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EXPLORATION THE RELATIONSHIP BETWEEN INTERNATIONALIZATION OF INDIAN FAMILY-OWNED FIRMS AND CAPABILITY DEVELOPMENT

ABSTRACT-

The purpose of this paper is to find out how Indian family firm in pharmaceutical industry develop different kinds of capabilities in the internationalization process and then how they internalize those capabilities which they have developed from the internationalization process into their own business development. Pharmaceutical industry is a knowledge intensive industry. Tracing the evolution of the pharmaceutical industry, the paper first shows how Indian family firms from this industry has invested in gaining knowledge through different learning process in the internationalization process. Over the years Indian Pharmaceutical industry have gained knowledge on the chemical technology of creating bulk drugs and have improved particularly on the process technology. They have been lacking in the development of their product technology, which require advance level of capabilities. Therefore, secondly in the internationalization context, this research will examine the different mechanisms and process of learning, which have been used by the Indian family firm in the development of different kinds of capabilities. The research also gives insight on understanding different forms of learning during the process and how these learning help them to gain knowledge, skills and competence. The firm's ability to develop new competencies and skills depends upon its learning capacity, i.e. its ability to acquire, create and disseminate new knowledge. Lastly, the paper will identify weather different family-related factors have any effect on the newly acquired capabilities and how much of those acquired capabilities are internalized into their own business development through integration and deployment practices. The entire capability development differ according to the firm functioning and implementation of those learning into the firm.

RESEARCH OBJECTIVES-

1. A) To explore the learning mechanisms that family firm utilize in the internationalization process and describe the nature and the process of learning within family routines, processes, procedures, cognitive structure and leadership style?
2. B) To what extent the factors and procedures through which new information acquired in the learning process is being analysed, processed, interpreted, understood both in the individual and organizational level and then how they are transferred, integrated and managed to develop capabilities?
3. C) To examine the process to find out which capabilities they develop in the internationalization process and how they can be internalized and operationalized into business process for their own subsequent business development?

RESEARCH CONTRIBUTION-

The research will make its contributes in various ways to the research and management practice of family firms.

Firstly, we look into different internationalization process through which family firm internationalized. There have been previous research on the internationalization process of

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the family firms, which they mostly focused more on the entry mode of the internationalization process.

The existing research on the internationalization process of the family firm have not focused on the learning process and knowledge development in the context of the internationalization. Even though internationalization process is a knowledge gaining process, still there has not been much research explaining what the family firm learn throughout the process to develop capabilities and how they later use or apply those capabilities, which are brought by the family members in their own business development. They also overlooked the knowledge gaining behaviour and the extent of the family members involvement in the learning process (Kraiczky et al., 2014; Sciascia et al., 2013; Segaro et al., 2014).

The research first start by identifying different internationalization process that individual family firm opt for and present a comprehensive picture of the family involvement in the learning process, which can give a clear picture of their motive, intent and ability to create an environment to encourage the individual family member in the process of learning.

Secondly, the research will extends the literature on internationalization process and find out different learning activities, the individual family members acquire through the process to develop capabilities.

Thirdly, the research will analyse how much family firm internalize those developed capabilities for their own business development in various areas.

The research is apparently the first that will analyse different learning process that individual Indian family firm acquire to develop capabilities in the internationalization context. The research will also examine how the new external knowledge, acquired by the individual family members are being internalized by the firm for their own business development and if those get affected due to any family-related factors. The research will be conducted on Indian pharmaceutical industry, because India is a country which represent a predominance of family-controlled firms. Most of the previous research on Indian family firms have been conducted specially for those family firms that are being associated with business group. Not much research has been conducted on individual Indian family firm. Therefore, the research will contribute new insights to the emergent literature on family firm and capability development, showing that family firm can develop capabilities through different learning and knowledge development process. This will eventually motivate the family firm to develop diverse capabilities, which play an important driver in terms of success in the internationalization process. By focusing on the family firm intent and motive in the process , can extend the knowledge of the family firm ownership-management, which play a major factor in the family firm capability development.

2. BODY OF THE RESEARCH-

Family firms are often considered as path-dependent and family members are likely to stick to firm-specific tacit knowledge. In this way they have developed their existing capabilities and have a very path-dependent approach of conducting business (Chirico and Salvato, 2008). Knowledge, gaining is considered to be the most crucial element for the development

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of the family firms (Chirico and Salvato, 2008). Therefore, in case of family firm the importance of transferring and sharing knowledge can contribute a competitive advantage (Cabrera-Suárez et al., 2001).

