

**Title: Family firm conflict resolution for internationalisation: the role of returnee
entrepreneurs**

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Abstract

Conflict is normal in family firms due to generational differences, goals and objectives in a changing environment. While most of the research on family firm conflict has been focused on internal process and the local context in which family members operate, little attention has been given to international influences. Using and advancing human capital theory in entrepreneurship, and analysing primary qualitative evidence from interviews with returnee entrepreneurs in China, this study looks at conflict related to internationalisation factors with their family members and other stakeholders. Contributing to human capital theory and practice, three strategies of conflict resolution in family firm international entrepreneurship are identified and discussed. These results could have important policy implications in emerging economies where returnee entrepreneurs play an important role in their development through relationships with international markets.

Key words: returnee entrepreneurs, conflict resolution, family SMEs, internationalisation

Word count: 6,696 words (excluding abstract, figures, tables and references)

1. Introduction

Relationships within the family have made family business ‘one of the most difficult area of human social life to study’ (Bernardes, 2003, p. 84). With the entering of each generation and the slip of the ownership and management positions in the family business, the dynamics between the family members change and the interactions of family members in the business become more complex (Schulze, Lubatkin, & Dino, 2003). There are numerous definitions of conflict (Putnam, 2006). In general, conflict can be defined as perceived incompatible values, interests, and goals (Ting-Toomey & Oetzel, 2001) between at least two interdependent parties (Folger, Poole, & Stutman, 2021), who regard each other as ‘potentially interfering with the realisation of these goals’ (Putnam & Poole, 1987, p. 522). Conflict within the business may arise among the family members relating to disagreement over sales targets, product promotions, succession or even the operation hours of the firm (Shepherd & Haynie, 2009). The constant presence of globalisation, niche markets, new technology, flexible but decentralised structures and changing economic conditions has made the emergence of conflicts as a new normality for global organisations (Mumby, 2013), including family firms in the emerging markets.

The family firm succession and conflict resolution issue has become a pressing one in emerging economies like China, where four decades after the first generation of family founders established their business during the market-oriented reforms they now face retirement and the need to plan for the future of their business empires (Chung & Luo, 2013). China’s family firm second generation may have grown up in a very different environment compared to their parents; they may have benefited from an international exposure in some of the world’s high-ranking universities or Western global companies. This study has chosen China as our research location since it provides a particularly interesting context in which to look at these relationships and conflicts between the old and new generations, and the strategic changes and transformations undertaken in the process of succession during outward internationalisation.

Conflict is a major characteristic of family firms, which differentiates them from other non-family firms, and offers conflict management scholars an valuable research avenue to investigate and contribute to the business world (Caputo, Marzi, Pellegrini, and Rialti, 2018). However, no matter how important from a methodological point of view or regarding the research size and scope, conflict-related issues in family firms are still inadequately studied (Kubíček & Machek, 2020). We know little about how family-related conflicts and conflict resolution strategies co-evolve over time (Qiu & Freel, 2020). In addition, the role of conflict

management in transforming the family firm during the process of internationalisation is new both to family business (FB) literature and international entrepreneurship studies.

Returnee entrepreneurs (REs), as our study shows, play an instrumental role in family firm conflict resolution for internationalisation, so we focus on their in this study. They refer to those who have studied or worked in Organisation for Economic Co-operation and Development (OECD) Countries but decided to return to China to start a new business (Filatotchev, Liu, Buck, & Wright, 2009; Wu & Ma, 2018). REs in the Chinese family firm context in this study are considered to be a second generation working in the top management team in their parents' firm and in charge of the international business. Prior to their return, however, the difficulties have been intensified due to the founders having had a long tenure during which time both the organisation and the market landscape, inbound and outbound, have shifted dramatically over the last four decades (Zhao, Carney, Zhang, & Zhu, 2020). Consequently, the role of returnee entrepreneurs for family firm conflict resolution triggers towards internationalisation deserves more attention.

In current family firm internationalisation literature, scholars have not been able to draw a comprehensive picture of the internationalisation process of FBs. Also considering the social dimension of family relationships, this paper uses human capital and international entrepreneurship theory to investigate family firm conflict resolution issues of REs during the internationalisation process with their founder parents, family firm shareholders and staff. Human capital refers to an individual's personal values, beliefs, knowledge, and skills (Becker, 1994). International entrepreneurship can be defined as 'a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organisations' (McDougall and Oviatt, 2000, p. 903). The central question of this paper is 'how do second-generation returnee entrepreneurs resolve the human capital recognition challenges in Chinese family SMEs during internationalisation?'

