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Katharina Rohrer

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1. Abstract

This master thesis investigates how social capital is developed in family firms and what potential impact this can have on their internationalization. Especially through the Covid-19 pandemic, the development of social capital has become a lot more challenging as personal contacts were strongly limited. Exploring the ways in which social capital is developed remains a research gap in the international business and social capital literature in the context of family firms. An in-depth qualitative single-firm case study was conducted. Findings show, that a combination of both informal and formal mechanisms are important to enhance family firm international growth. Informal ways of developing social capital are mainly found on an intra-organizational level when relationships with colleagues are developed. Formal ways of developing social capital are the main pathway to establishing relationships with external stakeholders. By drawing upon previously developed social capital and former relationships, internationalization opportunities can emerge and be seized, while new social capital is developed.

2. Introduction

Family firms and their unique dynamic have been increasingly attracting the attention of scholars and practitioners in recent years (Arregle et al., 2021; Debellis et al., 2021). They have had a significant effect on global economic development with the majority of firms worldwide being family-managed or family-owned businesses (Andrews, 2020). One of the key factors crucial for the success of family firms is social capital. This is understood in the context of relationships and trust that builds among individuals and external organizations and can be the key factor to facilitate knowledge exchanges, mobilize resources or when making strategic internationalization decisions (Rodrigues & Child, 2012; Stasa & Machek, 2022).

Within the firm, both family members and non-family employees all have differing levels of social capital which can have an effect on their ability to access resources and their decision-making processes (Sanchez-Famoso et al., 2013). These connections can often be crucial facilitators for internationalization decisions, without which processes and steps would have much more challenging or risky (Bai et al., 2021). Seeing as family firms can also tend to be more risk averse in comparison to their non-family counterparts (Hiebl, 2012), strong ties can provide security when making decisions.

Social capital can be considered to be a specific resource for a firm as it can allow to achieve a competitive advantage (Nahapiet & Ghoshal, 1998) and with a motivation to pursue common goals, it can overall strengthen the business (Adler & Kwon, 2002). Internal social capital is found in the relationships between members of a group or an organization (Akram, et al., 2016), which can include both family and non-family members (Fukuyama, 1995) however external social capital is the relationship that exists with external parties, which could be either individuals or entire social groups (Zahra, 2010; Ortiz et al., 2018).

Previous studies have shown that family firms are one of the most vital and fertile grounds for the development of strong relationships, showing that social capital is particularly relevant to the family firm context. Family businesses in particular are known as building and caring for the relationships they hold with their stakeholders (Neubaum et al., 2012), which can serve as a key competitive advantage for the firm, as the relationships that are built are seen as scarce and hard to replicate (Habbershon & Williams, 1999; Heino et al., 2020; Zellweger & Nason, 2008). Due to the fact that unique relationships based on trust are created, stability is promoted allowing for long-term relationships between a family firm and its stakeholders (Habbershon & Williams, 1999; Adler & Kwon, 2002), meaning that this can form a source of social capital for a family business (Carr et al., 2011). Seeing as the family group can also give a strong contribution to the firm's performance due to the family members' personal strong ties and visions, this branch is crucial to investigate (Habbershon & Williams, 1999). Additionally, family firms are often strongly embedded in their local communities, allowing them to have strong ties with partners in the region (Baù et al., 2019). Social capital can here be leveraged to continue to build strong networks, once again providing access to resources. What makes the case of family businesses and social capital so unique, is that there is a spillover of the boundaries between the social capital of the family with that of the firm (Chua et al., 2011), providing new grounds for investigation. As Tata & Prasad (2015) found, social capital has a likelihood of affecting the unique attributes of a family business, however the outcomes of this have not yet been empirically investigated. The need for more empirical research into the development of social capital and the effect of it over time is also indicated by Mustakallio et al. (2002). Another group to consider are the non-family members, who have less emotional attachment (Campopiano et al., 2020) and can potentially allow insights that are more objective. Not only do they bring different perspectives to the firm than non-family members, they also have diverse experiences and can potentially draw comparisons to their previous employers to build a comprehensive picture of the value of social capital within a family firm. Even though studies have investigated the strength of the relationships among family members in a firm context, the role of non-family social capital, meaning the relationships among non-family members in the firm, have been largely ignored (Arregle et al., 2007).

The aim of this paper is to answer the following research question: "*How do family firms develop social capital? And how does this enhance international growth?*"
A single-firm case study approach has been chosen to explore the phenomenon at hand in its actual setting (Yin, 2017). This allows to best understand the process of how social capital is developed in a family firm by conducting the investigation directly at the place of happening. Through the analysis of primary and secondary data, this thesis analyzes how social capital is developed both in formal and informal ways and how this can enhance international growth.

Overall, the crucial role of intra- as well as inter-organizational social capital for the success and competitiveness of family firms, which operate in international networks, is highlighted. The informal ties play the most significant role in the development of social capital within the firm, which contribute to improved team collaboration. Close collaboration with members of the family contributes to this. Even though formal ties are also important in an intra-organizational context, they are outweighed by informal ties. Building and maintaining strong relationships with external partners plays an important role in developing inter-organizational social capital. Trust is reflected as a critical component of social capital. A particular focus to developing social capital also lies on managing long-term relationships, where family firms should invest in nurturing these relationships. Especially when operating in an international sphere, cultural factors can play an increasingly important role.

3. Literature Review

3.1 Social Capital Theory

3.1.1 The history of the term "social capital"

The term capital dates back to 1526 where it referred to money that could be invested and by 1714 the word was in use as being the subscribed capital of a merchant house (Paul, 2023). The notion of social capital however only arose in the 1900s and since the 1990s has gained in rapid popularity and has been used increasingly in academic work. The origins of it trace back to Karl Marx in 1867 and John Dewey (Farr, 2004). Later on, the concept gained a lot more popularity and has been used in disciplines including sociology, economics, politics and business and is strongly anchored in the social sciences (Claridge, 2022). There is a clear connection between the terms 'social' and 'economic' and early scholars already emphasized the role that culture plays on economic development, already implicitly relating to the idea of social capital (Bhandari and Yasunobu, 2009). This clearly exemplifies that the concept of social capital is linked to old sociological concepts and these have existed for a long time in the disciplines of economics and sociology.

The emphasis previously did not lie on the importance of focusing on social relationships for the functioning of the economy, and omitting these social factors called for the need for a concept of social capital in the neoclassical economic perspective (Claridge, 2022). One of the key influential authors in exploring the term social capital was James Farr, who credits the first use of the term to Karl Marx in 1867 and also highlighted that John Dewey was a key figure in the shift of the 20^{th} century (Farr, 2004).

The notion of social capital can also be represented as an investment into social relations, where returns are expected (Dubos & Cook, 2017). People interact with one another and build networks, which lead to the production of profits. Dubos & Cook (2017) offer different explanations as to why embedded resources within networks can enhance outcomes. Firstly, the flow of information is facilitated and social ties can provide strategic points, which would otherwise not have been available, which can essentially benefit both an individual and their organization. Secondly, social ties can influence actors, which could exert pressures on individuals in decision-making scenarios, such as 'putting in a word' for someone. Further, Dubos & Cook (2017) mention that social credentials are built, where an organization could benefit from the social capital of an agent due to the network or relationships the actor brings.

After the 1990s, the term generated much more interest for researchers as well as carrying practical applications. Different scholars, however, produced different views with some key figures being Pierre Bourdieu, James Coleman and Robert Putnam. The approaches by Putnam are based on the work of Coleman and these two had differently categorized approaches to Bourdieu. A simple search of Google Scholar would suggest that Bourdieu's influential work *The forms of capital*, having 61,772 citations carries an equal weight as Coleman's *Social capital in the creation of human capital* with 62,291 citations and Putnam's *Bowling alone: The collapse and revival of American community* with 81,444 citations.

The work of Bourdieu focuses mainly on the variety of conceptual approaches (Claridge, 2022). However, through the literature of Bourdieu also emerged the concept of networks as an approach to social capital.

A real turning point was Putnam's *Making democracy work* (Putnam et al., 1994), where the concept of social capital rapidly gained in interest and became more widely used (Claridge, 2022). Ferragina & Arrigoni (2017) suggest that the concept of social capital possess the ability to appeal to people with opposing political views and that it can be seen as a tool that would reinforce neoliberalism or used as a countermovement against it. Social capital is a concept that allows to shed attention on human sociability still highlighting the context of the individual in a social structure (Tzanakis, 2013). To gain a deeper understanding of the different theoretical pathways, the next section of the literature review will take a closer look at the key scholars Bourdieu, Putnam and Coleman.

3.1.2 Pierre Bourdieu

One of the key scholars of social capital is Pierre Bourdieu, a French sociologist who focused his studies on the dynamics of power in society (Claridge, 2015a). His highly influential work includes him identifying and classifying different types of capital including economic, cultural and social capital (Richardson, 1986). Bourdieu's focus on social capital views it as a property of the individual rather than the collective which comes from the individual's social position and status. Social capital requires the provision of effort to acquire and is not automatically for everyone belonging to a group (Richardson, 1986). Bourdieu identifies a clear link to class or other forms of stratification which then results in benefits or advancements (Claridge, 2015a). For Bourdieu, social capital lies within the individual and is linked to the social connections that a person can make and then in turn utilize these for their personal advancement (Rudick et al., 2019). Even though the gained social capital comes from social networks, the origins of this always seems to stem from social, economic and cultural structures that allow one group of individuals to have a different power structure or status in comparison to other individuals. The social norms associated with a higher status are that which produces an advantage and it is not the social network alone that is sufficient to draw advantages for oneself (Claridge, 2015a).

Bourdieu crystallizes in comparison to other authors, as his treatment of the role of power is different. He reduces social capital to class, status and power relations and shapes the notion of power as having a power over rather than a power to (Smith and Kulynych, 2002). This means that some individuals enjoy access to social capital due to social stratification while others simply do not. Other scholars rather treat social capital as a universal resource available to all, but carries merit for those who invest in its creation (Claridge, 2015a).

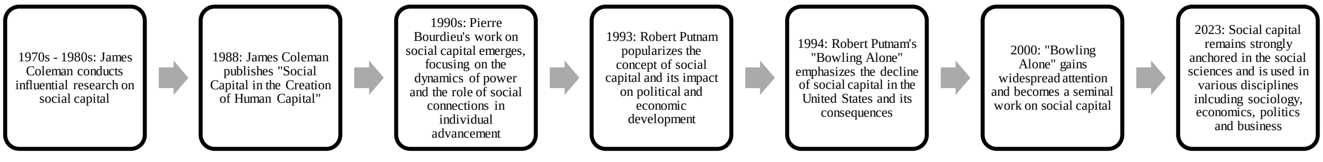
3.1.3 James Coleman

A further influential figure who contributed to the formation of the term social capital was James Coleman, whose focus was primarily on the sociology of education and public policy. He was mainly focused on the interaction between human, physical and social capital and he connected sociology and the natural social actions of individuals with the rational economic ideas (Claridge, 2015b). This means that he established a connection between the fact that individuals act independently and have the motif of self-interest. Coleman rather depicts social capital to be a public good which allows the actions of people to benefit a community as a whole, where Bourdieu was rather concerned with power and status of the individual. These two views are very differing. For Coleman, the purpose of engagement in social interactions or the formation of networks by humans occurs for as long as benefits persist, stemming from rational choice theory (Claridge, 2015b). This means that social capital can be seen as both a private and a public good, which benefits all members of a group and not only the ones who invest their time in forming networks. Direct contributions made by individual actors can carry benefits for the community as a whole, i.e. an organization, and not just an individual (Coleman, 1988).

3.1.4 Robert Putnam

A further key scholar is Robert Putnam. One of Putnam's most famous publications is *Bowling Alone*, in which he suggests that the United States has undergone a collapse in essentially social capital since the 1960s with serious negative consequences (Putnam, 2000). He is also the one who popularized the term social capital. Like Coleman, Putnam treats social capital as a public good, however he adjusts the concept and applies it more to the aggregate population at large, making social capital become a shared trait (Claridge, 2015c). In his studies, social capital focuses on the networks, norms and trust that allow actions and cooperation that then result in mutual benefit (Putnam, 1993). In the aggregate dimension, Putnam highlights the benefits of social capital on a level where it can become beneficial across cities, regions or countries.

3.1.5 Timeline



3.1.6 Key concepts of social capital

The concept of social capital has different aspects to it, relating to the nature of the relationships or the associations formed by communities or organizations. In the literature, these are often categorized as bonding and bridging social capital. Some authors also categorize linking social capital as its own group. Bonding social capital is usually associated with happenings within a closed space where there are people who are alike holding strong ties to one another, forming close networks. Bridging social capital on the other hand is rather found between structures and is more of an outward looking perspective with weak ties, formed rather by people who are different. The following section will take a closer look at these.

3.1.7 Bonding social capital

Bonding social capital is seen as internal social capital, which are connections between people who share similar traits. This could be attributes such as race, social class, gender, age, etc. This encompasses aspects such as trust, cohesion and closure. The group tends to have shared norms, values and goals and this can foster the retention of employees in a firm. Overall, this leads to increased efficiency (Coleman, 1990; Burt 1995). This type of social capital forms when people have the mindset of 'people like us' and this typically fosters close relationships. Alliances like these could be found among families, close friends or neighbours (Claridge, 2018a). The relationships developed in bonding social capital are those that can provide emotional support and reflect an inward-looking perspective. The members in such a network are interconnected and interactions take place on a frequent basis. Relationships are however not strictly either bonding or bridging social capital. The network is rather exclusive, such could be found within a village, where social and emotional support or access to favours is granted (Claridge, 2018a). Bonding social capital is also often spatially dominated and stronger bonds are formed due to geographic proximity. In Putnam's perspective, bonding social capital reinforces exclusive identities and promotes homogeneity and is useful for getting by (Putnam, 2000). In the context of modern organizations, bonding social capital usually exists within the company (i.e. intra-organizational connections), where employees often carry a shared identity and feel a sense of belonging within their firm. Relationships are inward-looking and, depending on the size of the company, networks are dense as most members of the firm know each other. In larger organizations, bonding social capital often also shows up within teams or units within an organization (Claridge, 2018a).

3.1.8 Bridging social capital

Bridging social capital is rather seen as the external social connections that bridge different status. This includes civic norms and can be helpful in gaining valuable employees. It can create an enhanced reputation and is reflected in the sharing of heterogeneous information (Coleman, 1990; Burt 1995). It can be seen as the connections linking people of different groups that typically divide or categorize a society such as race, class or religion. Bridging social capital rather encompasses a 'between dimension' (i.e. inter-organizational relationships) and provides a more outward-looking view, typically being characterized by weaker ties. With strong bridging social capital, there can be a better opportunity for gathering information, gaining access to power, or placing oneself in a network, having access to better opportunities (Adler and Kwon, 2002). Different groups are enabled to share information or ideas with other communities and can therefore represent diverse interests. It is often described to be the form of social capital that provides social leverage, allowing people to advance (Putnam, 2000). It is characterized by weak ties and the networks that circulate it are always changing with a thin level of trust (Widén-Wulff et al., 2008). Weak does not automatically carry a negative connotation in this context, as this is particularly an advantage of bridging social capital, leaving relationships open and voluntary without fearing any social consequences. This type of social capital is generally rather a result of networking outside of normal social groups and an opportunity for it arises every time someone has an interaction with a stranger.

3.1.9 Linking social capital

Linking social capital is found less in the literature, but is however another type of social capital. When people interact across explicit, formal or institutionalized power or authority gradients, linking social capital reflects the norms of respect and networks of trustworthy relationships (Szreter and Woolcock, 2004). It is seen as a vertical relationship. This third form of social capital could be seen as an extension to bridging social capital, seeing as it involves networks and linkages with people, groups or corporate players represented in government entities, educational institutions, economic interests, legal institutions or political organizations. The focus lies on relations between individuals and groups in different social strata and there is an access to power, social status and wealth by different groups. The relationships between individuals and institutions is observed and the dynamic of those individuals who have relative power over them (Woolcock, 2001). There is a need for reciprocity in these types of relationships. Linking social capital is the pathway that allows to form a connection between high-ranking officials to the people who can provide the right knowledge and skills to let them perform their jobs. When looking at the work of Onyx et al. (2007), they discovered that with higher levels of all types of social capital, communities are able to mobilize their resources in the face of difficulty and are less likely to suffer negative consequences from it.

3.1.10 Levels of social capital

Social capital can be found both on an individual and also on a community level. It is however unclear if it is rather a property of an individual or of society, residing in the discussion of whether social capital is a public or a private good. Controversial views anchor in whether social capital is to be treated as a collective or an individual good (Dubos & Cook, 2017).

Some of the key scholars arguing that social capital is rather a property of the individual include Bourdieu (1986), Erickson (2004), Flap (2002), Link (2001) and Yang (2007). Those that rather favour social capital as being a property of the collective include Granovetter (1985), Newton (2001) and Putnam (1995).

Where Bourdieu sees social capital as an investment of members in a dominant class engaging in mutual acknowledgement to retain a group's dominant role, with all outsiders being excluded, Coleman does not take on such a class vision, but focuses rather on networks providing an advantage of social capital as the closure that is produced can build trust and create shared norms (Dubos & Cook, 2017).

