Family Firms' Contribution to Post-Pandemic Global Economy

Social capital is apt to be particularly valuable in the post-pandemic economy since it allows global networks to be managed by relational governance, which Contractor (2022) predicts will become increasingly important in the future. International business scholars show a fair degree of consensus in suggesting that relational governance will play a central role in managing cross-border transactions post-COVID, owing to continued institutional uncertainty and a perceived need to secure commitments in the face of likely future disruptions (Kano & Oh, 2020; Verbeke, 2020). Here, family firms can leverage their strong social capital and distinctive interface capabilities (Kano et al., 2021a) in several ways.

At the firm level, scholars distinguish between different types of social capital in family firms: *bonding* social capital that links family members

and non family employees, and *bridging* social capital that connects members of the firm with relevant outside stakeholders (Ciravegna et al., 2020). Furthermore, *bonding* social capital within the controlling family is distinct from *bridging* social capital between family insiders and outsiders (Sirmon & Hitt, 2003). Strong bonding social capital within the family and within the firm can facilitate a unity of purpose, which may be particularly valuable post-pandemic because it strengthens the family's willingness and ability to implement the strategic adaptations needed to safeguard the firm in the VUCA environment (cf., Zellweger, Chrisman, Chua, & Steier, 2019). Bonding social capital among family members increases the likelihood that they will contribute human, financial, and relational capital to strengthen the firm's position in the long term. In turn, bonding social capital within the firm makes it easier for the firm's dominant family coalition to engage in proactive international initiatives post-pandemic and muster firm and family support for the rapid changes that are needed to facilitate recovery (Eddleston, 2021; Calabrò, Frank, Minichilli, & Suess-Reyes, 2021).

Family firms have been shown to be able to effectively leverage the bridging social capital possessed by the firm and the family to manage geographically dispersed partners and customers (Hennart et al., 2019; Pongelli, Calabrò, & Basco, 2019) by strengthening relationships and safeguarding against potential commitment breakdowns. In a counterpoint to Contractor (2022), Ciravegna and Mikhailova (2022) argue that COVID-19 has increased the occurrence of commitment failures in cross-border transactions, and that commitment problems are likely to remain a central feature of the post-pandemic economy. These problems are perpetuated by such factors as the nationalistic policies of governments (sometimes in breach of existing agreements), sustained uncertainty about rules governing international transactions, supply and demand fluctuations and associated supply chain bottlenecks, and surges of opportunistic behavior enabled by opaque rules and unclear trade policies.

Family firms' superior social capital provides an informal safeguard and a powerful buffer against such commitment failures. *First*, family firms can leverage their family- and firm-level bridging social capital to strengthen relationships with global customers and suppliers to facilitate business continuity (Hennart et al., 2019) and involve suppliers

and customers in developing innovative business solutions which are of utmost importance in the VUCA world.

Second, family- and firm-level bridging social capital links family firms with a diverse set of stakeholders outside the immediate value chain (Ciravegna et al., 2020), including home- and host-country regulators, which provides a significant advantage in coping with increasing institutional frailty post-pandemic. Strong relationships with relevant institutional actors in both home and host countries offer access to timely information, which will become particularly critical in the post-pandemic economy (Buckley, 2020; Contractor, 2022). Family firms' political connections provide them with an additional competitive advantage in institutionally uncertain environments by facilitating access to key resources such as funding plans or tariff-jumping FDI incentives put in place by host governments (Dinh, Calabrò, Campopiano, & Basco, 2021).

Superior relational capabilities based on bonding and bridging social capital can give family firms a unique advantage when participating in the global coordination that Contractor (2022) deems to be essential. Coordinated global efforts, such as the multi-layered international R&D collaborations currently observed in the areas of medical equipment, vaccine development, and COVID-19 treatment (Ciravegna & Mikhailova, 2022; Guimón & Narula, 2020) require strong relational governance and efficient knowledge sharing. Family MNEs' advanced interface capabilities have positioned them to manage such coordination tasks. For example, the long-term survival and success of large family MNEs dominating the global luxury goods industry, such as LVMH, Hermès, Cartier, Zegna, and many others, is widely credited to these firms' ability to manage complex networks, share knowledge across units, and create operational synergies within brand groups (Benedsen & Foss, 2015). IKEA's international success is often attributed to its superior ability to orchestrate and manage a tightly knit network of suppliers, whereby knowledge transfer and firm-initiated network-wide capability development ensure continued reliable exchange within the value chain (Ivarsson & Alvstam, 2011). Similarly, Colli, García-Canal and Guillén (2013:120) empirically demonstrate that successful internationalization of many family firms rests on their unique ability "to organize, manage, execute and network." These capabilities make family MNEs ideal candidates for



generating and participating in large-scale collaborative initiatives.