This paper aims to achieve the following objectives and contributions. Firstly, it strives to add to the understanding of how multiple members in the family firm become involved in the conflict process. We provide details and description to reflect on how and why family conflicts occur and evolve over time in returnee family SMEs. Through human capital theory, we are the first to propose an interactive theoretical framework concerning the determinant international human capital elements which cause the conflicts, and valuable conflict resolution strategies which REs may utilise in response to each type of the conflict.

Secondly, this paper draws a conclusive picture of the internationalisation pathways in returnee family SMEs. It advances the model about the family firm born-again global

internationalisation pathway caused by generational change, which is put forward by Bell, McNaughton, and Young (2001) and developed by Graves and Thomas (2008) and Kontinen and Ojala (2012). Our paper clarifies a new rationale that a specific conflict resolution strategy of second-generation REs can act as a trigger resulting in a born-again global pathway.

The literature review section describes the context and background and puts forward an initial theoretical framework of conflict resolution in modern Chinese returnee family SMEs. The methodology sector justifies the reason why we selected particular family firms which were experiencing conflict. In the findings section, the authors define three conflict resolution strategies in empirical data. This is followed by theoretical discussions, conclusions, limitations, and future research suggestions.

2. Literature review

2.1. Conflicts, conflict resolution and family firm succession

The combination of family and business allows for a whole range of disagreements, such as those caused by the inability to balance family and work needs (Memili, Zellweger, & Fang, 2013), marital disputes (Jehn & Bendersky, 2003), intergenerational differences and negative parent/child relationships (Kidwell, Eddleston, Cater Iii, & Kellermanns, 2013), as well as disagreements about the division of family wealth (Kubíček & Machek, 2020). We argue that family firm conflicts can be divided into task conflicts, process conflicts and relationship conflicts. Task conflicts arise from the discussion of business strategies and objectives (Kellermanns & Eddleston, 2004). Process conflicts concern disagreements about how to do the work, the internal processes and how to allocate the task (Caputo et al, 2018). Relationship conflicts include important affective components and are characterised by annoyance, irritation, and anger towards others (Jehn & Mannix, 2001). Because the incumbents in this study are usually the sponsors for second generation REs' international education, there is no apparent antagonism in the parents/child relationship, so the family firm conflicts of returnee family SMEs are mainly task and process conflicts in the business interface.

Conflict resolution is linked with family firm succession. Succession means the transfer of management responsibility from senior members to the younger generation (Blumentritt, Mathews, & Marchisio, 2013). The process of the succession is influenced by the characteristics of incumbents and successors (Le Breton–Miller, Miller, & Steier, 2004). It is widely accepted that there exist differences in attitudes and behaviour between different generations in the FBs (Marler, Botero, & De Massis, 2017). Each generation brings to the business new entrepreneurial and management ideas which are based upon their prior

experience and learning from the expertise of former generations (Stieg et al., 2017). These new strategic ideas can lead to the business process transformation of the FBs (Hall, Melin, & Nordqvist, 2001). Practical conflict resolution skills are required for second-generation REs to take forward the family wealth during FB transitions.

However, there is scant research involving conflict resolution in the specific context of family firm internationalisation. Family firm succession literature reveals that international education differences among generations lead to strategy change after the occurrence of family firm succession (Zhao et al., 2020). This means international education can offer second generation REs novel ideas and practices to engage in more diverse strategies to their FBs. Zhou, Farquharson, and Man (2016) further point out that international education exposure and international working experience enable REs to develop the idea of internationalising their ventures in China. Consequently, the process of family firm succession is likely to be accompanied by strategy deviation, generational conflicts and internationalising practices by second generation REs.