To increase their own social capital, people can invest into interpersonal connections. A person can volunteer in their community or attend networking events and thus be able to make new friends and build a better network due to these activities. Through doing so, new relationships are built and potential friendships are made and people can be seen as being kind and trustworthy, able to do favours for others. As a result of this, their own reputation will grow. Spending time in a network allows the exchange of perspectives and experiences that can be long-lasting and beneficial over time. All elements of social capital, namely structural, relational and cognitive, are built through these behaviours and a shared understanding and trust is born (Claridge, 2018b). On the contrary, negative actions can affect an individual's social capital just as much when the trust within a network amongst individuals is broken. This usually carries long-term consequences and it can be challenging to rebuild this trust and these relationships. Even though an individual carries the power to invest in or destroy their social capital, it is not possessed by them, but is rather anchored within the social relationships they form (Claridge, 2018b). Social capital in relationships can only be formed when there is also the availability of others to cooperate, meaning that social capital is different from a typical ownership concept. This allows to draw the conclusion that social capital is somewhat intangible, especially compared to other forms of capital. What is however the case, is the fact that a stock of social capital can be built up to increase the chances of having it available when needed. This is the case even when the social capital resides between a network.

Social capital can be categorized into three groupings: structural, cognitive and relational. The structural level reflects the social structure such as the network ties and looks at the roles, rules, precedents and procedures. The cognitive level regards shared understandings such as languages, codes or narratives and is anchored in a shared system of values, attitudes and beliefs. Finally, the relational dimension reflects the nature and the quality of relationships including aspects such as trust, norms and sanctions or obligations and expectations (Claridge, 2018b). The individual's contribution to each dimension is elementary, however an individual does not have control over all these factors equally. For instance, an individual will have little control over pre-existing social norms or sanctions of larger social groups. Changes will take place faster when groupings are more condensed, as it is less complex and time-intensive to induce a change in values or expectations.

It is clearly reflected that social capital encompasses properties that can be attributed both on an individual as well as on a collective level. Social capital poses characteristics of being a private good as the individual has the power to invest in their social capital, having ownership of it to some degree and can benefit from it in an exclusive and private manner (Alguezaui & Filieri, 2010). On the other hand, various characteristics lie beyond the individual's control and benefit a larger group and not solely the person who invested time into it (Kostova & Roth, 2003). Especially early scholars investigating social capital, however, do not fully agree on it being either a private or a public good. Coleman (1988) argues that it is a public good, whereas Fukuyama (2002) labels it rather as a private good, that can produce both positive and negative externalities. When evaluating this, a further important aspect should be taken into consideration, namely the level of the social structure. This view is supported by Onyx & Bullen (2001), who argue that social capital can appear to be both a private as well as a public good.

3.1.11 Definition of social capital

For the purpose of this study, social capital will be defined as follows: "the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit. Social capital thus comprises both the network and the assets that may be mobilized through that network" (Nahapiet & Ghoshal, 1998, p.243)

3.2 Family Firms

Family businesses are commercial organizations in which a family has the ability to influence the vision of the business and the intention to transfer the business across generations (Chua et al., 1999; De Massis et al., 2014). The majority of businesses worldwide are family owned and managed with 75% of entrepreneurs and 81% of established business owners either co-owning or co-managing their firms alongside family members (Andrews, 2020). Especially during the Covid-19 pandemic, family firms were the driving force behind business and job creation worldwide, according to a report by the Institute for Family Entrepreneurship at Babson College (Kelley et al., 2020). What differentiates family firms from conventional businesses, is the fact that they face a mixed gamble in which they have to weight their potential gains and losses regarding their strategic options, taking into account two aspects: both financial and socioemotional wealth (Gomez-Mejia et al., 2018). It is often the case, that socioemotional aspects take priority over economic goals for family members, which is a key factor in decision-making processes. This does not necessarily mean that there is more or less risk-averseness compared to non-family firms, it merely means that there is a shift in perspective.

Family firm literature can be grouped into four waves: first wave (1991 – 2011), second wave (2008 – 2015), third wave (2014 – declining) and fourth wave (2016 – ongoing) (Debellis et al., 2021). The first wave focused on the organizational level and the dichotomy between family and non-family firm internationalization, examining whether family firms internationalize more or less than their non-family counterparts. The second wave also focused on the organizational level and examined family involvement as a source of heterogeneity in family firm internationalization, examining how the level of family involvement affects the firm's internationalization. The third wave finds itself on the macro-level, looking at exo-context contingencies, with a focus on larger family multinational enterprises. Finally, the fourth wave focuses on the micro-level through a microfoundational lens to explain causal and time-dimensioned family firm internationalization (Debellis et al., 2021).

3.2.1 Definition of family firm

For the purpose of this study, family firms will be defined as follows: "a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families" (Chua et al., 1999, p. 25)

3.2.2 Socioemotional wealth

Socioemotional wealth (SEW) is one of the key non-economic factors defining a family business (Gomez-Mejia et al., 2011). This can be responsible for many management processes and can also explain why decisions are made in a certain way (Gomez-Mejia et al., 2011). Non-economic issues are dominant in family firms, which can include factors such as the family control and influence, the identification of family members with the firm, binding social ties, emotional attachment or the renewal of family bonds to the firm through dynastic succession (Berrone et al., 2012). It is one of the key differentiators to a non-family firm and can also provide guidance in explaining distinct behaviors (Berrone et al., 2012). This means, that family members can assess their issues in regards to the consequences their decisions may carry for the SEW. When decisions are driven too heavily by this and the economic component is disregarded, it could put the firm at risk (Berrone et al., 2012).

3.2.3 The role of bifurcation bias

What plays a role in family firms is also the concept of bifurcation bias, which can carry far-stretching consequences, also for the internationalization process of the firm. Kano & Verbeke (2018) identify that bifurcation bias results in the differential treatment of family or heritage assets when compared to non-family assets, which can lead to a barrier in achieving successful and efficient internationalization motives. If these issues are not addressed, bifurcation bias can lead to poor decisions when undertaking international expansion, when looking at which markets to enter and how to enter them. The consequence of this is that family firms will be less competitive in the market in comparison to non-family firms (Kano & Verbeke, 2018). When heritage assets are considered to be more valuable and are treated preferentially, non-heritage assets (meaning non-family employees) are perceived as a commodity, no matter how much commitment or value they bring to the firm. This results in decisions not always being as efficient as they could be, as family assets rather than the most efficient assets are prioritized. This should be kept in mind when analyzing family firms and their internationalization processes in particular.

3.2.4 Internationalization of family firms

A 1999 study by Okoroafo surveying 187 family businesses found that the international and domestic market is often kept separately in family firms. Many firms in the study would like to develop more business ties, however the majority of family businesses do not develop sources in foreign countries, even when there is a wish to do so (Okoroafo, 1999).

More recent research by Arregle et al. (2017) suggest that family firms are similar to non-family firms with regards to internationalization. Family firms that are however heavily defined by family control, tend to internationalize much less than others. The role of trust also has a significant impact and influence on strategic decisions regarding internationalization and the level of the family's control of the firm greatly matters for the internationalization process (Arregle et al., 2017). It has been shown that international performance can suffer, when firms categorize their resources into two groups, namely those that are perceived as being part of the family in the long run and those in the short run (Verbeke et al., 2020). These two categories inevitably define which resources are worth nurturing and worthy and which are perceived as commodities. The observed phenomenon of bifurcation bias can be particularly harmful when looking to internationalize, seeing as a critical assessment of resources is crucial (Verbeke et al., 2020).

Further, a systematic literature review of 220 articles related to family business literature from 1991 to 2020 gives some useful insights regarding internationalization and places family business research in an International Business context. A high-quality niche strategy is suggested as it helps family firms to overcome internationalization constraints and enables them to leverage characteristics unique to their family firm (Arregle et al., 2021). Additionally, differences between ownership and management are also crucial to differentiate: when there is family ownership, positive results were found on the international scope, whereas family management reflected rather a negative one (Arregle et al., 2021). Interestingly, the role of bonding and bridging social capital was also highlighted, which outsiders bring to the firm in order to advance internationalization motives, however these benefits may be moderated by the level of family influence (Arregle et al., 2021). When looking at intergenerational involvement, this is a controversial topic shaping the internationalization process. Arregle et al. (2021) found in their systematic literature review, that with more family influence, the overall perceived success of internationalization is higher, however only for countries with low geographic and cultural distances. These findings are in line with stewardship theory, in which family leaders are most successful when pursuing regional strategies, meaning that there is a high home-region focus and non-family leaders are more successful when pursuing a global strategy, meaning a low home-region focus (Banalieva & Eddleston, 2011). The size of the firm also plays a crucial role here, as larger firms will have more resources available to hire a non-family leader to expand to geographically or culturally distant environments. A systematic literature review by Debellis et al. (2021) also found that family leaders can have a competitive advantage when they opt for a regional strategy, as the social capital of the family and a fruitful reputation can be more beneficial in regional contexts. Non-family leaders are rather preferred for global strategies who have qualified international experience and who can deal with the complexity of geographically or culturally distant environments (Debellis et al., 2021). The review further reveals that firms begin establishing themselves in the domestic market before incrementally internationalizing to more geographically and culturally distant markets, following in line with the Uppsala stage-model of Johanson & Vahlne (Debellis et al., 2021).

3.2.5 The role of family structures

The role of family structures and how these have an effect on the family business was highlighted in a 2019 study by Arregle et al., which draws on aspects of social anthropology by authors like Emmanuel Todd (1983). This study fills a particular void in the family firm literature, highlighting the importance of internal family types on the effect of business outcomes. They argue that the typology of family structures can have an effect on the internationalization process of family firms, introducing a new research perspective. The family is represented as the first crucial institution that makes an imprint on people, impacting and shaping their development and attitudes early on. Moreover, vertical relationships between parents and children under consideration of the aspects of liberty and authority are explored. Horizontal relationships between children and siblings regarding the concept of equality are explored as well as types of marriages. Seven different types of family structures are proposed, corresponding to different ideological systems (Todd, 1983).

3.3 Social capital in the family firm literature

One of the most frequently found theories in the context of family firms is social capital theory according to Stasa & Machek (2022). In looking to build social capital within a firm, it is not only formal knowledge exchanges that are important, but finding shared interests and building a sense of community amongst employees (Prusak & Cohen, 2001). This builds trust and strengthens the development of social capital (Claridge, 2020b). Social capital of this form can also be developed outside of the workplace, surpassing the boundaries of being colleagues, which develops into friendships. Engaging in team-building events can also be a key deciding factor in the satisfaction of employees and their willingness to continue forming a part of the family firm (Clopton, 2011). Further, when a stronger network amongst team members is developed, it can potentially both benefit teams and individuals in the firm (Krackhardt & Hanson, 2003).

What is particularly unique to family firms, is that collaboration not only takes place on a level between colleagues, but there are also opportunities for collaboration with family members. This also establishes a level of trust and familiarity contributing to the strength of the social capital within the firm, which can be seen as one of the most powerful competitive advantages that a family business has (Erskine, 2022). Furthermore, open communication is fostered to develop social capital in a family firm. This is one of the key components to allowing for a level of vulnerability, which can further strengthen the developed social capital (Claridge, 2020).

Equally present in the literature is the role of formal exchanges within the organization, such as meetings, which are used as a tool to allow for structured exchange between members, which aid in the development of connections amongst them (Prusak & Cohen, 2001). This creates networking opportunities in a formal context, which can allow for conversation flows and communicates to employees that the firm has a strong belief in its core values (Prusak & Cohen, 2001).

What should also be addressed is the means of developing social capital on an inter-organizational level, meaning with business partners external to the firm. In creating an informal bond on a personal level, a stronger professional relationship can be developed from the start, leading to an immediate development of social capital (Johnson, 2021). The theme of trust is also highly present on this level, seeing as the trust built between business partners allows for higher collaboration, which ultimately leads to achieving goals as a team (Vitasek, 2022). This can be built in a variety of different ways, where common ground is established.

Increasingly important is also the digital sphere, which has been especially emergent during the Covid-19 pandemic in helping to establish social relations between business partners. The Internet can aid in serving as a means for inexpensive and convenient communication channels to develop social capital (Quan-Haase & Wellman, 2002). Further, family firms also develop formal business networks with their business partners, where both family members or employees can draw upon existing social capital. Arregle et al. (2007) suggest that the social capital developed by members of the family can be seen as one of the most enduring and powerful forms and can affect how the social capital of the organization is built.

Moreover, it is suggested that family firms often collaborate with local partners, leveraging their regional advantages and due to this, they are able to govern their partnerships even better than non-family firms (Guenther, 2022). These regional business networks can be a key factor in developing an advantage, especially when family members themselves are involved (Banalieva & Eddleston, 2011). On the other hand, family firms also look to internationalize for which they can require the aid of managers, who are experts for culturally and geographically distant regions (Banalieva & Eddleston, 2011). Particularly here, networks are highly important when looking to penetrate foreign markets (Rodrigues & Child, 2012). Having a non-family leader who can aid in pursuing a global strategy could provide an advantage to grasp the specific environmental complexity (Debellis et al., 2021) necessary to develop sustainable social capital. This could be supported by employees who are able to perform successful social interactions in a shared language with external partners, being a critical factor in influencing the development of a partnership (Eiteneyer et al., 2019).

4. Methodology

For the purpose of this thesis, a qualitative research approach has been selected. The field of International Business is both multi-cultural and multi-dimensional, deeming itself appropriate for a qualitative approach, allowing to interpret contexts in a plurality of forms (Birkinshaw et. al, 2011). With using a qualitative approach, rich life experiences can be better grasped (Birkinshaw et. al, 2011) and yield a more nuanced understanding of the topic of social capital. First-hand experiences directly at the source of the phenomenon can be captured in this way. A qualitative approach provides an intermediate level of analysis to help process how the collaboration of individuals across contexts affects organizational processes (Birkinshaw et. al, 2011), which is precisely what the study at hand is doing. This requires looking at processes and meanings in their natural settings (Gephart, 2004) and describing of subjective experiences and interpreting meanings. Real-life interactions occurring in natural settings can be observed (Gephart, 2004). In order to understand how social capital is created in a real-life setting, there is a need to observe and record those organizational and human processes and closely examine the interpretations of the people involved, strongly supporting the claim for qualitative research (Lee, 1999). The meaning and development of social capital in a family firm is something very individual and understanding these diverse perspectives from those people, looking at patterns in what they do and think and examining the meaning behind these patterns are a contribution that can be made only by qualitative inquiry (Patton, 2002).

4.1 Single-firm case study approach

The way in which this research project has been conducted, is by using a case study approach. Yin (2017) presents the case study as an empirical investigation, which allows to explore a current phenomenon inside its actual setting. Further, Yin (2017) describes that a case study research is suited when the main research questions are “how” or “why” questions, when the researcher has limited control over behavioral events and when the focus is on contemporary events. All of these features are present in the study at hand. With this approach, an in-depth focus can be laid on this one particular scenario to best understand the organizational and managerial processes and relations of the firm. A case study approach allows to understand a real-world case with the perspective that the understanding gained from this will involve contextual conditions that will be relevant to this particular case (Yin & Davis, 2007). This also motivates the fact that case studies are not only a data collection tactic alone (Yin, 2017), but can provide a comprehensive picture.

The motivation for selecting a single-firm case study roots in the fact that the firm, namely a family firm in this case, allows for an in-depth examination of specific features, which are motivated in the following section. Studying a particular family firm will allow to understand the complexities and dynamics within the organization in relation to social capital and a depth of analysis can be offered that may not be so easily captured if there were multiple organizations involved in the study (Yin, 2017). With diving deeply into a particular firm, information may be able to be accessed and key informants may be interviewed, which allows to gain a deeper understanding of the networks that the organization creates.

4.2 Data Source

4.2.1 The firm

The firm that is object of this study is the Artdeco Cosmetics group (Artdeco hereafter), which finds itself in the ranking of top family-owned companies in Germany (Die Deutsche Wirtschaft, 2023). The firm has its headquarters located in Karlsfeld near Munich, Germany. It was founded in 1985 by Helmut Baurecht and operates in the cosmetics sector, with a turnover of 72 million Euros in 2017 (Die Deutsche Wirtschaft, 2023). The core vision of the firm is to provide high-quality premium makeup at an affordable price and it has been a market leader in the cosmetics sector for many years. Revolutionizing the beauty industry since the beginning, Artdeco has placed a strong focus on sustainability with a customizable click-system, allowing clients to select only the shades they want for their makeup palette, thus saving resources (Chleo Enterprises, 2023).

4.2.2 Family-owned business

Artdeco is a family-owned business, which means that social capital plays an especially important role in its operation. It is currently led by the first-generation founder Helmut Baurecht together with his son Matthias Baurecht. In a business context, social capital represents trust and goodwill, with studies indicating that family values strengthen the structural, cognitive and relational dimension of family social capital (Sorenson & Milbrandt, 2022). Because the border between business and family blends in a family-firm context, informal gatherings with employees are common, creating closer communication channels and networks (Sorenson & Milbrandt, 2022). Family values are applied to the business setting and a continued emphasis on these then guide interaction within, as well as outside the business, working towards common expectations (Peters & Waterman, 2004). There is an overlap between the social capital of the family and the social capital of the firm, with the family and non-family members providing two differing social groups, which can also be a source for potential conflict. It is out of the question that the unique dynamic of the family's social capital influences the firm's social capital, highlighting the uniqueness of a family firm and exemplifying why this is particularly well-suited for the study.