Nevertheless, we agree with Contractor that to effectively advance globalization post-pandemic, relational governance must be accompanied by a willingness to be flexible in the face of future disruptions. Here, rigidly over-relying on bonding social capital, especially based on existing firm or family relationships, can impede family firms' international success. Indeed, family managers' social capital is often limited and locally focused, which reduces the size of family firms' international networks and constrains the development of internationally relevant capabilities (Stadler, Mayer, Hautz, & Matzler, 2018). Prioritization of existing social ties may guide family firms' international governance decisions, such as choices of suppliers and markets, and lead to potentially inefficient international configurations that do not facilitate access to requisite knowledge and resources. This can be particularly damaging post-pandemic, where timely information and capable partners are critical for profitability and survival. Further, preference for dealing with kin-controlled partner firms limits risk-mitigation strategies such as diversification of suppliers, the increased use of alliances, and 'dis-internalization' of R&D (Contractor, 2022). Particularistic partner selection ultimately makes it more difficult to assemble the flexible and versatile portfolio of capable partners required to manage post-pandemic risks on a global scale (Buckley, 2020; Contractor, 2022). To capitalize on their social capital advantage in global markets, family firms need to engage in targeted efforts to extend their social ties beyond the family to both nonfamily employees and relevant international stakeholders. Further, to be deployed efficiently across complex networks, family firms' social capital must be accompanied by administrative knowledge and professional managerial capabilities (Eddleston et al., 2019; Kano et al., 2021a).

Importantly, an emphasis on political rent-seeking may eliminate even the second-best approaches discussed above. Large family MNEs may use their social capital with politicians and government bureaucrats to encourage protectionism in all its variegated forms (tariffs, restrictions on imports and FDI, etc.) to enhance their positions and make efforts by other firms to globalize more difficult. Ironically, firms that engage in political rent-seeking will also inhibit their own attempts to globalize, because stifling competition in the home market will impede their ability to develop the resources

needed to compete effectively in global markets. Again, unfortunately, political rent-seeking of this type will most often occur in developing economies with weak property rights protection (Gedajlovic et al., 2012).

LESSONS FOR THE POST-PANDEMIC GLOBAL ECONOMY

The above analysis suggests that idiosyncratic features of large family MNEs shape their responses to the risks and opportunities in the post-pandemic economy. In general, we predict that the goals, governance, and resources of large family MNEs will lead most to continue along the path toward globalization following the pandemic, and thus, large family MNEs will represent a positive force in global economic development. However, although this is expected to be the dominant pattern in developed economies around the world, we also predict that some large family firms, especially those in emerging economies, will use their goals, governance, and resources in dysfunctional ways, succumbing to excessive focus on noneconomic goals, governance based on biased preferences, and the use of outmoded resources to engage in political rent-seeking rather than international expansion and innovation.

Overall, this analysis can be helpful in exploring how MNEs can deal with large-scale disruptions, and what governance features could enhance or retard their ability to create value in their future international activity and contribute to the globalization of trade. It should be remembered that there is evidence that family control is the most prevalent form of governance around the world (La Porta et al., 1999). Thus, when considering the behaviors and performance of family firms, we are not discussing a quaint type of firm that plays only a minor role in the global economy, but rather a dominant type of firm that has and will continue to have a major role in shaping international business. To thrive in the post-COVID VUCA environment, nonfamily firms should consider what they can learn from family firms. Although some of the features and strategies of large family firms (e.g., relying on multi-generational connections) may not be accessible to MNEs in general, others (e.g., prioritizing long-term decision horizons and developing advance relational capabilities) can be replicated and included in MNEs' post-crisis managerial toolbox. However, MNEs with dispersed ownership should also take note of decision biases that inhibit

efficient international governance in family firms and try to avoid similar pitfalls that might lead to information and commitment problems (Ciravegna & Mikhailova, 2022) as well as constrain economic development and globalization. Analyzing large family MNEs' response to the pandemic has allowed us to identify firm-level strategies that will support future globalization in a manner suggested by Contractor (2022). We discuss these in the following paragraphs, with a focus on the role that large family MNEs will play in advancing these strategies globally.