The FB internationalisation literature shows a fragmented picture of the influence of generational change on the FB internationalisation process (Stieg et al., 2017). Some researchers indicate that generational change can be a key determinant of internationalisation pathways (Graves & Thomas, 2008). For instance, it can be the trigger for the born-again global pathway, that is, the established company has stayed in the domestic market for years, but conducts a rapid internationalisation during a short period of time (Bell et al., 2001). Other researchers argue that a lack of positive impact by second generation successors on FB internationalisation could result in potential conflicts with first generation founders (Sciascia & Mazzola, 2008). FB internationalisation may result from one part of the strategic renewal inside the FB being initiated by the younger generation (Dess et al., 2003). Consequently, there inevitably exist family firm conflicts during this succession process when REs are ready to internationalise the management styles in their FBs for the global market. Although the family firm succession literature and FB internationalisation literature both suggest that potential generational conflicts exist, the related conflict resolution strategies are under-explored in current literature.

In this study, the conflict categories during FB internationalisation fall into three aspects as a result of the individuals involved. Firstly, REs have conflicts with family members, as family members from a different generation have disagreements about business management during or post succession (Qiu & Freel, 2020) regarding internationalisation. Secondly, REs have conflicts with family or non-family member shareholders, because they have disputes about

power and asset distribution (Meier & Schier, 2016), or different visions of the firm's role in domestic and international markets. Thirdly, REs have conflicts with non-family staff, since non-family staff may feel threatened by the founder's offspring in the management of the business (Vera & Dean, 2005). The former two categories are similar in this study. Incumbents, family and non-family member shareholders are all family firm leaders in the business. They share more authority than second generation REs in the FB. Younger generation REs just enter the FB and get a primary position in the top management team. When facing with family firm leaders no matter whether they are the founder parents or non-family member shareholders, there exist similar generational cognitive gaps about the business operations. Thus, we decided to discuss them together in the related family business conflict.

This study investigates the rationale behind family firm conflicts via three concepts from human capital theory, namely education, international experience vs. domestic experience, and entrepreneurial personality. Previous international entrepreneurship literature has indicated the relevance between human capital, REs and internationalisation. For instance, the export orientation is positively associated with the presence of the REs and their international background/general human capital in Chinese SMEs (Filatotchev et al., 2009); Chinese REs' overseas human capital facilitates international entrepreneurial opportunities recognition and venture performance (Ma, Zhu, Meng, & Teng, 2019). Family firm succession literature reveals that educational differences among generations lead to strategy changes after the occurrence of family firm succession (Zhao et al., 2020). The general human capital that appears in this study includes REs' international education (Qin, Wright & Gao, 2017) and international working experience (Wu & Ma, 2018). Zhou et al. (2016) further point out that international education exposure and international working experience enable successor REs to develop an idea of internationalising their ventures in China, which is different from the incumbents' company operation. The specific human capital in this study refers to REs' and their founder parents' entrepreneurial personalities, which are defined as their entrepreneurial traits, such as their various attitudes to risk in an entrepreneurial decision.

3. Methodology

3.1. Settings

Family business, by definition, is a unique type of organisation where two social roles, namely founders and family members, coexist with each other (Carr & Hmieleski, 2015). The differences between family firms and non-family firms are complex. However, family firms

are faced with a complicated set of problems and conflicts that are not fully addressed by the literature (Davis & Harveston, 2001; Caputo et al, 2018). Thus, this study has chosen family firms as the research setting due to their unique characteristics, which provide an excellent context in which to develop a conflict resolution theoretical framework, and to better understand the challenges and gaps which REs must conquer and bring back to the home environment.

This study was conducted in two cities of Wenzhou and Hangzhou in Zhejiang province, China. Zhejiang is amongst one of the most entrepreneurial and internationalised regions in China (Lin, Mercier-Suissa, & Salloum, 2016). In Italy, majority of the investors in Prato, came from a single city, that is, Wenzhou in Zhejiang province (Fladrich, 2012). The dynamics of the local family SMEs and the strong ties with the international markets have encourage us to dig down into the entrepreneurial soil in this region.

3.2. Research methods and data

This study adopts a qualitative approach using interviews and secondary data collection to explore how REs manage to cope with family firm conflicts and contribute to the international operations of family SMEs in the Chinese context. Inductive reasoning is chosen to highlight the contextual understanding (Azungah, 2018) of this underrepresented phenomenon in the International Entrepreneurship literature and provides rich insights and implications about the local socio-cultural contexts. This study uses in-depth semi-structured interviews to uncover the unique experiences, voices, and feelings of REs (Mears, 2012), aiming to discover emerging themes following the development of the conversations.