4.2.3 Industry-specific characteristics

The global cosmetics market produced a revenue of 93.05 billion US dollars in 2022, with predictions that it will surpass 100 billion dollars by 2023 (Statista, 2023), whilst also being one of the oldest industries in the world, dating back to the Ancient Egyptians. Some of the largest firms dominating the cosmetics industry are family firms, such as L'Oréal, Clarins, or Estée Lauder, to name a few (Rosen & Erickson, 2022). The importance of networks and close collaboration in the cosmetics industry is exemplified by the Cosmetics Clusters International Network (CCIN), launched in 2016, and is composed of 21 international clusters for connecting the cosmetics industry, where members from 13 different countries meet annually to experience knowledge sharing and simplify steps towards globalization for the industry (Cosmetic Valley, 2022). The CCIN set itself the mission to provide members of the network with opportunities for sharing and cooperation mechanisms to stimulate development both on a national and international scale. Through providing this network, knowledge, good practices and experiences can be shared to facilitate further steps in globalization.

4.2.4 International presence

With over 900 employees, Artdeco is a small- to medium-sized enterprise (SME) operating internationally in over 65 countries (ARTDECO, 2023). What is particularly unique, is that the internationalization process of Artdeco already began very early with the first-generation family leader. When utilizing social capital, firms find themselves in a web of relationships, that can offer access to resources and opportunities. Several sources indicate that social capital can be the main reason and trigger to foster internationalization (e.g. Hood & Vahlne, 2012). Evidence has shown, that most SMEs are only able to expand to international markets through third parties, which can vary from being either individuals to institutions that provide support for exporting activities (Rodrigues & Child, 2012). It is common for smaller firms to build ties with larger stakeholders to reduce their costs and to avoid information asymmetry or avoid other liabilities that they face in unknown, international environments (Rodrigues & Child, 2012). With building closer networks and relationships, risks can be averted when wanting to access a new market. For this reason, Artdeco is particularly well suited for this study, as it is an SME that has successfully expanded into over 65 countries and interviewees provide valuable insights on the role that social capital has played in this process.

4.3 Data collection process

In addition to engaging in interview-based research, on-site observations were made during visits to the firm. Furthermore, an extensive range of secondary sources, including company brochures and close examination of the organization's website, were utilized to augment the study. For this qualitative study, interviews have been conducted in order to learn about the experiences of the participants, understand their viewpoints and clarify their meanings in relation to this study. The best suited approach for this are interviews, as the subjective realities of people can be examined as well as their experiences and their individual worldviews (Kvale & Brinkmann, 2009). As Kvale & Brinkmann (2009) note, interviews give the chance to thoroughly converse with the interviewees and a deep understanding of their internal thoughts and reflections can be gained. With other research techniques, this could be far less effective, where interviews allow to obtain in-depth and specific information relevant to the context. Personal stories can be shared and one-of-a-kind insights can be gained to understand the meaning of social capital in this family-firm context through conducting interviews. Interviews provide the further advantage that they allow for flexibility and room for altering questions in response to participant's responses (Kvale & Brinkmann, 2009).

To guide this study, the 7-steps approach proposed by Kvale and Brinkmann (2009) has been used. These seven stages are the following: first thematizing, then designing, then interviewing, then transcribing, then analyzing, then verifying and finally reporting (Kvale & Brinkmann, 2009). Prior to beginning the study, an overview using the current literature of the entire investigation was created, to understand what the objectives of the study are. Main topics and themes were identified, which were to be explored during the interviews. The available time and resources for the study were examined and evaluated, to understand the extent of the study (Kvale & Brinkmann, 2009). Following this, an interview guide was designed with guiding questions, structuring the interview into different topics, adopting a semi-structured nature, leaving room for follow-up questions and adaptations during the interviews. All participants gave written consent to participate in the study. The interviews were reported in the language of the interviewee and then translated into English, where applicable. To better understand the concept of social capital, multiple respondents have been surveyed (Uhulaner et al., 2015). Of the two active family members in the firm, one was interviewed (Interview 6) and the remaining interview partners were all non-family members (Interview 1-5 and 7-10). The amount of time that interviewees have been part of the firm varies from two (Interview 10) to 25 years (Interview 8) and their positions vary from being part of the executive team (Interview 6), through to team leaders or heads of (Interviews 1-4 and 7-9), all the way to regular team members (Interviews 5 and 10). Within the realm of possibility, special attention was given to ensure diversity among the participants, who all work in varying fields within the firm (digital salesmarketing, corporate marketing and campaigns, digital marketing, graphic design, operations, sales, training, brand management, e-commerce). A total of fourteen participants was contacted via email, of which ten agreed to participate in the study. The interviews were structured into three main categories: family firm relevant aspects, topics regarding internal networks and topics pertaining to external networks. Follow-up questions that were not already provided in the interview guide were asked in the interviews as necessary. The interview guide consisted of a set of standard questions, which were the same to each participant, but also encompassed individual questions for each respondent tailored to their individual role in the firm. This also had an impact on the focus of intra- and inter-organizational topics, as some respondents have more contact to external stakeholders and others have a focus on networks within the firm. All interviews were recorded on two separate recording devices and then transcribed verbatim (Kvale & Brinkmann, 2009), yielding a total of 84 pages of transcription material. Interviews were conducted over a period of four weeks, some taking place in the Artdeco headquarters in Karlsfeld, where possible, and others digitally through Microsoft Teams. In a later section of this study, interview findings are analyzed to identify the patterns and key concepts that have emerged from the data, using a thematic analysis approach. Finally, to make the findings transparent, particularly relevant quotes from the interviews have been reported in a later section of this study. Table 1 outlines the interview participants as well as their corresponding positions in the firm, the date, location, duration and language of their interview. Interviews ranged from lasting around eighteen minutes (Interview 5) to approximately forty-one minutes (Interview 8).

Interview number	Position of the respondent in the company	Date of the interview	Interview duration	Location of interview	Original language	Number of pages of transcript
1.	Team Lead Digital Salesmarketing	04.04.23	38:49	Gaußstraße 13, 85757 Karlsfeld, Germany	German	10
2.	Head of Corporate Marketing & 360° Campaigns	04.04.23	30:27	Gaußstraße 13, 85757 Karlsfeld, Germany	German	8
3.	Deputy Team Lead Digital Marketing	04.04.23	32:51	Online, Microsoft Teams	German	8
4.	Vice-President Marketing	06.04.23	32:36	Online, Microsoft Teams	German	9
5.	Graphic Designer	06.04.23	18:29	Online, Microsoft Teams	German	6
6.	Chief Operations Officer	19.04.23	37:42	Online, Microsoft Teams	German	8
7.	Sales Director Asia-Pacific	20.04.23	34:02	Online, Microsoft Teams	English	11
8.	Head Trainer and Head Makeup Artist	23.04.23	41:04	Online, Microsoft Teams	German	10
9.	Senior Brand Manager	25.04.23	28:38	Online, Microsoft Teams	German	7

10.	Manager Shop & E-Commerce	26.04.23	24:52	Online, Microsoft Teams	German	7

Table 1: Overview of interview participants

4.4 Data processing

The data at hand calls for a holistic approach, yet also requires rigor in its presentation of the results. For the analysis of the data, the Gioia Methodology has been selected, as it allows to develop concepts inductively while not neglecting the need for a high level of rigor (Magnani & Gioia, 2022). Since then, it has become a commonly adopted approach used in qualitative research, as it allows for a systematic research approach when analyzing the data. The analysis involved initially developing codes and categories which are called 1st-order codes, based on the answers derived from the interviews. Each interview was individually coded and analyzed, grouping phrases or sentences into categories. The categories used were created by utilizing base terms used by the interviewees. A total of 59 codes resulted from this process. Gioia et. al (2013) suggest that 50 to 100 1st-order categories are normal to emerge from 10 interviews, after which a process begins to reduce these categories to a more manageable number. All supporting quotes for the 1st-order categories can be found in the Appendix.

Following this, 2nd-order themes were created, which narrowed down the 1st-order codes into overarching groupings. The codes were condensed and rephrased in order to allow a systematic analysis of the data. The 2nd-order analysis finds itself more in the theoretical realm, looking at themes that could help to understand the phenomenon of social capital in family firms (Gioia et. al, 2013). A total of six 2nd-order codes were formed. Next, themes overarching these were created in an even higher level of abstraction, which then resulted in 3rd-order aggregate dimensions. Figure 1 shows the steps of this process and the results will be discussed in the next section.

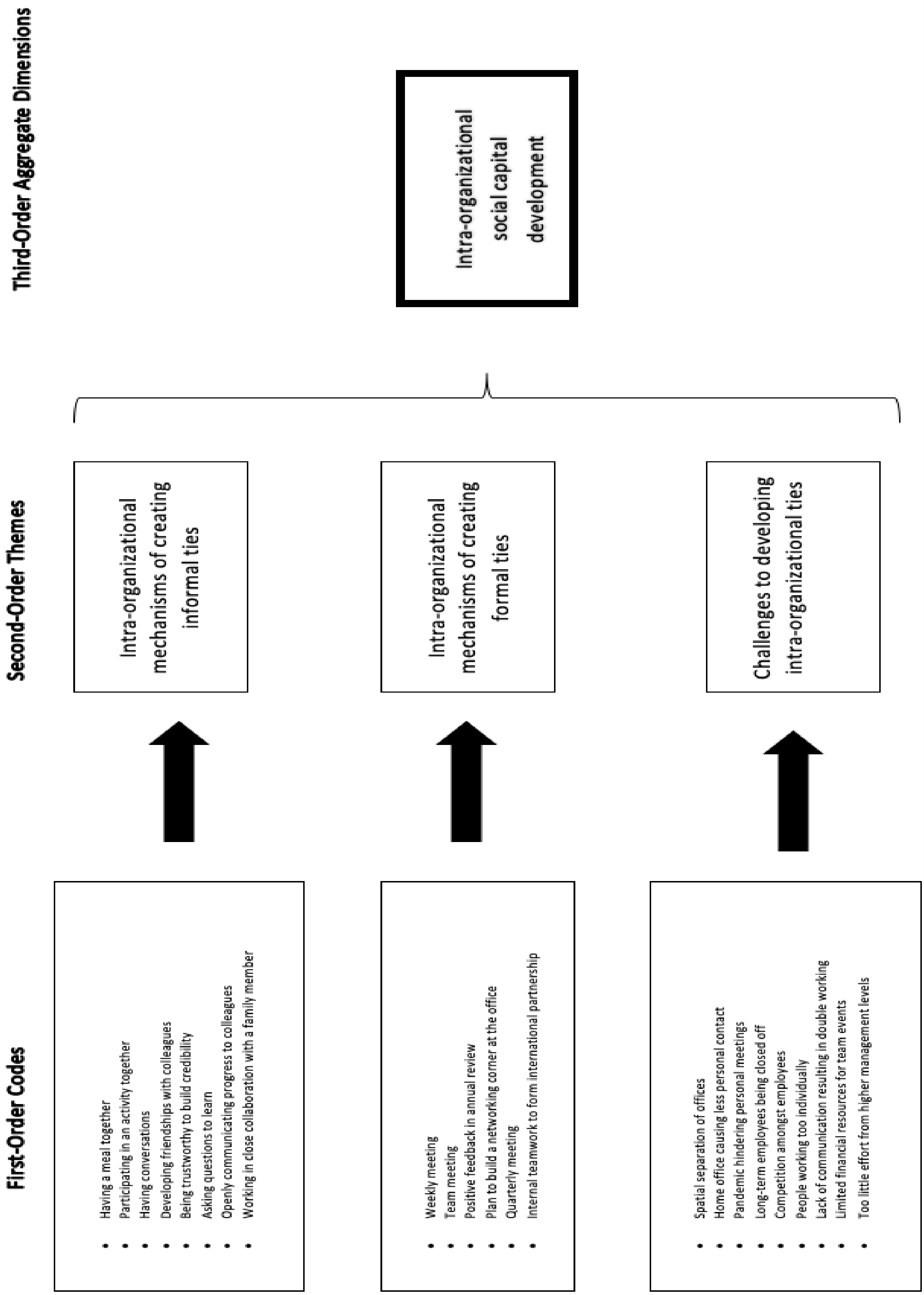


Figure 1: Gioia methodology coding

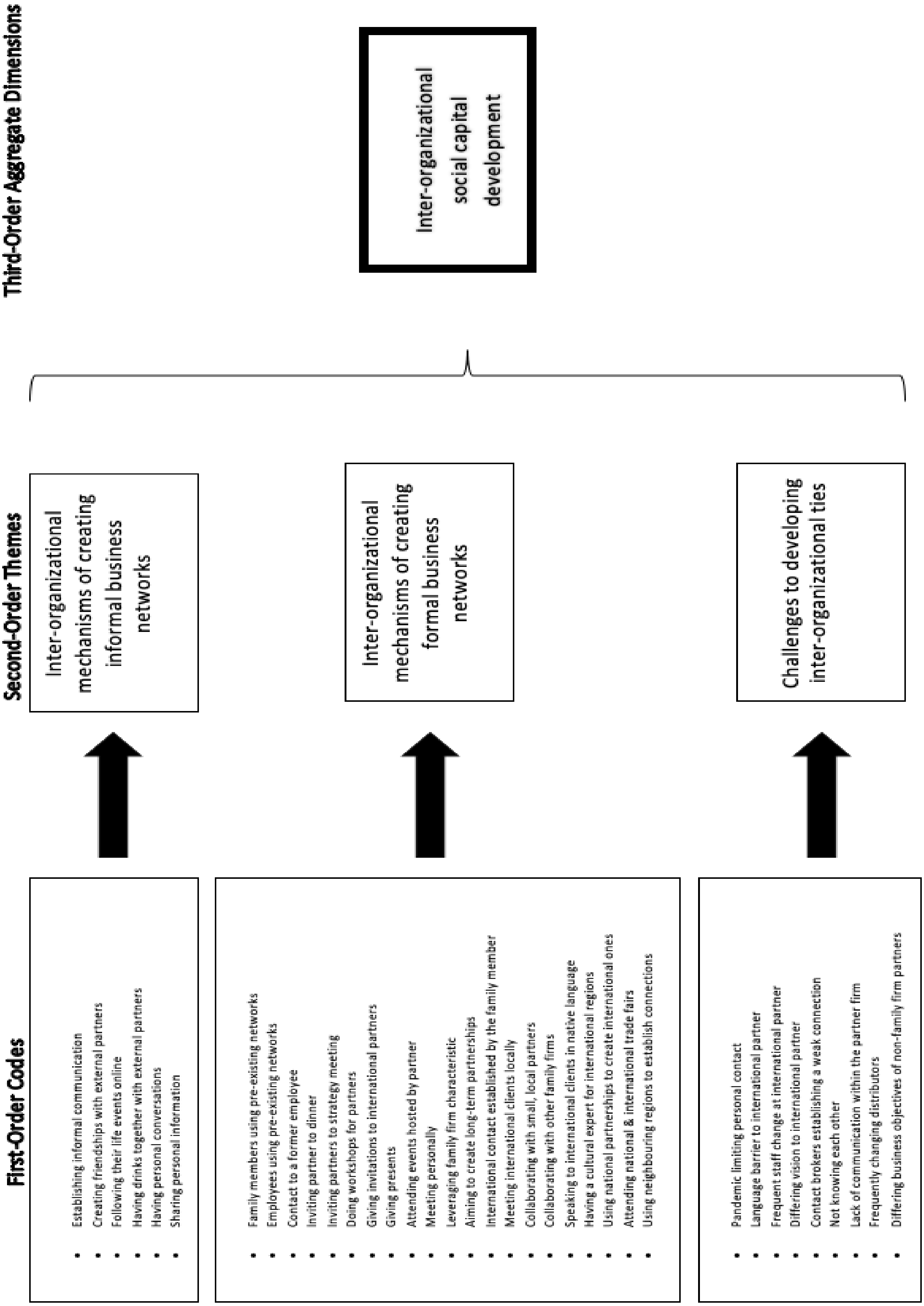


Figure 1 continued

5. Results

The purpose of this research is to understand how social capital is created in family firms and what outcomes this can generate for internationalization steps. Firstly, the interviews all established the common ground that the firm studied is in fact a family firm. Towards the beginning of the interview, respondents were asked questions along the lines of "To what extent do you see Artdeco as a family business? What does the term family business mean to you and how do you see this reflected at Artdeco?" Some of the most meaningful quotations were as follows:

> *"I work directly with Matthias Baurecht, I* ***understand the connections*** *much more and there is also* ***a lot more passion*** *in it. So of course it's* ***emotional*** *too. (...) it's just like family. As in the family, there are often arguments, but I think you are* ***more connected*** *then, also to the company. That's why the people have been there for a long time, which I've always noticed and you can tell, especially with Helmut Baurecht, that he's totally, that it's just his baby and* ***he knows the company inside out*** *and it's really nice when someone is there behind it, who knows everything, questions everything, is so* ***passionate*** *about it."* (Interview 1)
>
> *"(...)you simply notice that the management is not somehow abstract or just a number or a name, but* ***really a person who just has a face and a character*** *behind it, who is also there with heart and soul, what can often be very positive, because I find it* ***brings the brand and the company closer to you****"* (Interview 2)
>
> *"it is family-run simply because you often have* ***points of contact with the management*** *(...) You notice that the hierarchies are also a bit flatter, that it's* ***more dynamic****, that* ***employees are just a bit closer****, that you're not just a number in the company."* (Interview 3)
>
> *"Of course the energies are much more* ***emotional****, I'm an emotional person,* ***emotions run high in a family business****. But that makes it beautiful and these* ***short distances****, this yes, this feeling, this it is... I always mention* ***an energy that is there, like in a family****. The fact that there are people who are not just a, you are not just a number, you are not just a name, you already have a story behind it, is a lot in my opinion, much more human"* (Interview 4)
>
> *"****My father, the founder, and I are actively involved*** *in the company. In addition to this definition of the family business, there are of course implicit characteristics that many family businesses have, which we also see as such. One is certainly a* ***long-term thinking****, because as a shareholder in your position as a manager, you can be sure that you do not*

have to act in the short term, that you are not necessarily accountable to any stock markets or other shareholders in the short term, because you can work it out for themselves and on the one hand act in the long term. And on the other hand, of course, if necessary, make a trade-off against a value framework that the stock market may not always reward, but where you say yourself, ***it suits us as shareholders, but it is also important for us to create secure jobs here****, even if at times maybe there are 2 people too many."* (Interview 6)

"Well, it's definitely ***a lot more personal*** *(...) with Artdeco it's like family*-owned, *basically are* ***people like the founder of the company****, you really, so it's quite different. It's totally* ***different flair*** *to it. Somebody who sort of, you know, like Helmut Baurecht,* ***passionately*** *loves cosmetics."* (Interview 7)

"Conflicts are very important because they simply ***awaken energies or ideas*** *to do something else. And not just driving in one direction. And* ***that is only possible with a family business****. As soon as it is the people who provide the money, they naturally want profit and they also want one thing: no discussions, no entertainment and no emotions."* (Interview 8)

"Because I work in brand management, we are the heart of the company and we feel like we are always ***in contact with everyone****, I always feel like I know someone from every department and that's just nice, because you know everyone who you can contact and don't have to look around for a long time so yes, who is responsible for that or something. That* ***means a lot to me in the family business****."* (Interview 9)

Seeing as it has been clearly established that interviewees view the firm as a family business and it carries the characteristics of a family firm, the analysis of the remaining responses using the Gioia methodology framework can now proceed.