Long-term decision horizons: Evidence suggests that a farsighted approach that balances concerns for short-term exigencies, a vision of the future, and the persistence to adhere to a strategy over the long term can lead to superior performance, which is (of course) critical for post-pandemic global economic recovery (Barton, Manyika, Koller, Palter, Godsall, & Zoffer, 2017). A long-term perspective puts immediate, short-term recovery considerations into the context of what the firm needs to do to build a foundation for long-term success. This is simply another way of saying that international businesses (both family and nonfamily) need to continually invest strategically in information technology, long-term relationships with stakeholders, and diversified sources of inputs, as suggested by Contractor (2022), to gain sustainable competitive advantages. Long-term horizons can make MNEs better able to branch out into new, promising business areas that fit with their capabilities and help them achieve revenue diversification to provide a buffer against future disruptions (Verbeke, 2020). The goals, governance, and resources of family firms make them particularly well suited for such an approach, and to the extent they do not fall prey to excessive focus on FCNE goals or bifurcation bias, it is reasonable to assume that the pandemic will not for long divert them from their strategic mission. Thus, given that large family firms constitute an important segment of MNEs in the world, there seems to be grounds for accepting Contractor (2022) contentions regarding the future of globalization.

Relational governance, argued to facilitate efficiency in complex international networks (Kano, 2018), should continue to grow in importance post-pandemic as a means of ensuring reliability of commitments and providing timely access to information. MNE managers need to develop the capability to foster long-term, stable relationships with relevant stakeholders, similar to those cultivated

and preserved in successful family firms. Dispersed global presence requires that MNEs understand and quickly respond to varying industry- and government-level policies and restrictions (DeGhetto, 2020). Strong social ties with host country actors, including customers, partners, regulators, and NGOs, can offer MNE managers efficient access to important information about local economic prospects and conditions during times of crisis (Verbeke, 2020). This is particularly important given the growing uncertainty surrounding macro-level institutions' ability to support MNEs' business interests (Ciravegna & Mikhailova, 2022; Contractor, 2022).

Engaging with societal and environmental stakeholders is an important part of relational governance, and one where family firms have traditionally excelled (Campopiano & De Massis, 2015; Campopiano, De Massis, & Chirico, 2014). Empirical evidence suggests that firms that take care of their stakeholders will experience fewer losses during periods of crisis (Morgan Stanley Capital International, 2020). Progressively greater emphasis on broad stakeholder engagement and more nonmarket strategies can be expected post-pandemic (Shapiro, Li, & Feng, 2020), and large family MNEs can be expected to lead and obtain the greatest benefits from these practices.

On the other hand, there is a real danger that some family firms, especially those that exhibit bifurcation bias and/or are based in developing economies with weak property rights, will use their expertise in relational governance to treat the pandemic as an excuse for stronger or renewed efforts at political rent-seeking to protect obsolete heritage assets of both the human and nonhuman varieties. To the extent this occurs, Contractor's (2022) vision of a movement toward economic globalization will be incompletely fulfilled; unfortunately, globalization is likely to be unfulfilled in that part of the world that would benefit by it the most.

Managerial routines for efficient governance: Speedy decision-making, enabled by the concentration of control in large family MNEs, is not always feasible in nonfamily MNEs with dispersed ownership. However, in the post-pandemic world, global management must include routines for quick and efficient responses to environmental changes, resource reorchestration, entrepreneurial action, and capability development. To make this happen, a balance must be achieved between the ability of MNEs to make coordinated corporate responses to opportunities and threats, and the ability of



subsidiary managers to autonomously pursue local entrepreneurial initiatives. Efficient information flows must be facilitated through investment into advance information systems and by developing social ties across the multinational network with outside stakeholders. Strategic decision-making can be streamlined if actors in the MNE network are aligned around the purpose, long-term vision, and values of the company; this kind of unity of purpose has been argued to form the essence of crisis governance in family firms under conditions of extreme uncertainty (De Ciantis & Lansberg, 2020).