This study adopts the theoretical sampling based on snowballing sampling, which means that the authors selected the samples purposely based on the theoretical criteria in the theory (Eisenhardt, 1989) and asked the participants to introduce more similar companies. The sample company must meet the following three criteria:

- a. The second-generation RE has a senior management role in the family firm,
- b. The staff number of the researching family firm should not exceed 2000 as the selected criteria in the Chinese definition of SME (Zhang, Ma, & Wang, 2012),
- c. The researching family SME has exporting activities.

Consequently, this paper investigates 12 family firms with 14 REs and 10 staff in their firms which have apparent family firm conflicts in August 2018 and Summer 2019. The data

included 26 interviews and related secondary data which are used to analyse the similarities and differences in REs' conflict management strategies in returnee family SMEs. The selected family SMEs come from manufacturing and service sectors, and the participants are in their twenties to fifties. The returning host countries of REs include UK, USA, Australia, New Zealand, Netherland, Canada and Japan. Each interview lasts for on average 41 minutes. Secondary data was collected from official company websites, online archives, and previous interviews about the company owner, to triangulate the data from different data sources and verify the validity of the convergence of information with the interview data (Flick, 2004).

3.3 Analysis

In view of the large amount of collected qualitative data, the authors chose to utilise the software Nvivo 11 and 12 to facilitate the data analysis process as manual coding is not practical nor desirable in this study (Edhlund & McDougall, 2018). Nvivo is selected to support the coding process because it enables the authors to compare subgroups using different attributes, to view all the codes and quotes in an organized order, and to develop memos and reflections upon the combination of different data resources (Jackson, Bazeley, & Bazeley, 2019). To improve the rigour in the quality data and enhance the theory-building research design, this study has adopted a Gioia's methodology (Gioia, Corley, & Hamilton, 2013). Gioia's methodology helps to produce a graphic image from the raw data leading to theoretical codes and themes (Cohen, Manion, & Morrison, 2002), which enable the author to build an in-depth understanding of the qualitative data. Below *Figure-1* shows the data analysis process route of this study and its related theoretical dimensions. In the 1st order codes, the authors code the original interview quotes which potentially present REs' preferred conflict resolution strategies. In the 2nd order themes, the authors relate them into theoretical themes which emerged from the FB conflict resolution literature. During this process, the number of 2nd order codes declines, and they become more theoretical and abstract (Locke, 2001). Some 2nd order codes look like categories such as 'business factor', and 'relational factor', and others seems like an ongoing process, for instance 'compromise', 'negotiation' and 'co-learning'. The authors finally combine the 2nd order themes into three aggregate theoretical dimensions. They are competition strategy, separation strategy and collaboration strategy.