5.1 Intra-organizational social capital development

When looking at the development of intra-organizational social capital, three main categories emerged: **mechanisms of creating informal ties, mechanisms of creating formal ties and the challenges that come with the development of intra-organizational social capital.** Results show, that many efforts are made within the family firm to strengthen the development of the **informal** ties. For instance, **sharing meals together**,

> "*We go for a coffee from time to time and talk about life*" (Interview 1)

> *"At least one event a year where we do something together with her team, i.e. with her department, whether that is a dinner (...)"* (Interview 9).

In this way, informal settings are created in order to strengthen the bond that employees feel towards each other. This is especially important, not only because knowledge exchange is promoted, but also the discovery of shared interests supports the building of a feeling of community (Prusak & Cohen, 2001). Sharing meals together allows employees to connect on a personal level beyond their professional roles and allows to engage in open conversation. With better communication and an exchange of ideas, this leads to stronger collaboration and teamwork. Further, trust is established and a sense of community is built. Trust is a crucial component of building social capital, allowing individuals to rely on each other, cooperate and collaborate more effectively with each other. Additionally, employees also participate in **shared meals outside of the workplace**, breaking the boundary of simply being colleagues:

> *"Everyone was invited to breakfast at her place"* (Interview 2).

With strong informal networks, work teams tend to work together more effectively (Henttonen et al., 2014). The social capital continues to be strengthened in the participation of **joint activities**, as exemplified by a joint cooking class that took place:

> *"We had the opportunity to do a team event again, which was also supported by the company, that you just got a budget, where we then with the whole Marketing department, which is now run by Anna Blasco, were involved in a cooking course and that was just nice"* (Interview 9).

> *"Last year we had a summer party where we all came and we felt very, very nice in our facilities, in our headquarters, super nice day spent. It was in the summer, we'll do it again this year. And we rather want this, yes, networking for example"* (Interview 4).

These types of team building events help to break down barriers and encourage collaboration, yet offering a relaxed setting to form these network connections. When colleagues participate in activities together outside of the work environment, a sense of shared identity is developed, fostering the development of social capital by strengthening the bonds between individuals. By engaging in an activity together in an informal setting, in which they work towards a shared goal, communication is improved and this positively reflects on the social capital development as the quality and frequency of their social relationships within the organization is improved. In understanding the strengths, weaknesses and work styles of colleagues, trust is fostered and colleagues are encouraged to provide support and assistance to one another, which ultimately strengthens social capital development.
These types of collaborations are not only offered on a firm-level, but also team leaders individually provide the opportunities to have an informal participation in joint events:

> *"I am now trying to implement regular team events for us, that we meet regularly privately because that is important to my employees"* (Interview 3).

This is especially important since the decline of personal meetings during the Covid-19 pandemic. With a stronger network amongst team members, improved team and individual performance can be a potential benefit (Krackhardt & Hanson, 2003). A transformation from being mere colleagues to **becoming friends** was also reported:

> *"we had a project like that, (...) where we were looking for "The Next Make Up Artist" and I had one colleague with whom I also became very good friends during the time and together we just burned for it. It was fun, everyone was happy to bring the project to an end. (...) I think it's definitely a booster if you get along well."* (Interview 3)

> *"2 members of my team have been brainstorming about an event that might take place this year and then of course you realize that they are cheering each other on with energy, with motivation. It drives you forward and I think you get closer to your goals that way."* (Interview 3).

This clearly shows, that **close ties between work-friends** can be a mechanism by which social capital is formed amongst colleagues and with strengthened bonds and more motivation, higher overall performance can be expected. Friends tend to feel a higher sense of loyalty and dedication and with a heightened level of engagement and commitment, social capital is developed contributing to a positive work environment, which contributes to a shared sense of purpose. In having informal knowledge exchanges, the collective capabilities of the organization are enhanced, producing a better-connected workforce. Additionally, friendships among colleagues can allow to bridge the gaps between different departments, allowing for better collaboration. With cross-departmental collaboration, social capital is developed through knowledge sharing and opens a broader perspective for the organization.
A further key aspect that emerged was the close **collaboration that takes place with the family members** that are active in the firm.

> *"With Matthias, I have basically my jour fixes every two weeks. And also any other time that any topic pops up he is always readily available and this is quite rare. You know you can get information, you get things you align very well in a very short time. You basically don't waste this time like, you know, speech making and they're generally interested and very open-minded"* (Interview 7).

Due to the nature of the firm being a family firm, close collaboration with higher management levels takes place, allowing to strengthen the vision and mentality within the firm. Through close collaboration, a high level of trust and familiarity is built. Family members typically have a long history of understanding the firm and have shared experiences with past generations. With an established level of trust and familiarity, smoother and more efficient communication is fostered, leading to the development of informal social capital. With having informal exchanges with family members, the development of social capital is particularly important, as they have the deepest knowledge of the firm's needs and can therefore aid in developing the firm's core values and extend their loyalty and support all the way into the organizational context.

> *"He just knows it and that's why we get together every week so that he just shows us the right way"* (Interview 1).

Additionally, the theme of **trust** was also present in the informal context, being mentioned multiple times as a key factor. With the presence of trust, social connections can be maintained on a basis allowing for collective behaviour and cooperation (Newton, 2001).

> *"You need to be very proactive, in say, being reliable, so you have to be credible with what you say when people start to say, OK, you're not just all talk, but you really do what, you know, your people can rely on you, the timings, the deadlines the, you know, feedback, the quantity you really stand behind, all everything you say, people trust you. Then it's much easier."* (Interview 7).

In combination with **open communication**,

> *"I'm working remotely. So you know like which makes it even harder. But like the first year I was quite often at the office. I was there regularly every six weeks I was in Munich when I was there. It was not about getting work done. It was about getting meeting the people there, so it was like really sort of communicating a lot of like sort of where we're heading. And it actually, even though I work remotely, I think people appreciate when they get information."* (Interview 7)

sustainable relationships can be formed. Even though trust can be actively built on an interpersonal level, it is simply built over time between people working together. Accepting a level of risk and vulnerability of the actions of others is a key component of how social capital is built (Claridge, 2020). Through open communication, teamwork and joint collaboration is facilitated, allowing employees to leverage each other's expertise and build meaningful relationships. This exchange contributes to developing informal social capital in fostering a sense of togetherness and collective achievements. When open communication is present, feedback loops are facilitated, allowing for all employees to share ideas, offer suggestions and grow together. By focusing on this, relationships are strengthened and this contributes to the development of their informal social capital.

Overall, results show that **trust** is used as a foundation for the development of informal social capital within the family firm. When colleagues trust each other, they engage in open communication and knowledge sharing. Trust allows employees to take risks and share ideas while relying on each other's expertise. With a strong foundation of trust, informal social capital is developed. When individuals feel that the ideas they are sharing will be handled respectfully, they are more willing to openly communicate and have a free flow of information. The more trust that is built among colleagues, the stronger the informal social capital becomes as information is exchanged and a shared vision is developed.

When taking a closer look at **formal ties** that are developed in an intra-organizational setting, the theme of **trust** also emerged:

> *"Well, we get together every week (...) The trust is there and the trust that lasts. So you don't get that from the start, it takes time, but we're in touch every week"* (Interview 1).

Meetings are used as a formal tool to allow for exchange between members of the organization and these can be useful for building connections and fostering knowledge sharing (Prusak & Cohen, 2001). Through these meetings, a structured platform for knowledge exchange is provided, as teams come together to discuss projects and provide updates. In developing these formal relationships, colleagues can learn to leverage each other's knowledge and skills, contributing to the development of formal social capital. Also, formal meetings provide networking opportunities, where employees have the chance to connect with individuals from different levels of the company, including more senior leaders. These types of meetings are both encouraged on the top management level,

> *"There is a periodic managing directors' meeting, where the managing directors exchange information about the management departments"* (Interview 6)

as well as on the regular team level,

> *"So for team things we come together as a team, and then we go through our tasks as a team, how we can work together better"* (Interview 1).

This shows, that all levels of the firm are interested in creating formal settings for intra-organizational exchange. Through the active participation in business meetings, individuals can share their organizational ideas and projects and therefore enhance their formal social capital by establishing themselves as a valuable contributor and influential member of the organization.

A clear intention to create formal settings was revealed when discussing future plans in **creating more networking opportunities** in the office space:

> *"And the thought was also, let's build a networking corner where we might have a get-together after work once a quarter or every two months"* (Interview 4).

Providing these social spaces in the workplace can spur the flow of informal conversations and signals to employees that the firm carries strong belief in its values (Prusak & Cohen, 2001). Feeling the support of the organization will allow the community to thrive and strengthen their levels of intra-organizational social capital. Overall, however, the level of informal ties in an intra-organizational context outweigh the level of formal ties that are created within the firm.
Furthermore, **challenges** to developing intra-organizational ties were also addressed by respondents. One key factor that prohibits the creation of social capital is the **spatial separation** caused by the office building.

> *"There are now somehow three wings, so you don't meet everyone who would be important anymore inevitably sometime down the hall"* (Interview 6)

which shows that opportunities for informal exchange are not naturally given as much. Even though the teams have many contact points in their day-to-day business, the opportunity to form informal bonds is lowered due to the large size of the buildings, also exemplified here:

> *"We even sit separately. And that does indeed make it challenging to create this complete team feeling"* (Interview 2).

With limited face-to-face interactions, the physical distance creates a barrier for informal interactions, impeding a spontaneous exchange of ideas, which is what is crucial for the development of social capital. No personal connections of trust can be developed. As a consequence of this, there is a reduced sense of unity and as employees are physically distant from each other, it becomes more challenging to create a shared organizational culture. When there is a great physical distance, members often turn to technology-mediated communication such as emails, chats or video calls. Even though these are essential and have been especially during the Covid-19 pandemic, they may not fully reflect the richness of face-to-face communication leading to a hindered trust-build process. When less serendipitous encounters

occur in shared spaces such as the kitchen or the hallway, employees miss out on spontaneous idea generation or the formation of connections that strengthen social capital.
In line with these findings, the **Covid-19 pandemic** has also caused internal teams to have less frequent contact points, resulting in a **decrease in informal communication**:

> *"(...) spatial separation through the home office, which is always free for everyone with 2 days a week (...) And with that, of course, this informal communication decreases"* (Interview 6).

A study by van der Meulen et al. (2019) investigating spatial separation also found that the frequency of knowledge sharing is reduced when spatial separation occurs. This once again makes it more difficult to create opportunities for social capital creation. Through this decrease in informal communication, less face-to-face interactions make it more challenging to build trust through shared experiences. When there is physical separation, it may require more deliberate efforts to create spaces for encounters, making it a slower process of developing social capital. With fewer opportunities to meet in person during Covid-19 restrictions, there was naturally also **less informal exchange** amongst employees:

> *"And of course working from home has made things even more complicated, because the informal communication or the uncontrolled informal communication in person, which simply happens when you meet, just happens to decrease. Due to increasing size and home office in the pandemic, of course extremely."* (Interview 6).

This shows that the fewer opportunities there are for informal exchange, the lower the creation of informal ties and networks.
The next challenges pertain to the **nature of the employees**. The family firm is particularly proud of having retained many of its employees for many years

> *"that works and that's of course worth a lot, if you can retain the experience, if you can keep the well-established teams, that's what every company strives for. It's been proven that we're doing very well, it's actually measurable"* (Interview 6).

However, at the same time, the retention of employees for so many years, can also cause **closed-off networks to build**, making it difficult for new members to be integrated:

"And a lot of the employees have been there for many, many years, OK. So it's not like a really young company. Yeah, I think the majority of the people there have been there with the company for over 20 years, which is a huge achievement for the company because not a lot of stay so long with the company. So it says a lot about them. Of course, the downside of it may be that people you know, they may not be so proactive in approaching you. Not that they have anything against you, but it's just like, you know, everyone is just moving along as they have done the last 20 years." (Interview 7).

This can become problematic, as it could also prohibit the further development of internal networks. When employees are too closed off, they are reluctant to share information or ideas with colleagues, hindering the flow of information and thus impeding the development of social capital. Social capital thrives when there is an active exchange and sharing of ideas and when employees are closed off to this, the free flow of information is strongly restricted. Remaining in these comfort zones can then also be a key factor in **hindering collaboration** across teams:

"Well, I can't explain exactly why, but these are these well-established processes and some of them have been around for a long time, i.e. employees who have been with us for a very long time, who know their structure, who know their comfort zone, but I think it's difficult to get out of there." (Interview 10).

As was previously established, trust is a critical component of social capital. When individuals or even teams are not open towards others, there is often a struggle to develop trust, as this would require vulnerability and a willingness to build relationships. As barriers are erected, social interactions become more limited and relationships can no longer be sustainably established.

From this, the **level of productivity** can also suffer:

"there is often a tendency that employees often work twice or three times, so one department does it, the other actually does the same thing and then the same thing again" (Interview 1).

A study investigating firms' productivity levels resulting from social capital shows that the labour productivity growth has a higher score in areas where there are higher levels of social capital (Ganau & Rodríguez-Pose, 2023). When employees are not open to collaborate, they miss out on opportunities for knowledge exchange and the pool of ideas is limited, leading to narrower perspectives. The use of resources is also wasteful, as they may be underutilized or inaccessible to others who may not know of them and this can have negative consequences for the firm overall.

Finally, one point of criticism also targets higher management levels in making it challenging to create intra-organizational ties between employees. On one hand, the **lack of financial resources** is criticized:

> *"I am also receiving too little, for example financial resources that I could now, for example, do with my team, for example, the team, the money that we had, for example, to do an event like this is now from Anna in the level above it has been used. You had a budget per person, per capita, exactly."* (Interview 2).

Without being provided with any financial compensation from the firm to participate in informal activities outside of work, it makes it more challenging for employees to participate in larger gatherings when these are not sponsored by the firm. This makes it challenging to create spaces and events to facilitate social interactions and foster the development of relationships among employees. Additionally, multiple respondents commented on the **limited effort from higher management** levels to contribute to the development of intra-organizational networks. For instance,

> *"But what I would critically comment on is that from higher up, yes, from higher levels, I don't think corporate cohesion is promoted quite as much. Or I think you could put more into it, for example, maybe everyone comes together once a month for a zoom meeting"* (Interview 3)

where a formal context is suggested to bring together employees. When signals from higher management levels are lacking, employees do not feel a sense of togetherness and do not have a strong team vision to follow. Particularly in a family firm, where the family members are in the upper management levels, clear signals of teamwork are necessary to create a strong bond between employees. Employees also note that they feel a decline in the activities that are being offered to create a team feeling:

“but it always became a little less. Now some things are back too, for example the Oktoberfest won’t take place again” (Interview 9).

5.2 Inter-organizational social capital development

The second third order dimension of the Gioia analysis encompasses **inter-organizational social capital**, meaning the social capital and networks that are formed with external partners. These networks can have an impact on the power position of the firm, can be linked to new opportunities for knowledge development and can be responsible for determining new business opportunities or constraints (Raab, 2018).

Firstly, the **informal business networks** formed with external partners will be addressed. Participants mentioned, that they aim to create an **informal conversation basis**

“Yes, well I’m always a fan of “break the ice”” (Interview 1)

“I always offer the “Du” right away” (Interview 1).

Informal conversations provide the opportunity for individuals from different organizations to establish a personal connection and build trust. When these conversations can occur in a more relaxed setting such as an informal meeting, participants are able to engage in casual discussions beyond their formal business interactions. This creates a sense of familiarity, which forms the foundation of developing social capital between the firm and other organizations. Adding a personal touch in conversations with external partners or clients can allow to foster a stronger professional relationship and can help to defuse potential future conflicts (Johnson, 2021). In this way, a personal and informal basis is established already at the beginning of a business dialogue. Informal conversations allow for the exchange of industry-specific knowledge and exchange of information where employees can share their experiences or discuss challenges that they have encountered. By sharing knowledge in this way, social capital of the firm is expanded and a culture of continuous learning is established. Participants, however, also reported that they cross the boundary of simply being colleagues, but also **develop friendships** and expand their networks in this way when collaborating with external partners:

“Because we have to work so many hours, we also have to create friendship. In the end for me international business I only understand with this kind.” (Interview 4).