MNEs with dispersed ownership do not suffer from bifurcation bias and/or unconstrained prioritization of noneconomic preferences characteristic of many family firms. Nevertheless, nonfamily MNEs must safeguard against other potential impediments to effective decision-making such as bounded rationality, bounded reliability (Verbeke & Greidanus, 2009), and narrow-framing where strategic investments are considered individually rather than as a group, a situation that can lead to excessive risk aversion rather than effective risk diversification (Fang et al., 2021b; Kahneman, & Lovallo, 1993). Some of the principles discussed above, such as long-term orientation, bold and unbiased decision-making, and judicious applications of social capital, can be used to economize on bounded rationality and bounded reliability, and to facilitate broad-framing in decision making regarding international markets. This is particularly important in the volatile post-pandemic environment characterized by institutional frailty, uncertainty of commitments, and a high value placed on information.

CONCLUSION

Contractor (2022) argues that the pandemic does not signal the end of globalization, and that the fundamental principles associated with globalization will continue to remain important for MNEs. We agree with Contractor's central argument but contend that the responses to the pandemic have been uneven across organizations, countries, and regions. Similarly, the recovery period will see substantial variation among MNEs and other businesses in different parts of the global economy. While some MNEs will continue to be the instruments of globalization, others will not, explaining perhaps why Ciravegna and Mikhailova (2022) believe the world may not become more globalized,

at least in the immediate short term following the pandemic.

Looking at large family MNEs, we see factors in support of both sides of the argument. Indeed, our analysis of large family firms suggests that although most are likely to follow strategies that will promote globalization, a significant minority may not, leading to a bipolarization of responses. Governance mechanisms employed by MNEs to respond to and recover from external shocks are scarcely studied (Oh & Oetzel, 2017). Family firms' diverse responses to the pandemic offer international business scholars a unique opportunity to investigate international governance in times of crisis. Furthermore, while we have focused on large family firms in this article, the responses to the pandemic are likely to be equally varied among small and medium-size family firms that are well known for their heterogeneous behavior (Daspit, Chrisman, Ashton, & Evangelopoulos, 2021).

Over 20 years of research has shown that family firms behave and perform differently than nonfamily firms (Arregle et al., 2021; Gedajlovic et al., 2012). We suggest that the root of many of these differences lies in the idiosyncratic characteristics of the goals, governance, and resources of family firms (Chrisman et al., 2013; Chua et al., 2012). More specifically, the desire for transgenerational continuity, the ability to economize on bifurcation bias, and the strong internal and external social capital of family firms can provide them the willingness, ability, and capability to manage risks in the post-pandemic environment and contribute to making the world even more globalized. On the other hand, some family firms have corresponding limitations, i.e., excess risk aversion, bias in resource allocation decisions, insular management, and a tendency to use their power to protect and increase their wealth through political rent-seeking rather than innovation and internationalization, which ultimately boils down to an unwillingness and inability to change.

In closing, we expect that most large family firms will have the resilience and persistence to weather the pandemic successfully and contribute toward globalization of the world economy. However, some will take a different path. Unfortunately, many of the large family firms that do not are likely to have their home base in emerging economies, which means that the fortunes of the firms and citizens in those economies will fall even further behind those of developed economies. Nevertheless, whether our predictions hold true or not will

depend in large part on how family firms leverage their unique goals, governance, and resources, and whether their inherent advantages are supported, and disadvantages offset, by proper international strategic governance. Indeed, as our discussion suggests, we expect to see family firms persist with their long-term strategies and continue to dominate the tails of the distributions of governance, strategy, and performance.

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ABOUT THE AUTHORS

Andrea Calabrò is Professor of Family Business & Entrepreneurship at IPAG Business School, France. He is Global Academic Director of the STEP (Successful Transgenerational Entrepreneurship



Practices) Project Global Consortium. He has published journal articles on family firms, internationalization, and corporate governance in leading international journals such as *Strategic Management Journal* and *Entrepreneurship Theory & Practice*.

James J. Chrisman is the Julia Bennett Rouse Professor of Management and Director of the Center of Family Enterprise Research at Mississippi State University. He is also a Senior Editor of *Entrepreneurship Theory and Practice*.

Liena Kano is an Associate Professor of Strategy and Global Management and a McCaig Family Future Fund Professor in International Family Business at the Haskayne School of Business, University of Calgary, Canada. Her research interests intersect international business, strategic management, and entrepreneurship, with focus on novel applications of internalization theory, and on microfoundations that underlie complex international governance decisions.

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