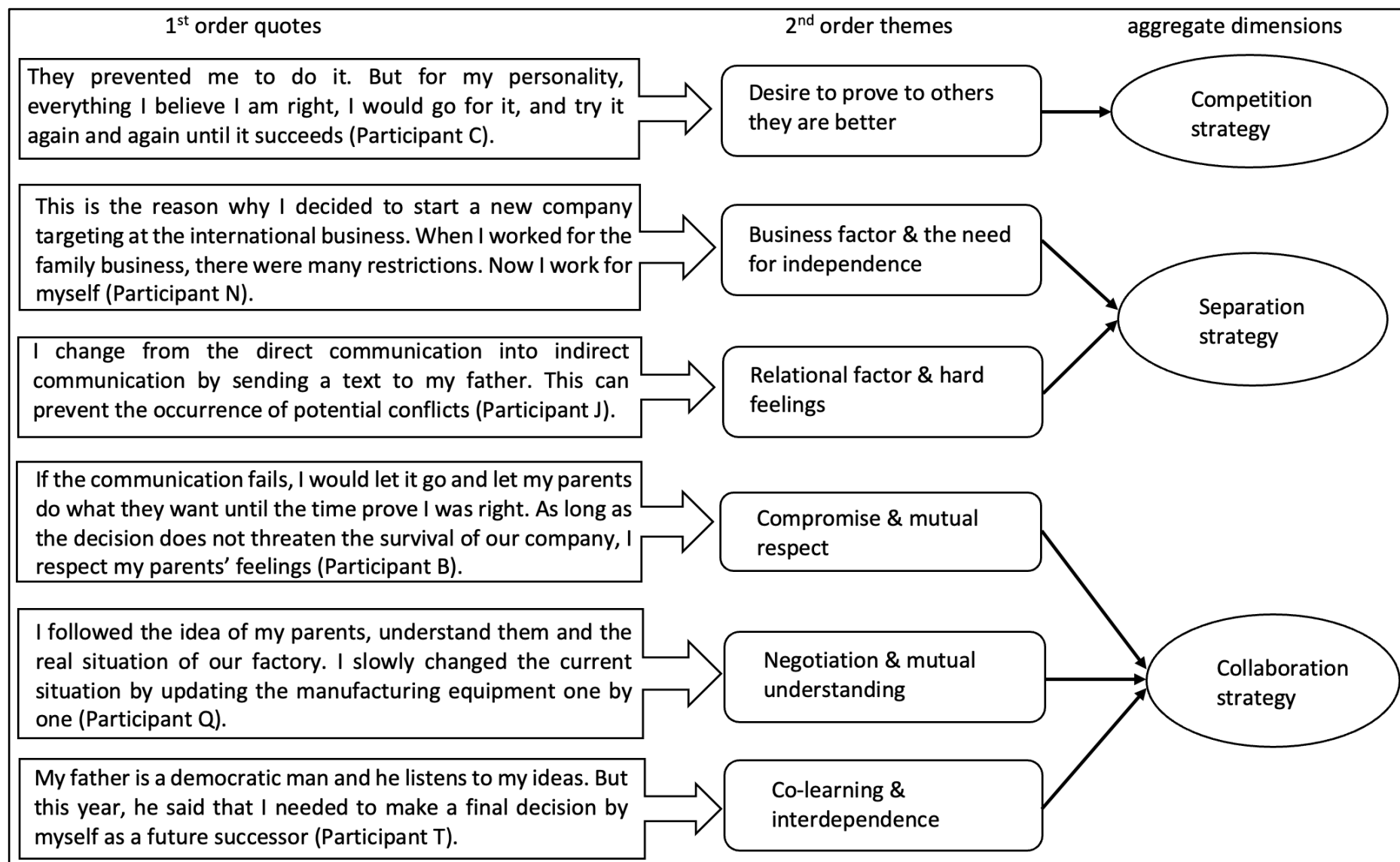


Figure 1 – Family firm conflict resolution analysis process

4. Findings and results

By analysing 12 family firms with 14 REs and 10 staff which have apparent family firm conflicts, the author has summarised the three most practical conflict resolution strategies, which are competition, separation, and collaboration. Competition strategy refers to focusing on an individual's interest and pushing others to accept his/her ideas. A separation strategy responds to conflicts by building boundaries among different conflicting parties. A collaboration strategy can lead to a win-win result through an ongoing compromise and negotiation process and finally a mutual understanding among all conflicting parties is achieved. The authors will combine views from multiple companies around these single concepts by discussing and debating them in sections 4.1, 4.2 and 4.3.

4.1 Competition Strategy

Competition strategy focuses on concentrating on one's own interests, and manifests as one party trying to push his/her will, perspectives and wishes onto another party. This strategy is often achieved using authority, competition, or threatening behaviour (or violence) to force other party to obey. Incumbent leaders usually resist change since they are reluctant to transfer control of the family firm to a successor. Thus, incumbents are often tempted to interfere with the succession process even if the second generation has played a leadership role in the company. In these circumstances, if the RE has a strong personality, he/she is more likely to use a competition strategy to infight with their parents and obtain more management or decision-making power in the family firm.

Participant C: My parents and I have a cognitive gap with the business operations, such as attending trade exhibitions. They prevented me from going to them since attending the trade exhibitions require the payment of a large amount of money. But for me, when I think I am right, I would go for it, and try it again and again until it succeeds.

Participant C's entrepreneurial personality of risk-taking is the reason that he chose a competition conflict resolution strategy and fought against his parents' will. His international education background gave him a global vision and the conviction that he must lead his domestic family business into the international market. His long-term internationalisation orientation and determination in taking a risk led his family firm to a born-again global pathway.