This also reflects the role of long-term trust that is built, allowing for long-term partnerships to form, due to an informal business network atmosphere. The development of friendships between individuals also fosters trust and creates a mutual understanding. Friendships are built on personal connections and when individuals see each other as friends, they are more likely to trust one another, communicate openly and therefore also collaborate more effectively. These friendships that are developed in an inter-organizational context are the social capital that allows friends to support each other during challenging times and navigate difficult periods together, allowing for better teamwork and strengthening the network bond that exists.
Furthermore, it was also reported that **having personal conversations** with external business partners can contribute to building a stronger bond with them.

> *"There are personal conversations and then you have a much better bond, it's just a pure network, so networking and that's very important, because in the end many things are also decided by the partner who fall back on whether you get along with the person or not"* (Interview 1).

This quote demonstrates the importance of building these informal networks to external partners, as these can potentially create business opportunities for the firm. Sharing information in a trusted environment can contribute to strengthening the relationship, both on an informal level but also for the business. Where trust is built between partners, there is a higher collaboration in the relationship, ultimately allowing to achieve joint desired outcomes (Vitasek, 2022). Respondents found that **sharing a piece of personal information**, both from their own side,

> *"But also to include a little something private and that's exactly why it's definitely great"* (Interview 2)

but also receiving this **openness from their business partners**

> *"she always writes something about her private life, for example in the emails (...) to strengthen our bond. Then she writes about her wedding anniversary, or her sons, or that she's back on some female Empowerment Session and so and I think that does it."* (Interview 2)

is a key deciding factor in strengthening their business connection in an informal manner. By revealing something personal, authenticity and vulnerability are signalled, which contribute to building a trustworthy relationship. It allows seeing someone beyond their professional role and establishing trust through sharing personal information, allowing to strengthen these inter-organizational relationships within the family firm. Common ground and shared experiences allow for meaningful interactions, which enable an effective exchange of knowledge. Being able to **share moments in a relaxed atmosphere** is something that was further commented on:

> *"But that was so cool, because it was somehow so relaxed, of course you also get drinks, a few snacks, and then you also stand around first, there is a welcome round where you just chat and it was really just that you just really just talked normally about everyday topics before it really got going"* (Interview 10).

When business topics can be discussed in a less formal atmosphere, this can often allow for a more creative outcome in a less pressured environment. Social events or gatherings provide an opportunity for individuals from different organizations to connect on a more personal level, allowing to build a sense of trust and familiarity, which then allows to strengthen the inter-organizational social capital. This setting allows for conversations to be deeper and a formation of bonds based on common interests, experiences or hobbies, building the basis for future mutually beneficial interactions.

A further mentioned aspect was the **digital sphere** in order to stay connected with external partners. The digital sphere and social media platforms can allow to expand the inter-organizational network beyond traditional physical boundaries, regardless of geographical location. This expansion of networks contributes to the development of inter-organizational social capital by creating a wide web of relationships and knowledge-sharing opportunities through seamless communication and instant messaging. These digital channels especially support informal communication, which can allow to develop inter-organizational social capital across organizational boundaries. On one hand, social media is used as a tool to stay up to date with current events that business partners are living through, in order to develop a clearer understanding of their needs:

> *"we deal with the preferences of the influencers, because we follow the influencers, their life events, we also taken an emotional part in their lives. We try to be attentive, for example, that we also simply learn"* (Interview 3).

This allows to strengthen the connection and provides a learning opportunity on how business relations can be further improved. Social media was also mentioned as a key tool stay in contact informally after having worked on projects together:

> *"you stay in contact somehow via social media so that you can see what the other person is doing"* (Interview 5).

Another relevant finding is the **inter-organizational mechanisms to create formal business networks**, which play a significant role. In one part, **sources of networks** in various forms were a recurring topic. For instance, **family members have been using their personal social capital** in order to form business networks with external partners:

> *"For example at Müller, that's the oldest dealer of Artdeco. Helmut Baurecht, for example, also had a good connection to him, he knows the owner or founder and I think it works so well"* (Interview 1).

In making of use of the family's social capital in a family business in particular, the survival of the firm increases and allows both family members and the firm to prosper. It is suggested that the social capital that is developed by members of the family can be seen as one of the most enduring and powerful forms of it (Arregle et al., 2007). The development of family social capital affects how the organization's social capital is built (Arregle et al., 2007). Quotes extracted from the interviews clearly exemplify that family members make use of their own networks, which then allows for networks to form or strengthen with other organizations:

> *"And it was a great company and we always wanted to go there and it's also a family business and there were these relationships between Helmut Baurecht and him and you have this wonderful relationship. We also said OK, let's do it"* (Interview 4).

However, not only the family's prior networks, but also the **network connections that employees bring** are useful assets in developing social capital to external stakeholders. Prior connections of employees often encompass individuals who possess specialized knowledge or expertise. Bringing this wealth of knowledge to a firm, it can be used and transferred across organizational boundaries and industry insights can be given that would not have been present otherwise. The social capital that employees have developed in previous positions can influence the reputation of the firm and can function as a source of credibility when looking to work with new business partners. In fact, sometimes employees are particularly hired due to the richness of their pre-existing social capital

> *"sometimes also by trying, let's say, to get new employees into the company who bring new networks with them"* (Interview 6)

as was reported by the second-generation family manager. Employees confirm this and report that they have been able to **use past partnerships** in developing their social capital with those partners to benefit Artdeco:

> *"So a lot of the countries we are able to enter in (...) two are from the past that I've worked with already"* (Interview 7).

This is also exemplified by the following quote:

> *"So for example like I'm you know, I was always in basically in connection already with like key retail groups Watsons, the Guardians and Sasa and so on. In this region I know them for many years. So when I moved the company and you know, they were really like, let's meet up, let's talk about Artdeco."* (Interview 7)

reporting that a previous collaboration within the network helped to expand the network for Artdeco. The existing social capital can provide access to new resources, information and opportunities and the contacts can serve as the bridge to being introduced to new business partners in external organizations. By tapping into these diverse networks, family firms are able to enhance their own social capital and strengthen their position within their business sector. Additionally, **connections to former employees** of the firm have proven to be useful connections to have when choosing to work with external service providers:

> *"What is very positive is that one of the two has worked at Artdeco for a few years in the graphics and video area, which means he even knows the company... I didn't know him before, but Juliane, for example, knew him."* (Interview 2).

Another way in which social capital with external partners is created is through **extending invitations**:

> *"We had the live event last year, so I invited them to dinner from Artdeco. And then of course there and personal conversations and then you have a much better bond"* (Interview 1)

which allow to strengthen interpersonal connections. By extending invitations to business partners, opportunities for informal social interactions are created. The relaxed and casual atmosphere allows for personal connections to develop and provide a platform for individuals from different organizations to connect on a more personal level, contributing to the development of informal social capital. This is also done in a very structured manner by **including external companies in the internal company processes**:

> *"We actually invited them when we had a strategy meeting last year, which is once a year and then we invite them"* (Interview 10).

Alternatively, participants reported that they also provided partners with both **digital or on-site workshops**, which strengthens the relationship and allows for building of social capital:

> *"And that's why we always meet once or twice a year and then we hold any training sessions where we sit and talk, they're pure workshops"* (Interview 8)

> *"we've really built a platform that every partner can look at the very latest innovations. We make exclusive videos, so I address them directly and they watch it. So, we really have endless growth and we started with that already in the digital world and they were so happy because the person who works in the perfumery who was at home, so that they don't get completely lost, we gave them these videos and they were really happy and that paid off for us."* (Interview 8).

A further key component in strengthening inter-organizational relations was regarding **gift giving** to external partners in order to strengthen relations here, building an emotional tie to the firm:

> *"If an influencer has just given birth to a baby, you give them a small gift and then of course the influencers are emotionally linked to us"* (Interview 3).

The gesture of giving presents helps to build rapport and establishes trust between the firm and the external partner. In offering thoughtful or meaningful presents, a level of care and consideration is demonstrated for the partner and this act of generosity strengthens the interpersonal relationship between the two parties. It aids in laying the foundation for future collaboration. In order to really establish sustainable and successful business relations, **personal meetings** were also a central theme, mentioned by multiple respondents. For instance, when forming a connection with retailers,

> *"I was at events, I was at the Glow, for example in Essen, dm was there, the whole team, and that's where I got to know them personally."* (Interview 1)

or when aiming to strengthen relationships to other business partners:

> *"You also meet up with these annual influencers, exchange ideas, try to strengthen relationships"* (Interview 3).

An opportunity is provided to interact face-to-face for a deeper understanding of each other's perspectives. Familiarity and a real relationship among individuals is established for a more genuine and authentic bond. This builds a platform for relationship-building beyond a formal business interaction. **Meetings in-person** are also what is the preferred channel in comparison to digital meetings, allowing for a deeper bonding experience to build social capital:

> *"It is also something different to meet in person, you are simply much closer and can get to know and absorb each other more personally. Alone through facial expressions and haptics in person, that's something else"* (Interview 3).

In following this mentality, Artdeco also aims to meet their external partners at **trade fairs** in order to establish face-to-face meetings and increase the touchpoints for direct communication,

> *"It's not that easy, so let's say how do you get to know, say, new external stakeholders? Traditionally, this was actually strongly influenced by trade fairs."* (Interview 6)

being mentioned as one of the traditional pathways to directly contacting external stakeholders. Results also clearly show that a **long-term vision** plays a crucial role in the development of social capital on an inter-organizational level. In order to generate durable and sustainable long-term relationships, a 'collaboration over competition' mentality is required. Respondents have shown that a **long-term orientation** is present when collaborating with external suppliers, based on the pillars of building social relations with each other that can lead to future collaboration opportunities,

> *"It really is when you work longer with people, be it stylists, make-up artists, photographers. You just know that they simply know what we want and also what we value."* (Interview 5).

In doing so, the firm also aims to **collaborate with other family firms**, seeing as their philosophies often align:

> *"So everything has its advantages and its disadvantages but after the experience now, several years, the experience with a family business, small business, is always better for us. Because that is, then you are important there. Since you are a brand that is important to them. And then the resources are made. But the time invested, this work is done. If you are now one of 100 brands, one that collects brands with a corporation or group that has so many brands, you are one of 100. And that's no longer the case, things don't get that emotional or together anymore in yes, it's not that nice and often doesn't work that well with a company like our company."* (Interview 4).

The literature also suggests, that when family firms collaborate with local partners, who are in their regional proximity, they are able to better govern their collaboration activities with external partners in comparison to non-family firms (Guenther, 2022). Aligning with this, interviewee 1 reported that **regional business networks** are indeed an important factor,

> *"How do we keep our smaller retailers so they don't go under? Because we don't want a monopoly, we also want to support them regionally and that's really important to us"* (Interview 1).

It was also reported, that other family firms particularly value collaboration with Artdeco, as they carry the **family firm characteristic** and have a shared vision when it comes to conducting business, building a unique network tie in this way,

> *"dm really likes working with us because the partners are those who, for example, L'oreal is a huge corporation or something like Cosnova, they're huge and then you notice that you're talking to someone, yes, and they are so far from the reality of the company (...) And with Artdeco it's really family. So I can tell you so much about why the company exists and it runs so much with heart and soul and they notice it above all at dm"* (Interview 1).

5.3 Focus on International Networks

Studies have shown that social capital plays a particularly crucial role for SMEs when looking to internationalize, as it can be a key factor in overcoming issues of limited resources, experiences and credibility (Lu & Beamish, 2001). When building ties with more experienced external partners in foreign locations, this can be a key element in overcoming information asymmetry, which is particularly likely when trying to access new markets (Rodrigues & Child, 2012). In this 2012 study by Rodrigues & Child, three-quarters of SMEs that were studied confirmed the importance of networking when looking to penetrate foreign markets.

What is particularly interesting is how **network connections with international partners** are built and maintained at Artdeco. On one hand, the contact to international partners is frequently **established by the higher management levels** and is in the family members' hands,

> *"I know that Matthias Baurecht, so the son of the managing director, is also responsible for corporate development and new projects in general and that people had been thinking about it for a long time, since we are in the UK market, which is one of the strongest beauty markets is not represented and I think he simply informed himself. He probably had contact, but I can't say exactly, he just came across this agency."* (Interview 3).

This confirms that the internationalization process to the UK market was established by an active family member. The same goes for France,

> *"We have France, where we have Spain from the start, the people who are there are contacts from Helmut Baurecht who were there from the start"* (Interview 4).

Employees are, however, also responsible for establishing international relationships and can make use of their **existing social capital** in doing so,

> *"So I'm heading for example like into Asia in about two weeks time and there I'm definitely also meeting with the CEO from one of the key retailers and he knows me for many years and he's like, let's meet up and talk more about it"* (Interview 7).

In order to make use of geographic advantages, expansion to international locations is also done in **using neighbouring countries** as the gateway, exemplified here in the case of Scandinavia,

> *"In Norway we are still super strong in perfumeries, in Sweden we were only super small in these beauty salons and now this collaboration via Norway has given us the opportunity to be bigger in Scandinavia."* (Interview 4).

The literature suggests that geographic proximity can be one of the most important criteria when choosing international markets, in particular in the case of exports (Korsakienė & Tvaronavičienė, 2012). On top of this, **national partnerships within Germany are sometimes used as the network connection** in order to expand to other countries, as was recently the case when working with a new retailer in Austria, shown by the following excerpt of an interview:

> *"I: And this cooperation with dm, that you are now also present in Austria, has developed from the fact that you have already worked with dm in Germany?*
> *R: Yes, we started in Germany, yes, but it's actually a completely different team. So they are clearly connected to each other in Austria, but it's completely different people.*
> *I: But ultimately the contact came about because you had already started in Germany?*
> *R: Yes."* (Interview 1).

In this way, established **national partnerships are used to develop international ones**.
Similar to local partners, it was reported in multiple instances that **invitations are given to the international partners** as well, in order to maintain strong business relations and develop deeper social capital:

> *"But we also do our International Brand Management Meeting (...) We make beautiful events in the world with our customers and we have been in Dubai, we have been in*

> *Marrakech, we have been in Berlin, of course in Austria, now we are back in Austria, this year near Munich, of course, but different corners of the world where we mix work, workshops and fun with our clients. At the end of this fun together, experiencing things together, these experiences together is what sticks in your head."* (Interview 4).

Maturing and nurturing this social capital and building trust and reciprocity, allows to learn more about the partner (Rodrigues & Child, 2012). This method of developing social capital with international business partners was also explicitly reported by the interviewed family member:

> *"The other dimension is how do I build up a human relationship in addition to the transactional relationship when I have a business partner? And here, too, you get back to the point where you say you really have to consciously and structurally create levels of exchange that are perhaps deliberately informal per se. So what do I mean by that? You host a conference, invite everyone and it's actually 3 days long but you have content for half a day. So of course there's always a catch, we do that with our international customers, there are then annual or 2-yearly brand manager meetings, i.e. those who look after us day-to-day at the customer level, brand manager meetings, they certainly are a maximum of 50% content and 50% entertainment, which is deliberately the case."* (Interview 6).

Further, **trade fairs** also play an important role in the international sector,

> *"to be present at every trade fair, to see it the way people should see each other frequently. So we have to be present, we have to be there all the time, I'm well known, right now I was in Los Angeles I was at a trade show and one told me, you're the person I know most traveling around the world, but in saying great praise, because it doesn't matter where something with cosmetics or beauty, you're there"* (Interview 4)

being an opportunity for personal meetings with clients and other external stakeholders.
The role of **personal meetings** was also addressed, in particular in relation to **meeting those international clients locally**, in order to gain a deeper understanding of the circumstances,

"And now because Asia is quite different to Europe, we said you know what, it makes sense for the APAC clients to get together and in Asia where we can maybe see a country when they have just launched article, maybe in Vietnam, for example, and we discuss the issues that everyone is facing in the country and the things that have worked for them, and you can really implement ideas straight away. So it's like really, this is what's happened relevant for you." (Interview 7).

Plans for hosting meetings in the respective regions were revealed, in order to dive deeper into those local markets and use the advantages of geographic proximity in further developing regions that are both close in location, but also share similar cultural elements. The realization for this necessity was brought about by an employee, who is a **cultural expert** for the region.

"But that is immensely important, this international network. Now it's difficult because we're in so many countries, now where do we get our countries? It's more targeted. We want the country now. Like now Asia-Pacific. We hired one person. This person is half Chinese, half Australian, so she has both sides." (Interview 4).

This employee is a non-family member and has a deep understanding of how the particular foreign market in the Asia-Pacific region functions. When following agency theory, family leaders themselves could be less suited for being the ones to pursue a global strategy, whereas certain non-family leaders, as in this case, could have an advantage as they have a better grasp of the specific environmental complexity (Debellis et al., 2021). Seeing as the product sold is not a high-quality niche product (Hennart et al., 2019), and products do need to be adapted, it could be suggested that for this particular geographically distant region, a non-family cultural expert is a key component.
In doing so, this employee who is a cultural expert also has the ability to speak to international clients in their **local language**,

"So a lot of the clients actually speak Mandarin and of course even retailers. So we speak actually in the language that they feel more comfortable with." (Interview 7).

As reported, this is advantageous in forming strong networks and further developing social capital.