Knowledge acquiring through diverse learning process can develop expertise, skills and competencies which can have positive affect on the development of the firm product and process (Blome et al., 2014). Transferring of the knowledge can lessen the issue of any knowledge retention in the family firm (Rebolledo and Nollet, 2011, p. 329).

Family firm can develop unique and advanced capabilities by first identifying their own valuable problems, looking on those problems they can develop desired capabilities and knowledge (Nickerson and Zenger, 2004). This way it can be identified firm's management ability to create value by finding a potential solutions for those problems (Abel Duarte Alonso, Seng Kok; 2018).

Internationalization process is a process of learning and knowledge gaining, where firm can learn throughout the process (Eriksson et al., 2000). Johanson and Vahlne (1977) describe that knowledge gaining is the first step within the context of internationalization. The internationalization process is considered as a process of international development and also it is a step by step process of knowledge gaining. Knight and Liesch (2002) focused that the internalization of those acquired information and knowledge plays an essential role in order to achieve success in the internationalization process.

The factor which can have an effect in the processes of knowledge development in family firm is interdependence orientation. The independence orientation refer as the result of the family firm long-term commitment to the business. The main focus of the independence orientation is to make sure that the family firm is being passed and continue by the following future generation. This create a barrier and limit in the accumulation of the external knowledge by limiting the entry of the potential valuable knowledge, as the contribution of the outsiders is excluded. This way the more family firm are independence the more their internationalization process will be slowed down (Sami Basly, 2007).

Family firm with high degree of involvement in both ownership and management, can create the potential liability of familiness and path dependency (Sciascia, Mazzola, and Chirico 2013). Family firms level of involvement in both ownership and management identify the family's power, goals, strategies and behaviours. Therefore, each family firm may behave differently in the internationalization process, depending on the extent of family involvement in the business (Chrisman, Chua, & Steier, 2005; Kellermanns, Eddleston, Sarathy, & Murphy, 2012; Naldi, Nordqvist, Sjöberg, & Wiklund, 2007).

There has been a gap in the international business literature, as not much research has been done on the individual managerial levels of knowledge and experience (Nielsen, 2010). In family firms, there is often an overlap between ownership, the board of directors, and the top management team (TMT), having the same family members involved at all levels (Segaro, 2012). The family's involvement in both ownership and management describe the extent of the family character, which have an influence in the firm's internationalization process (Fernandez-Olmos, Gargallo-Castel, & Giner-Bagues, 2016). In the family firm there need to have a diversity in the managerial backgrounds, as it is advantageous for the firms

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development and growth (Sánchez- Marin & Baixauli-Soler, 2015; Vandekerckhof, Steijvers, Hendriks, & Voordeckers, 2015).

RESEARCH METHODS-

The proposed research methodology which can analyse the relationships between internationalization of Indian family-owned firms and capability development, will be a mixed method approach. Mixed method research is most suitable to describe and explain the questions of the research at different levels (Creswell, 2003). The main purpose of choosing this form of methodology is that the integration allows a more complete and collaborative utilization of data than do separate quantitative and qualitative data collection and analysis (Wisdom and Creswell, 2013).

The research will use a sequential explanatory design (Creswell and Plano, 2011) comprises of two phases design where the qualitative method is dominant than the quantitative method (Creswell and Plano Clark, 2007). Through this way, quantitative data is collected first, followed by collection and analysis of qualitative data. The main purpose is to use the qualitative result to further explain and interpret the findings from the quantitative phase.

RESEARCH DESIGN-

Multiple case study approach will be conducted, as they can effectively addresses questions of “what,” “how,” and “why” a situation is occurring (Ghauri 2004; Yin 2003). Case studies is essential for the research as it will give an in depth and detail understanding of the organization through close contact within the firms. This will also allow for a higher degree of detail, insights, and contextual information inside the organization (Martineau and pastoriza 2016). Moreover, case studies provide with a broad view of interrelationships between employees management and ownership of the firm, which is particularly necessary for the research (Gummesson 2000).

DATA COLLECTION-

Data will be collected by conducting firstly survey to get quantitative data from a larger group. Lastly, members of that group later be selected for interviews where they can explain and offer insights into their survey answers. The interview will be conducted as a semi-structured way between the family members and owner-managers of the family firm. This will be conducted in 4 individual Indian family firms from Pharmaceutical industry. The interviewees will be selected on the basis of the position they occupied. This will give an in-depth source of data collection, by encouraging each participant to get engage in highly conversational interview.

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