Finally, **challenges** to developing inter-organizational ties were also addressed by respondents, forming the sixth second-order category. One key factor was also the **pandemic**, which has been a limiting factor in being able to have personal contact, making it more challenging to develop social capital with external agents,

> *"Corona has changed that a lot. The supplier trade fairs are already starting up again, the trade fairs where we are looking for customers, so to speak, have been greatly reduced, so we still didn't run a trade fair with a booth last year when the pandemic was over."* (Interview 6).

In having less touchpoints, or touchpoints being reduced to the digital sphere only, the development of social capital was highly limited,

> *"...where the brand managers are meant, more like those from other countries, where I was able to get to know them. Of course, because of Corona, that no longer happened, or only a little more anonymously via teams."* (Interview 9).

Even with the possibility of using online tools for meetings, this has not proven to be the most successful method in deepening relationships,

> *"...but it doesn't work because that human element is lost and then you have to say that we are deliberately acting inefficiently and to say that I'm going to fly there anyway, because I fly there once a year."* (Interview 6).

In particular, when discussing projects that have been purely in the digital sphere, **not knowing partners personally and well enough** has shown to be hindering in being able to develop sustainable network connections,

> *"I also think that makes it clear that you then had the same contact person for a certain period of time, you always asked how you were doing and things like that, but it was still more anonymous, I think also because you didn't really know each other that well."* (Interview 9).

This is contrary to the literature, which suggests that online activities can in fact be an efficient means of building social ties (Pénard & Poussing, 2010).

What was further reported was a **language barrier** existing to international partners, making the development of inter-organizational social capital challenging due to communication difficulties,

> *"And that was kind of weird. Of course, there is also the language barrier. You couldn't understand one of them very well because he had an Indian accent. That was our main contact person, so of course I always had problems understanding him."* (Interview 10)

> *"Then I get the Russian texts, and unfortunately only get the feedback from, because I don't speak Russian, from international sales marketing and communication there is a bit more difficult and sometimes difficult for me to grasp."* (Interview 5).

A shared language is a critical factor influencing a successful social interaction (Eiteneyer et al., 2019) and can even contribute to developing a shared identity or sense of belonging (Claridge, 2020a). This forms part of the cognitive dimension of social capital (Claridge, 2020a).

However not only was the language barrier an issue when trying to develop social capital with international partners, a **frequent change of staff** was also reported as a barrier in being able to develop long-lasting and sustainable relationships,

> *"they changed their team very often, so apparently the fluctuation there, the staff turnover, was very high, which bothered us and especially the junior boss and Julia massively that we constantly had a new contact person and didn't have a constant, apart from the one who always only presented, but the others were also responsible for other topics and that always made working together more difficult because information was lost. They didn't organize themselves."* (Interview 10).

What was also criticized in regards to the external partners, was that a **lack of communication within the partner firm** was also a great challenge in being able to work together well,

> *"They also have a lot of teams and sometimes they don't communicate with each other at all because it's not possible from the time etc. and then just go and then so much information gets lost."* (Interview 1).

It was also reported, that social capital does in fact take time to build and **making use of a contact broker**, who simply establishes a connection between the two parties, is not sufficient in developing a relationship that leads to a business partnership,

> *"Yes, who are ultimately contact brokers. In other words, those who, based on previous professional experience or their current job, mainly boast that they say they have networks, they know the relevant players everywhere and then also establish contact as agents. They are provisioned and offer the added value that they offer with a bit of, shall we say, operative mediation, or apart from a bit of operative mediation, mainly through this networking, through making contacts and opening doors. Sounded good twice, didn't work both times."* (Interview 6).

Finally, **differing visions and business objectives** also hindered the development of social capital to lead to successful partnerships in multiple scenarios,

> *"It's a business relationship, always a bit, especially in the international distribution area, a bit like a marriage, nobody earns any money for the first 3 years, that means I need the trust that you can put up with each other for longer than 2 years. And you just realized that it's not enough. Just because someone knows one person or the other and says "Hey, why don't you do something together" doesn't mean that much in the end."* (Interview 6)

> *"I had when I started I tried to get some distribution contacts from my old company and I have an example from India. And that was a big company and they had the PNG Group as a distribution, for example, and you saw that they didn't understand this energy. And that didn't work."* (Interview 4).

Social capital is something that can take a very long time to build, as it requires repeated positive actions and interactions (Claridge, 2022).

Internationalization milestones achieved through the contribution of social capital are shown in Figure 2.

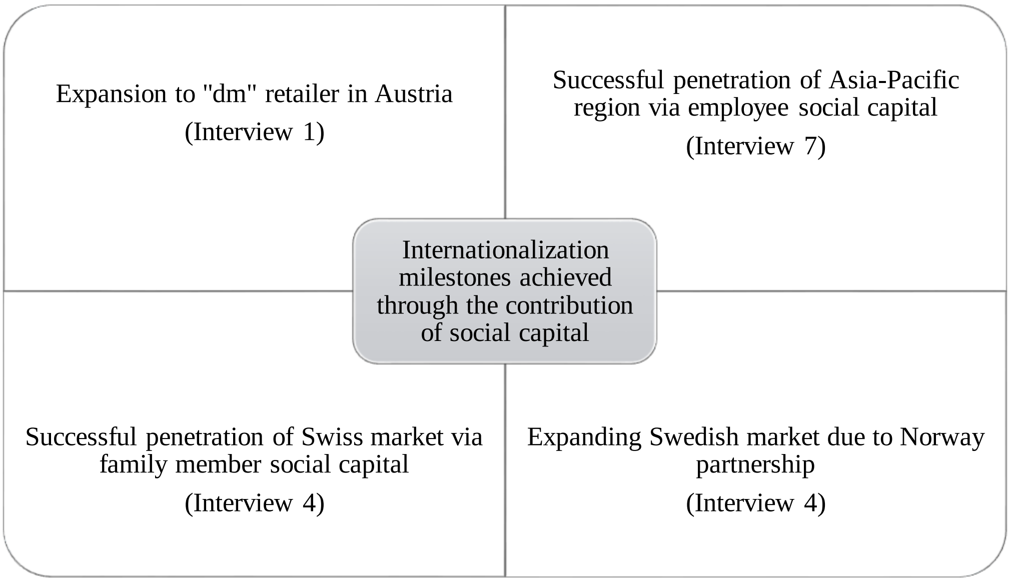


Figure 2: Internationalization milestones

6. Discussion

Drawing on an in-depth single case study for this master thesis, I investigated how informal and formal ties play a significant role when developing intra- and inter-organizational social capital and how this impacts firm internationalization.

Firstly, **intra-organizational capital is strengthened within the firm by participating in activities** together. Through this, trusted and engaging relationships allow for improved team collaboration and individual performance and happiness (Lauricella et al., 2022). Additionally, through **close collaboration with family members**, who are also active members of the firm, a contribution to the development of intra-organizational social capital is made. Important to highlight is that **trust is a key factor** when looking to build and maintain social connections within the organization and it forms the basis for all forms of social capital development (Claridge, 2020b).

Formal ties are also built on an intra-organizational level by having **regularly scheduled meetings or organized events**, they are however **outweighed by informal ties** in regards to activities within the firm.

Challenges to developing intra-organizational ties that emerged showed that these have been strongly shaped by the **impacts of the Covid-19 pandemic** and have caused a **reduction in informal opportunities** for exchange. Additionally, **spatial separation** of office buildings, the retention of long-term employees leading to **closed-off networks** and a seemingly **limited effort from higher management levels** also all pose to be a challenge when looking to develop social capital within the firm. Financial resources and support from higher management are critical resources for fostering the development of intra-organizational networks (Prusak & Cohen, 2001).

Secondly, for **inter-organizational social capital** development, **informal ties are used** to form relationships with external partners to create a **personal and informal basis** for professional relationships. This entails **personal conversations and sharing personal information to build stronger bonds** with these external business partners (Ortiz et al., 2018). **Informal ties are less common** than formal ties in an inter-organizational context.
Notable is also that family members and employees with **pre-existing networks can strongly contribute to the development of social capital** when working with external stakeholders (Robinson, 2023). **Invitations, workshops and gift-giving** are used to further strengthen relationships and to **build emotional ties** with external partners. In building inter-organizational partnerships, **formal mechanisms are preferred** to informal mechanisms.
Furthermore, personal meetings or trade fairs are the preferred channels for **face-to-face interactions and allow for deeper bonding**. Long-term collaboration, especially with other family firms and regional partners, is used to establish valuable and sustainable relationships. **Trust is also a key foundational component** in being able to develop social capital, similar to the intra-organizational context (Claridge, 2020b).

When focusing on international partnerships, social capital plays a crucial role when looking to expand abroad. Through drawing on **networks of their employees who are cultural experts**, this family firm can overcome the challenge of limited resources, experience and credibility when entering foreign markets. **Non-family managers are used** to aid in pursuing a global strategy, as they have **specific knowledge suited to the environmental complexity**, reflecting the case of a **low home-region focus** (Banalieva & Eddleston, 2011). Mostly higher management levels and family members are involved in **establishing and maintaining contacts with international partners**. Findings show that future plans to increase face-to-face meetings with international partners are in the making.

7. Contribution to theory and practice

This thesis aimed to answer the following research question: "*How do family firms develop social capital? And how does this enhance international growth?*"

When reflecting on the responses of ten interviewees in a German family firm, the ways in which social capital are developed can be grouped into the following

1. Intra-organizational social capital, developed within the firm
2. Inter-organizational social capital, developed with external stakeholders

This categorization is based on the responses given by interview participants, may however vary when applied to other firms or other industries.

- Intra-organizational social capital, developed within the firm

Intra-organizational social capital development occurs within the firm between colleagues and constitutes three main elements: the informal ties, the formal ties and the challenges to developing social capital. Informal ties include elements such as sharing meals together or developing friendships with colleagues. These informal ties outweigh formal ties when looking at an intra-organizational level and serve as a basis for building trust amongst members of the firm. Formal ties were also formed within the firm, made up of methods such as having weekly scheduled meetings or plans for building a formal networking corner. Challenges to developing intra-organizational social capital were also reported, hindering both the development of informal and formal ties. Some of these factors were strongly influenced by the Covid-19 pandemic or pertain to the nature of long-term employees in the firm, which ultimately hinder the development of social capital. With a lower level of internal social capital, this consequently poses challenges for internationalization opportunities as there is less internal cohesion within the firm.

- Inter-organizational social capital, developed with external stakeholders

This encompasses all social capital development activities conducted between external stakeholders and the family firm. For this category, the formal ties outweighed the informal ties. Informal business networks were established by trying to build personal connections with external partners. As informal contact with external stakeholders is much less frequent than with internal colleagues, these findings make sense. Formal business networks were primarily established in comparison to informal ones. This was in part done by making use of already existing social capital, by giving favours to business partners, by using local and other family firm partners and by paying especially close attention to cultural particularities. The last point is particularly relevant to the international sphere, seeing as social capital was developed by a cultural expert to reach regions otherwise not accessible to the firm. Challenges to the development of inter-organizational social capital were also reported, in part due to physical distance during the Covid-19 pandemic, however also due to factors pertaining particularly to the business partners such as differing visions or language barriers hindering the development of social capital.

7.1 Contribution to the theory

This paper contributes to social capital theory in the family firm context by further developing the knowledge on how social capital is developed both within the firm and with external partners and how this can aid in internationalization decisions. As there is a gap in the literature on how social capital is developed, this master thesis helps to understand the ways in which social capital is developed and what potential opportunities this brings with it. For both intra-organizational and inter-organizational social capital, the two main categories of informal and formal social capital have emerged. These categories emerge for the first time here and are not found in the existing literature. After conducting the interviews, it is clear that members of a family firm clearly distinguish between informal and formal mechanisms when they aim to develop their social capital. For this reason, this thesis distinguishes between informal and formal social capital. Informal social capital is based on the personal relationships, shared experiences and social interactions found outside of a formal setting. These are usually found in an unstructured manner and take place in a more relaxed context. On the other hand, formal social capital is built in formal settings and structures encompassing professional affiliations where each individual plays a formal role and is more focused on accessing resources through formal channels. Both of these groupings can be found both in the intra-organizational as well as the inter-organizational context. Informal social capital was more present in the intra-organizational context, whereas formal social capital was more present in the inter-organizational context. This makes sense, as more professional and formal settings are adequate when conducting business with external stakeholders, whereas more familiarity exists within a family firm and therefore members seek out more informal contexts.

What has however also become clear, is that an interplay between informal and formal social capital is was makes up the most balanced relationships and when intra-organizational social capital is successfully developed within a firm, projects in an international and therefore inter-organizational sphere can more easily be executed.

7.2 Contribution to practice

This research paper also brings practical contributions, specifically for small-to-medium sized family firms, as it provides mechanisms of how social capital can be developed both within and outside of the organization. Family firms can implement these mechanisms and drive their international growth and will be able to combat the challenges that have emerged from this study that hinder the development of social capital. Most interviewees reported that there is a need for improvement in opportunities for social capital creation, particularly in an intra-organizational context.

This thesis contributes to a deeper understanding of the dynamics of social capital within family firms and sheds a light on how social capital is developed, nurtured and leveraged for future decisions. This can help managers to identify and develop social capital resources in their own family firms. In understanding that trust is the basis for the development of social capital, potential barriers and challenges that hinder the social capital formation can guide family firm managers to develop strategies to enhance social capital and overcome these barriers.

By providing members within the organization with more networking opportunities and budgets both in an informal as well as a formal setting, employees will feel like they have more opportunities for close collaboration and for expanding their networks. The same goes for external business partners, where more international events should be offered to create more opportunities for an informal exchange.

8. Limitations, ethical issues and further research directions

The study at hand is a qualitative single firm case study. Due to the focus on a single firm, the findings may not be so easily generalizable to other firms or contexts. The unique characteristics of this family firm, the industry and the circumstances may limit the applicability of the findings to a broader context. Further research would be necessary to confirm if these findings also apply to other firms.

The study also relies heavily on the subjective interpretation of the researcher during the semi-structured interviews and for the interpretation of interviewer's responses. It is crucial to be aware of these potential biases and try and mitigate these through constant reflection.

Conducting interviews is a time-consuming process and it posed to be a great challenge to have access to a sufficient number of participants who could provide an extended timeframe in which to conduct the interviews in. Due to this constraint, the duration of the interview fluctuated, causing some to be significantly longer (40 minutes) and others to be significantly shorter (18 minutes), which could result in a varying level of depth of information that can be extracted. For future research, a set time frame could be offered to create a better balance.

Finally, the interviews were not conducted in an anonymous manner and therefore interviewees may have been afraid to give truthful answers or provide confidential information. To limit this consequence, all respondents were informed that their responses will be anonymized in their consent form prior to conducting their interviews. The consent form also served to ensure that participants are fully aware of the study's purpose and that they have the right to voluntarily participate and withdraw from the study at any time.

In order to limit ethical issues, participants were provided with transparent information about the study beforehand and special attention was given to respectfully treat participants with also paying attention to their cultural values.

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10. Appendix

Zusammenfassung

In dieser Masterarbeit wird untersucht, wie Sozialkapital in Familienunternehmen entwickelt wird und welche Auswirkungen dies auf die Internationalisierung haben kann. Insbesondere durch die Covid-19-Pandemie ist die Entwicklung von Sozialkapital sehr viel schwieriger geworden, da persönliche Kontakte stark eingeschränkt waren. Die Erforschung der Art und Weise, wie soziales Kapital entwickelt wird, bleibt eine Forschungslücke in der Literatur über internationale Unternehmen und soziales Kapital im Kontext von Familienunternehmen. Es wurde eine qualitative Fallstudie in einem Unternehmen durchgeführt. Die Ergebnisse zeigen, dass eine Kombination aus informellen und formellen Mechanismen wichtig ist, um das internationale Wachstum von Familienunternehmen zu fördern. Informelle Wege zur Entwicklung von Sozialkapital finden sich vor allem auf der intra-organisatorischen Ebene, wenn Beziehungen zu Kollegen aufgebaut werden. Formelle Wege zur Entwicklung von Sozialkapital sind der wichtigste Weg, um Beziehungen zu externen Interessengruppen aufzubauen. Durch den Rückgriff auf bereits entwickeltes Sozialkapital und frühere Beziehungen können sich Internationalisierungsmöglichkeiten ergeben und genutzt werden, während gleichzeitig neues Sozialkapital entwickelt wird.

1st-order codes supporting quotations

Intra-organizational mechanisms of creating informal ties

- Having a meal together:
  - "I'm always a fan of several departments coming on board, fetching, inviting several people, getting to know people, sometimes having lunch, doing very social things together" (Interview 1, p.4)
  - "We ate lunch every month" (Interview 1, p.4)
  - "Informal lunches with the whole of what is upper management in our circle, let's say when we were bigger, the board departments" (Interview 6, p.45)
  - "We go for a coffee from time to time and talk about life" (Interview 1, p.8)
  - "I also said now, let's meet up, have a coffee and just talk because were on the phone all the time, but I don't really know what you look like" (Interview 10, p.79)
  - "At least one event a year where we do something together with her team, i.e. with her department, whether that is a dinner (...)" (Interview 9, p.74)
  - "Everyone was invited to breakfast at her place" (Interview 2, p.13)
  - "Our team management always tries to do a Christmas brunch and it is entirely private. I think that's a lot, so we all think it's very nice and, yes, she kind of encourages it, she's been doing it ever since I've been there" (Interview 9, p.73)
  - "And then there are drinks and there's a flying buffet or something. We even have the chef there, we'll take him with us and make an appointment where we can say how can we do it so that it has more of this character. And that people get together more" (Interview 4, p.31)
- Participating in an activity together
  - "We had a team event last time, the whole team from Anna, where many were also there from the online team and so on and that was, thought I was super interesting, and that was really refreshing and was really good for all of us in a way. So there are new faces as well, you just got to know them in a relaxed atmosphere, and not in between some stressful situation, when someone somehow needs something from someone else. We also went to a cooking class together in Munich." (Interview 5, p.40)
  - "We had the opportunity to do a team event again, which was also supported by the company, that you just got a budget, where we then with the whole Marketing department, which is now run by Anna Blasco, were involved in a cooking course and that was just nice" (Interview 9, p.73)
  - "With private activities, it helped that we were, for example, in the still superior team, i.e. the team of Anna, who is above me, that we could do a cooking event as a team" (Interview 2, p.13)
  - "There are also budgets and be it the department Christmas dinner or something like that, the departments still have social exchange here and there" (Interview 6, p.45)
  - "And last year at Christmas we had it in the office itself, in the large office, you know, we just brought cookies, we brought something to drink, just to toast together" (Interview 10, p.79)
  - "Marketing Management also has at least one event a year (...) get together again at Christmas" (Interview 3, p.22)
  - "Last year I had the opportunity to do team events with our teams for the first time. (...) Real teamwork is the most important thing, I'm nothing without my team" (Interview 4, p.30)

    - “We can have purely fun events, which is, say, with the exception of these pandemic times, actually always at least 1, usually 2 a year. It’s either the company celebrations or the summer festivals organized here on campus, which went down really well” (Interview 6, p.45)
    - “Within the organization there are also approaches that small events are held within the departments, team building events” (Interview 6, p.45)
    - “Last year we had a summer party where we all came and we felt very, very nice in our facilities, in our headquarters, super nice day spent. It was in the summer, we’ll do it again this year. And we rather want this, yes, networking for example” (Interview 4, p.30)
    - “There’s also the Oktoberfest visit and there are always one or two with really all the people, including logistics and production” (Interview 6, p.45)
    - “Anything was great, I think that’s how they did the Oktoberfest” (Interview 9, p.74)
    - “And otherwise in terms of the company, it’s more like that, there’s a company party” (Interview 9, p.74)
    - “I am now trying to implement regular team events for us, that we meet regularly privately because that is important to my employees” (Interview 3, p.22)
    - “Sometimes you are also private friends with certain team members, so that you meet privately” (Interview 9, p.73)
- Having conversations:
    - “Yes, definitely because I think that by getting to know others a little or asking what they actually do, I always think it’s important” (Interview 9, p.74)
    - “Apart from work, can talk about things of a private nature or business in a relaxed atmosphere” (Interview 3, p.22)
    - “You might also talk about things that interest you together, yes, where you might have points of contact, maybe also on a professional level, but also on a private level and that it also really helps” (Interview 10, p.80)
    - “But I’m someone who also likes to just chat with people a bit to get to know them or just to create a bit of this social component” (Interview 9, p.73)
    - “Informal chat in the hallway, exchange in the coffee kitchen mentality, somehow went on for a relatively long time” (Interview 6, p.45)
- Developing friendships with colleagues:
    - “Sometimes you are also private friends with certain team members, so that you meet privately” (Interview 9, p.73)
    - “I also have the influencer manager Viola in the social media area, I get on really well with her. And it’s a lot of fun talking to her there, also about topics at work or on a personal level it’s easy, it just does something to you” (Interview 10, p.80)
    - “And for example, at Make Up Factory we had a project like that, I don’t even remember when that was, 4 or 5 four and a half years ago, where we were looking for “The Next Make Up Artist” and I had one colleague with whom I also became very good friends during the time and together we just burned for it. It was fun, everyone was happy to bring the project to an end. (...) I think it’s definitely a booster if you get along well.” (Interview 3, p.23)
    - “I’m actually privately friends with everyone here, so some of them are also very, very close private friends and I never thought that my job could be like this” (Interview 5, p.37)
    - “I have a very friendly relationship with Rebecca” (Interview 5, p.40)

- “2 members of my team have been brainstorming about an event that might take place this year and then of course you realize that they are cheering each other on with energy, with motivation. It drives you forward and I think you get closer to your goals that way.” (Interview 3, p.23)

- Working in close collaboration with a family member
  - “With Matthias, I have basically my jour fixes every two weeks. And also any other time that any topic pops up he is always readily available and this is quite rare. You know you can get information, you get things you align very well in a very short time. You basically don’t waste this time like, you know, speech making and they’re generally interested and very open-minded” (Interview 7, p.54)
  - “We have a jourfixe every week, so we get together every Monday every week” (Interview 1, p.6)
  - “He just knows it and that’s why we get together every week so that he just shows us the right way” (Interview 1, p.6&7)
  - “I wouldn't say close, but coordinated. So that there are actually regular points of overlap and other team members in our department also have him as their direct superior, so you notice that from us to managing director is really a step up or now good from me as team leader to managing director one step up. That means you're definitely close to him and you're regularly in contact with each other.” (Interview 3, p.21)
- Being trustworthy to build credibility:
  - “If, for example, and this is just a small example, if we're talking about samples now, if we have a sample that just came out of the 3D printer or something and I need it because I have to show it to someone or something, then our product management will give me the products because they simply know I'll bring them back. Also because they simply have this trust, because I have proven for years that I can bring my things back or things like that.” (Interview 9, p.73)
  - “You need to be very proactive, in say, being reliable, so you have to be credible with what you say when people start to say, OK, you're not just all talk, but you really do what, you know, your people can rely on you, the timings, the deadlines the, you know, feedback, the quantity you really stand behind, all everything you say, people trust you. Then it's much easier.” (Interview 7, p.55)
- Asking questions to learn:
  - “That means, no matter in which area, whether it's product management, whether it's sales management, whether it's brand management, whether it's the digital world, yes, I get along incredibly well with everyone and that's nice or the press, I can call anyone and I get an answer from everyone. I can sit down with anyone and maybe it's also my nature because I just say I can't know everything.” (Interview 8, p.65)
  - “That is, before I start anything, whether it's the digital world, now in the area of an insta-live or whether it's a get-the-look or our tutorials. But we really have to concentrate on the basic collection, then it's a must for me to sit down with Hanna first, to talk to her on the phone, because I think way too broadly and way too much and Hanna always puts me on the ground” (Interview 8, p.66)
- Openly communicating progress to colleagues:
  - “I'm working remotely. So you know like which makes it even harder. But like the first year I was quite often at the office. I was there regularly every six

weeks I was in Munich when I was there. It was not about getting work done. It was about getting meeting the people there, so it was like really sort of communicating a lot of like sort of where we're heading. And it actually, even though I work remotely, I think people appreciate when they get information." (Interview 7, p.55)

  - "And what I do is, nobody told me, but like there was so many partners working on APAC region and people love to know more about the region, what's happening and I actively really after meeting with like the owners, I would actively offer also two to three sessions where people get invited to the meetings and they, you know, I present to them, basically all the development we have so far, where we're heading, people can ask questions anytime and the feedback has been really positive, like they really feel like, you know, being considered, taken into the whole process and that actually motivates them to do more for the region." (Interview 7, p.55)

Intra-organizational mechanisms of creating formal ties

- Weekly meeting:
  - "Well, we get together every week (...) The trust is there and the trust that lasts. So you don't get that from the start, it takes time, but we're in touch every week" (Interview 1, p.7)
- Team meeting:
  - "So when digital, we have our team meetings purely on a professional level and everyone just comes to the office as they can" (Interview 10, p.80)
  - "We come together as a team in the jourfixe, so that we just give them updates" (Interview 1, p.7)
  - "So for team things we come together as a team, and then we go through our tasks as a team, how we can work together better" (Interview 1, p.7)
  - "Every now and then there is a digital exchange where everyone is involved" (Interview 2, p.13)
  - "There is a periodic managing directors' meeting, where the managing directors exchange information about the management departments" (Interview 6, p.45)
- Positive feedback in annual review:
  - "I will never address weaknesses in any annual review or anywhere, because what happens when you have weaknesses appeals to you: you suddenly focus, you are constantly aware of what you are bad at and I want to get away from that, I want to say you are good at that, we can definitely develop yourself further in that direction and because, then you have I just have more fun at work and I know, oh cool, yes, I'm really excited about that, because I also have weaknesses, yes, well, I just don't go there, I don't go the way, I'm looking for a solution for it. But I personally always go where I am strong. And so does my team. And that's very nice, yes." (Interview 1, p.8)
- Quarterly meeting:
  - "Always on the occasion of the quarterly meetings, where you look at the numbers, so you can see that you are very networked and also promote team spirit because it is important" (Interview 3, p.22)
  - "So this week is coming up again when the online department actually does its quarterly meeting internally and each time invites a different department with which they somehow have an interface in professional and current matters, introduce themselves and the others introduce themselves
  - "There is always a quarterly meeting with a guest" (Interview 4, p.30) → in context of networking

- Plan to build a networking corner at the office:
    - "And the thought was also, let's build a networking corner where we might have a get-together after work once a quarter or every two months" (Interview 4, p.31)
- Internal teamwork to form international partnership:
    - "launched products in Austria for dm, so we sold items at dm for the first time and it was just clear that it couldn't be done easily by one person, but that a kind of task force had to do it, yes, so I noticed that people have to sit together." (Interview 1, p.5)
    - "get to know other people and then you also explain the problem you have and then you have the people who can help you" (Interview 1, p.5)
    - "you then have 15 people sitting at the table and just talking about it and because then they understand the problems among themselves" (Interview 1, p.5)

Challenges to developing intra-organizational ties

- Spatial separation of offices:
    - "You know the building, there are now somehow three wings, so you don't meet everyone who would be important anymore inevitably sometime down the hall" (Interview 6, p.45)
    - "2 big factors that disrupt this informal exchange, on the one hand size and on the other hand spatial separation" (Interview 6, p.46)
    - "We recently had a staff photo shoot where everyone had to take their own photo with Markus, and then people all came to our office and they were wondering ohh, what is this? That looks cool. So they didn't know our office. So you can't get close to the other departments unless you really say to them hey, would you like a coffee or I'll come by. It's just difficult" (Interview 10, p.80)
    - "We even sit separately. And that does indeed make it challenging to create this complete team feeling" (Interview 2, p.13)
- Home office causing less personal contact:
    - "But we still manage to do this spatial separation through the home office, which is always free for everyone with 2 days a week. So wherever the job allow it, it's difficult in logistics. And with that, of course, this informal communication decreases" (Interview 6, p.46)
    - "we don't have a meeting place now where we say, okay, it would be good if we all got together maybe once a week, let's say on Wednesdays, see each other in the office. That's up to everyone. Of course, that's a pity when you see the other person a lot less, i.e. my former intern, who is now taking over Nele's job, I never see her, I haven't seen her like that for 4 weeks. And of course that's a shame" (Interview 10, p.80)
- Pandemic hindering personal meetings:
    - "Yes I have to say we had some stuff and then this pandemic came along. I think the pandemic of course froze us a bit because we couldn't meet each other anymore. We can't do things together anymore, we can't be with each other anymore and that was it for me that definitely influenced us all, privately and professionally for sure." (Interview 4, p.30)
    - "But we come from a time when it was almost impossible to do that. That was only possible online, we did what we could" (Interview 4, p.31)
    - "And of course working from home has made things even more complicated, because the informal communication or the uncontrolled informal communication in person, which simply happens when you meet, just happens

to decrease. Due to increasing size and home office in the pandemic, of course extremely.” (Interview 6, p.45)

- Long-term employees being closed off:
    - “And a lot of the employees have been there for many, many years, OK. So it's not like a really young company. Yeah, I think the majority of the people there have been there with the company for over 20 years, which is a huge achievement for the company because not a lot of stay so long with the company. So it says a lot about them. Of course, the downside of it may be that people you know, they may not be so proactive in approaching you. Not that they have anything against you, but it's just like, you know, everyone is just moving along as they have done the last 20 years.” (Interview 7, p.55)
    - “Well, I can't explain exactly why, but these are these well-established processes and some of them have been around for a long time, i.e. employees who have been with us for a very long time, who know their structure, who know their comfort zone, but I think it's difficult to get out of there.” (Interview 10, p.80)
- Competition amongst employees:
    - “The others do it unconsciously that they are literally sawing at the next person’s chair. And then they go over corpses and think that it is an advantage to immediately get in positive, harmonious contact with the superiors via the person on whom they actually want to sit on the chair. And that always backfires” (Interview 8, p.66)
- People working too individually:
    - “there is nothing worse than when employees just do their own thing, not broaden their own horizons and just do what they are good at, but don’t think outside the box” (Interview 1, p.4)
    - “there’s just nothing worse than going at it alone and not involving anyone” (Interview 1, p.5)
- Lack of communication resulting in double working:
    - “sometimes I think the bridge was a bit difficult, sometimes from one graphic team to the other graphic team, that there was a bit, that there was time, but that’s been years where you were a bit working past each other, where it was not entirely clear who was doing what now, what already exists, the communication...” (Interview 5, p.37)
    - “there is often a tendency that employees often work twice or three times, so one department does it, the other actually does the same thing and then the same thing again” (Interview 1, p.4)
- Limited financial resources for team events:
    - “I am also receiving too little, for example financial resources that I could now, for example, do with my team, for example, the team, the money that we had, for example, to do an event like this is now from Anna in the level above it has been used. You had a budget per person, per capita, exactly.” (Interview 2, p.13)
- Too little effort from higher management levels:
    - “But what I would critically comment on is that from higher up, yes, from higher levels, I don’t think corporate cohesion is promoted quite as much. Or I think you could put more into it, for example, maybe everyone comes together once a month for a zoom meeting” (Interview 3, p.22)
    - “Well they do have like, you know, Christmas like something to have like you know, so like summer party and Christmas. It’s not a lot that’s happening now, so. Could there be improvements there? Could be, yeah.” (Interview 7, p.56)

    - “but it always became a little less. Now some things are back too, for example the Oktoberfest won’t take place again” (Interview 9, p.74)

Inter-organizational mechanisms of creating informal business networks

- Establishing informal communication:
    - “Yes, well I’m always a fan of “break the ice”” (Interview 1, p.9)
    - “I always offer the “Du” right away” (Interview 1, p.9)
    - “I was still cautious when I first made the calls, but then, when you talk on the phone more often, you pick up the phone more often, just call if you have any questions, yes, I'm a fan of calling, hearing voices or spontaneous video calls and short term if anything comes in because these, I'm not a big fan of sending email back and forth. Because so many personal components get lost, and that was of course very, very strong at dm, that I also called different teams and I always asked "could you send me the contact of so-and-so or that Contact person?”, so I am very proactive.” (Interview 1, p.9)
- Creating friendships with external partners:
    - “These are people who are nice hosts, friendship and friendly and then and you know the family, you know the mother, you know the others. And then of course that is immensely beautiful. Because first of all it makes you richer and you feel totally comfortable and valued and appreciated. And you don’t have that in multinationals or you don’t have that big group” (Interview 4, p.33&34)
    - “Because we have to work so many hours, we also have to create friendship. In the end for me international business I only understand with this kind.” (Interview 4, p.33)
- Following their life events online:
    - “we deal with the preferences of the influencers, because we follow the influencers, their life events, we also taken an emotional part in their lives. We try to be attentive, for example, that we also simply learn” (Interview 3, p.25)
    - “you stay in contact somehow via social media so that you can see what the other person is doing” (Interview 5, p.38)
- Having drinks together with external partners:
    - “But that was so cool, because it was somehow so relaxed, of course you also get drinks, a few snacks, and then you also stand around first, there is a welcome round where you just chat and it was really just that you just really just talked normally about everyday topics before it really got going” (Interview 10, p.82)
- Having personal conversations:
    - “But that was so cool, because it was somehow so relaxed, of course you also get drinks, a few snacks, and then you also stand around first, there is a welcome round where you just chat and it was really just that you just really just talked normally about everyday topics before it really got going” (Interview 10, p.82)
    - “there are personal conversations and then you have a much better bond, it’s just a pure network, so networking and that’s very important, because in the end many things are also decided by the partner who fall back on whether you get along with the person or not” (Interview 1, p.9)
    - “So of course I have another level with the people when I travel. Because you talk about everything, you talk about families, you talk about needs, because you can’t just talk about make-up or talk about sales, you talk about and you manage that with so many people in the world, every now and then they bring you home” (Interview 4, p.34)

- “Well, that's also very, well, mostly at the photo shoots there's a really great atmosphere, even at lunchtime, that you talk about other things or about other customers, brands or past photo shoots. So I'm always very interested in that, I ask about it too. Good relationships are easy to build up there.” (Interview 5, p.38)
- Sharing personal information:
  - “she always writes something about her private life, for example in the emails, and I know she's super smart, she doesn't just do it, I think, to tell me about it, or to find out about it from me, but somehow to strengthen our bond. Then she writes about her wedding anniversary, or her sons, or that she's back on some female Empowerment Session and so and I think that does it.” (Interview 2, p.16)
  - “But also to include a little something private and that’s exactly why it’s definitely great” (Interview 2, p.16)

Inter-organizational mechanisms of creating formal business networks

- Family members using pre-existing networks:
  - “For example at Müller, that’s the oldest dealer of Artdeco. Helmut Baurecht, for example, also had a good connection to him, he knows the owner or founder and I think it works so well” (Interview 1, p.8)
  - “Where we were only in Norway, for historical reasons, because one of the first distributors of Helmut Baurecht met there was Norway” (Interview 4, p.34)
  - “And it was a great company and we always wanted to go there and it’s also a family business and there were these relationships between Helmut Baurecht and him and you have this wonderful relationship. We also said OK, let’s do it” (Interview 4, p.34)
  - “These relationships were just really cultivated and I think it also plays a role that it really is a family business. And they know Mr. Baurecht personally. So then I think there is a completely different bond somehow” (Interview 5, p.36)
- Employees using pre-existing networks:
  - “sometimes also by trying, let’s say, to get new employees into the company who bring new networks with them” (Interview 6, p.46)
  - “Which is now quite a counter-example, we now have, for example, a new sales employee came from the competition, especially for the Asia region, who in her previous job was also responsible for cosmetics in Asia and she also does that for us now, but as I said, she has the network, but with us she is not only the one who introduces us, but also the one who then continues to work operationally. This means that the trust in you is already there on the customer side and that definitely opened doors. So then it works.” (Interview 6, p.48)
  - “Hey, I've been working well with you for years with the other company, I trust you as a person" and that's where the network helps, because if the people didn't know it wouldn't work, but there's more to it than just that. You know each other that way because the trust is there and if you then manage the day-to-day business as a contact person in the long term, that also opens doors and opens up new partners” (Interview 6, p.48)
  - “And do you feel like these networks that you develop, were they also connections that you were able to bring from past work experiences? R: (laughs) Yes” (Interview 7, p.58)
  - “So a lot of the countries we are able to enter in (...) two are from the past that I’ve worked with already” (Interview 7, p.58)

- “However, this network, including also retail network. So for example like I'm you know, I'm was always in basically in connection already with like key retail groups Watsons, the Guardians and Sasa and so on. In this region I know them for many years. So when I moved the company and you know, they were really like, let's meet up, let's talk about Artdeco and very openly speaking, there are a lot of color cosmetic brands. So why should they choose Artdeco? And a lot of that they even told me the partners, they said, you know, Jackie, the quality is great, the quality is good, but there's so many brands, right. And one of the reasons that we are willing to work with Artdeco in the COVID time and also feeling supported is also because we know you. So it does play a big role in it because they know that when I want something done it gets done. Like it's and there’s a full engagement behind it. When they have a problem, we are in the problems together, we solve it together.” (Interview 7, p.58)

- Contact to a former employee:
    - “What is very positive is that one of the two has worked at Artdeco for a few years in the graphics and video area, which means he even knows the company... I didn’t know him before, but Juliane, for example, knew him.” (Interview 2, p.15)
    - “when our guy came along and people said “Hey, he’s kinda great” and “He can do something” from those who knew him back then, Anna still knows him, then that was a total plus” (Interview 2, p.15)
- Inviting partners to dinner:
    - “We had the live event last year, so I invited them so dinner from Artdeco. And then of course there and personal conversations and then you have a much better bond” (Interview 1, p.9)
- Inviting partners to strategy meeting:
    - “We actually invited them when we had a strategy meeting last year, which is once a year and then we invite them” (Interview 10, p.82)
- Doing workshops for partners:
    - “And that’s why we always meet once or twice a year and then we hold any training sessions where we sit and talk, they’re pure workshops” (Interview 8, p.68)
    - “And we did training with the make-up models” (Interview 8, p.68)
    - “we've really built a platform that every partner can look at the very latest innovations. We make exclusive videos, so I address them directly and they watch it. So, we really have endless growth and we started with that already in the digital world and they were so happy because the person who works in the perfumery who was at home, so that they don't get completely lost, we gave them these videos and they were really happy and that paid off for us.” (Interview 8, p.67)
- Giving invitations to international partners:
    - “But we also do our International Brand Management Meeting, we didn't do it anymore during the pandemic, now we'll do it again this year. We make beautiful events in the world with our customers and we have been in Dubai, we have been in Marrakech, we have been in Berlin, of course in Austria, now we are back in Austria, this year near Munich, of course, but different corners of the world where we mix work, workshops and fun with our clients. At the end of this fun together, experiencing things together, these experiences together is what sticks in your head.” (Interview 4, p.32)
    - “The other dimension is how do I build up a human relationship in addition to the transactional relationship when I have a business partner? And here, too,

you get back to the point where you say you really have to consciously and structurally create levels of exchange that are perhaps deliberately informal per se. So what do I mean by that? You host a conference, invite everyone and it's actually 3 days long but you have content for half a day. So of course there's always a catch, we do that with our international customers, there are then annual or 2-yearly brand manager meetings, i.e. those who look after us day-to-day at the customer level, brand manager meetings, they certainly are a maximum of 50% content and 50% entertainment, which is deliberately the case." (Interview 6, p.47)
    - "In the years before Corona, they were always in different countries, so they were in Morocco, they were in... I don't know and they're always looking for something. Now, I'm curious to see where it is this year, because last year you had it take place digitally again. But this year it's supposed to take place again in attendance and that's also very exciting because customers really come from all over the place, i.e. from Mauritius, or I don't even know if the Australian was there or something. It's also very... Yes, I think it's also good to just make the connection or to see each other personally, to build a connection. Because we want them to buy from us." (Interview 9, p.76)
    - "Yes, definitely, because they try not only to do things like yes, OK, these are the innovations, this is what you have. But they have always tried to take action in those areas. For example,, you get into such different groups, then I think they always did a city rally, so they always thought of something. I don't know if they were in Marrakesh anywhere, anything. Then in the evening they also had belly dances and somehow, well, the attempts to take part in a program like that in any case." (Interview 9, p.76)
- Giving presents:
    - "we get along well and exchange nice words and we might even give presents for their birthdays" (Interview 3, p.25)
    - "If an influencer has just given birth to a baby, you give them a small gift and then of course the influencers are emotionally linked to us" (Interview 3, p.25)
- Attending events hosted by partner:
    - "I was at their event last year, alone, in Augsburg...but that was so cool, because it was somehow so relaxed" (Interview 10, p.82)
- Meeting personally:
    - "I was at events, I was at the *Glow*, for example in Essen, dm was there, the whole team, and that's where I got to know them personally." (Interview 1, p.9)
    - "You also meet up with these annual influencers, exchange ideas, try to strengthen relationships" (Interview 3, p.25)
    - "It is also something different to meet in person, you are simply much closer and can get to know and absorb each other more personally. Alone through facial expressions and haptics in person, that's something else" (Interview 3, p.26)
    - "And that maybe once a year you manage to see each other in person at the most important partners" (Interview 3, p.26)
    - "So I'm heading for example like into Asia in about two weeks time and there I'm definitely also meeting with the CEO from one of the key retailers and he knows me for many years and he's like, let's meet up and talk more about it" (Interview 7, p.58)

- “That’s exactly how it is. Contacts were established and only then when contact was made and a decision was made in favour of the brand did I fly with them” (Interview 8, p.68)
- “She's from an agency, they're only young people, I've been invited there before, on site too, they also do a lot of events where they invite us and give us updates on current trend topics or how things are in the Affiliate case developed in Q1, for example. And where they keep inviting us to events and the conversation is always very, very relaxed. Well, of course we're talking about issues that are important, but it's actually very, very relaxed.” (Interview 10, p.81)

- Leveraging family firm characteristic:
  - “also simply to this family business Artdeco, which is also what we communicate to the outside world. Where we say we are not a large corporation, but that is exactly what makes us special. We are a family business and are therefore very approachable.” (Interview 3, p.26)
  - “dm really likes working with us because the partners are those who, for example, L'oreal is a huge corporation or something like Cosnova, they're huge and then you notice that you're talking to someone, yes, and they are so far from the reality of the company, why are there companies? And with Artdeco it's really family. So I can tell you so much about why the company exists and it runs so much with heart and soul and they notice it above all at dm” (Interview 1, p.3)
- Aiming to create long-term partnerships:
  - “It really is when you work longer with people, be it stylists, make-up artists, photographers. You just know that they simply know what we want and also what we value.” (Interview 5, p.38)
  - “I: And are those also partnerships when you are on site where you have been in contact for several years? R: Yes, definitely and that's what counts” (Interview 8, p.67)
- International contact established by the family member:
  - “I know that Matthias Baurecht, so the son of the managing director, is also responsible for corporate development and new projects in general and that people had been thinking about it for a long time, since we are in the UK market, which is one of the strongest beauty markets is not represented and I think he simply informed himself. He probably had contact, but I can't say exactly, he just came across this agency.” (Interview 3, p.21)
  - “We have France, where we have Spain from the start, the people who are there are contacts from Helmut Baurecht who were there from the start” (Interview 4, p.34)
- Meeting international clients locally:
  - “And now because Asia is quite different to Europe, we said you know what, it makes sense for the APAC clients to get together and in Asia where we can maybe see a country when they have just launched article, maybe in Vietnam, for example, and we discuss the issues that everyone is facing in the country and the things that have worked for them, and you can really implement ideas straight away. So it's like really, this is what's happened relevant for you.” (Interview 7, p.59)
  - “Like Asia is quite important with networking because you know I've been trying also for a few weeks and few months trying to get also let's say a very big company to have further discussion next steps into you know for Asia

development and they're very open. But they were like, yeah, let's talk when you're here next time." (Interview 7, p.59 & 60)
  - "So and also countries like Japan, like you basically need to go there like if you want to get any trust or any relationship. Relationship is not gonna be built over the Internet. Like definitely not for Asians." (Interview 7, p.60)
- Collaborating with small, local partners:
  - "That's why we don't have certain items on Amazon, but we do have items from small retailers. It's just because we support them, so Artdeco would like to support the small retailers" (Interview 1, p.8)
  - "How do we keep our smaller retailers so they don't go under? Because we don't want a monopoly, we also want to support them regionally and that's really important to us" (Interview 1, p.10)
- Collaborating with other family firms:
  - "So everything has its advantages and its disadvantages but after the experience now, several years, the experience with a family business, small business is always better for us. Because that is, then you are important there. Since you are a brand that is important to them. And then the resources are made. But the time invested, this work is done. If you are now one of 100 brands, one that collects brands with a corporation or group that has so many brands, you are one of 100. And that's no longer the case, things don't get that emotional or together anymore in yes, it's not that nice and often doesn't work that well with a company like our company." (Interview 4, p.32)
  - "You definitely notice that, and that's the nice thing, so what's now above all about POS, i.e. stationary, and there they also support family businesses." (Interview 1, p.8)
  - "the colleagues are nice, they have a philosophy behind it, it's also a family business" (Interview 1, p.9)
- Speaking to international clients in native language:
  - "So a lot of the clients actually speak Mandarin and of course even retailers. So we speak actually in the language that they feel more comfortable with." (Interview 7, p.59)
  - "Yes, because there's different ways of expressing things. And sometimes when you express it in the local language, they kind of not, they go like, OK, you understand me like, yeah, I get it. And it's like absolute trust there. And it sort of sounds a bit weird, but also I mean I don't I think it's just a nice plus, you know, when I talk about things like needs and so on to the APAC region. I mean I'm Asian but actually, I grew up in Australia, so not typical Asian. Yeah, but I think it helps definitely also with the credibility." (Interview 7, p.59)
- Having a cultural expert for international regions:
  - "We now have one person who only deals with Asia and the Pacific. And we make a lot of special products for the area" (Interview 4, p.32)
  - "But that is immensely important, this international network. Now it's difficult because we're in so many countries, now where do we get our countries? It's more targeted. We want the country now. Like now Asia-Pacific. We hired one person. This person is half Chinese, half Australian, so she has both sides." (Interview 4, p.32)
  - "So when your Asian partner, let's say from Indonesia, is discussing with the Westerners, there isn't an equal player of like power. So then they become very assertive and very polite. They're not saying what they want, and that can also affect how the brand is being perceived, underselling and also affect your

expansion plan. So and in those situation, I would go in, I'll introduce it, I mean in a very polite way, but I'll tell them this is what we would expect. Like, if you're talking about 10 stores, we're not going to go in, because it doesn't make sense now. So some things that may be harder for the, let's say, the typical Asian clients to address, we would address it for them." (Interview 7, p.60)

- Using national partnerships to create international ones:
    - "I: And this cooperation with dm, that you are now also present in Austria, has developed from the fact that you have already worked with dm in Germany? R: Yes, we started in Germany, yes, but it's actually a completely different team. So they are clearly connected to each other in Austria, but it's completely different people. I: But ultimately the contact came about because you had already started in Germany? R: Yes." (Interview 1, p.4 & 5)
- Attending national & international trade fairs:
    - "then I was at events, I was at the Glow, for example in Essen, dm was there, the whole team, and that's where I got to know them personally" (Interview 1, p.9)
    - "to be present at every trade fair, to see it the way people should see each other frequently. So we have to be present, we have to be there all the time, I'm well known, right now I was in Los Angeles I was at a trade show and one told me, you're the person I know most traveling around the world, but in saying great praise, because it doesn't matter where something with cosmetics or beauty, you're there" (Interview 4, p.32)
    - "And of course the fairs may not have us the every time, but 3 or 4 times when you are at the fair and people see you and then notice you and then come to you and then we created a lot of people there" (Interview 4, p.32)
    - "It's not that easy, so let's say how do you get to know, say, new external stakeholders? Traditionally, this was actually strongly influenced by trade fairs." (Interview 6, p.46)
- Using neighbouring regions to establish connections:
    - "In Norway we are still super strong in perfumeries, in Sweden we were only super small in these beauty salons and now this collaboration via Norway has given us the opportunity to be bigger in Scandinavia." (Interview 4, p.34)
    - "We have France, where we have Spain from the start, the people who are there are contacts from Helmut Baurecht who were there from the start" (Interview 4, p.34)

Challenges to developing inter-organizational ties

- Pandemic limiting personal contact:
    - "Corona has changed that a lot. The supplier trade fairs are already starting up again, the trade fairs where we are looking for customers, so to speak, have been greatly reduced, so we still didn't run a trade fair with a booth last year when the pandemic was over." (Interview 6, p.46)
    - "Yes, definitely and that's what counts. It has just now been shown by Corona, by the pandemic, how important it was." (Interview 8, p.67)
    - "...where the brand managers are meant, more like those from other countries, where I was able to get to know them. Of course, because of Corona, that no longer happened, or only a little more anonymously via teams." (Interview 9, p.76)
    - "But of course there are also serious changes due to Corona. By now everyone has gotten so used to video conferencing that for let's say simple meetings you no longer travel across Europe let alone the world and if you think about it

almost always, I don’t know, the 20% drop in efficiency of a video call over a face-to-face one conversation with the 50% time savings and 90% cost savings is always somehow outweighed. But it doesn't work because that human element is lost and then you have to say that we are deliberately acting inefficiently and to say that I'm going to fly there anyway, because I fly there once a year.” (Interview 6, p.47)

- Language barrier to international partner:
    - “And that was kind of weird. Of course, there is also the language barrier. You couldn't understand one of them very well because he had an Indian accent. That was our main contact person, so of course I always had problems understanding him.” (Interview 10, p.83)
    - “Then I get the Russian texts, and unfortunately only get the feedback from, because I don’t speak Russian, from international sales marketing and communication there is a bit more difficult and sometimes difficult for me to grasp.” (Interview 5, p.39)
- Frequent staff change at international partner:
    - “they changed their team very often, so apparently the fluctuation there, the staff turnover, was very high, which bothered us and especially the junior boss and Julia massively that we constantly had a new contact person and didn't have a constant, apart from the one who always only presented, but the others were also responsible for other topics and that always made working together more difficult because information was lost. They didn't organize themselves.” (Interview 10, p.83)
    - “But I also have to say that our service provider, so to speak, "The Hut Group", also changed a lot of staff, where you sometimes didn't even notice who was responsible for whom and who is now our contact person.” (Interview 9, p.74)
- Differing vision to international partner:
    - “It's a business relationship, always a bit, especially in the international distribution area, a bit like a marriage, nobody earns any money for the first 3 years, that means I need the trust that you can put up with each other for longer than 2 years. And you just realized that it's not enough. Just because someone knows one person or the other and says "Hey, why don't you do something together" doesn't mean that much in the end.” (Interview 6, p.47 & 48)
- Contact brokers establishing a weak connection:
    - “Yes, who are ultimately contact brokers. In other words, those who, based on previous professional experience or their current job, mainly boast that they say they have networks, they know the relevant players everywhere and then also establish contact as agents. They are provisioned and offer the added value that they offer with a bit of, shall we say, operative mediation, or apart from a bit of operative mediation, mainly through this networking, through making contacts and opening doors. Sounded good twice, didn't work both times.” (Interview 6, p.47)
- Not knowing each other:
    - “You don't understand each other or you don't know each other that well and then it's more stressful and closer to each other than if you already know each other.” (Interview 1, p.9)
    - “I also think that makes it clear that you then had the same contact person for a certain period of time, you always asked how you were doing and things like that, but it was still more anonymous, I think also because you didn't really know each other that well.” (Interview 9, p.75)
- Lack of communication within the partner firm:

    - “They also have a lot of teams and sometimes they don't communicate with each other at all because it's not possible from the time etc. and then just go and then so much information gets lost.” (Interview 1, p.9)
- Frequently changing distributors:
    - “and of course had already tried in South America, but that's so unstable, so difficult. There has always been changing of distributors and political issues or registrations in Brazil that are so high.” (Interview 4, p.33)
- Differing business objectives of non-family firm partners:
    - “I had when I started I tried to get some distribution contacts from my old company and I have an example from India. And that was a big company and they had the PNG Group as a distribution, for example, and you saw that they didn't understand this energy. And that didn't work.” (Interview 4, p.34)