4.2 Separation Strategy

Separation strategy addresses conflict in an active way by reducing the confrontation. It responds to conflicts by separating tensions and splitting the two or more conflicting parties. A benefit of separation strategy is that it builds boundaries between conflicting parties in domains such as business, family, and ownership. Dividing topics, duties and job activities helps to decouple interdependent roles in ways that often increase role conflict rather than reduce it. Role conflict occurs when an individual is faced with multiple role expectations; but, fulfilling the expectations of the role make it difficult to comply with others. Role conflict in the family business is caused by family members being together in both their working and personal lives, which blurs the work and family roles.

Overseas study, working and living experience has offered REs a global version of their family business. This is bound to cause conflicts with the older generation's operation concepts and business routines. REs are not allowed to make decisions because their founder parents transfer the leadership in name only but hang on to power. Moreover, REs are faced with conflicting responsibilities as employees, managers, and the founders' offspring in the company, and sons/daughters at home. Separation strategy enables REs to split from multiple roles, concentrate on one position, be responsible for that, and subsequently earn respect from others for what they have achieved for the family business. Competition and separation strategies both belong to the either/or approach which treats contradictory roles as distinct phenomena that function independently from each other. Competition strategy selects one role, while separation strategy puts space between contradictory roles.

Participant R: My father is in charge of the production and machinery manufacturing, so I would do things in this area following his order. As for the sales and staff management, I just did it in my way. I used to negotiate with him, but I found that he is very difficult to communicate with. Our staff have habits and do things in the old way. Thus I need to mention it again and again and push them to adapt to the new routines.

Participant R used different conflict resolution strategies with his father and staff, which was benefited from his diverse life experience abroad. His family firm is an Uppsala stage firm, and it has a long firm history. The situation is complex. He used a separation strategy with his father since his father has more authority in this firm and his father is hot-tempered. He thinks a collaboration strategy is suitable enough to persuade staff to do what he told them to do.

Participant J: We have different types of speaking styles. I speak in a direct way. But my father speaks in a more reserved way. Sometimes I cannot figure out his true intention, and he cannot understand me.

The international working experience in Japan made Participant J place a high value on the customer experience and the quality of his products. The Japanese living experience led Participant J to take a rapid born-global pathway by digitalizing his international shoe-selling business in Ali Express (Alibaba app). But his educational differences led to a communication difficulty and entrepreneurial opportunity recognition differences between him and his family. This happened because, after receiving an education in Japan for so many years, Participant J had totally changed his way of thinking, linguistic and behavioural habits. He must use the separation strategy to separate his business responsibilities and create some space with his family members.

Participant N: My father is the chairman of the board. Some shareholders believed my father stood on my side and gave me more resources than others. I do not want to be involved in these interest disputes. I established this firm so I am only responsible for the loss and gain of my company.

As a second-generation RE, Participant N split from the old family firm and the domestic business. Due to the experience gap between domestic and international working experience, Participant N developed her understanding of how to deal with international customers. She thus established an independent international trade agency to focus on international business as a branch of her family business. Through stabilising the international orders for her family firm, she led her family firm to a born-again global internationalisation pathway.

4.3 Collaboration Strategy

Collaboration strategy is often regarded as a win-win strategy. It consists of involving parties in working together to find a mutually acceptable solution that is in everyone's interest. Collaboration is more likely to occur when open communication, mutual trust and support, creativity, and a culture which values teamwork instead of individualism is achieved. Collaboration conflict management usually occurs when the incumbent fills the supervisory

and consultant roles during succession transition, and the successor, who used to follow the advice of the incumbent, starts to make his/her own decisions. For instance, Participant T's father supervises his son and gives him more decision-making power and respect, so when a conflict occurs, they are more likely to resolve it by communication and achieve a mutual understanding.

Participant B: If communication fails, I would let the matter drop and let my parents do what they want until time proved that I was right. As for staff, even though they want to cooperate, they do not understand the situation. This occurs because everyone's educational level, understanding, and perspective are different.

(Participant B is a Master graduate of Imperial College London. — Field Note)

Participant B used different resolution strategies to deal with parents and staff, because he was in an Uppsala stage family firm with a thirty-year firm history. Although there existed a managerial opportunity recognition difference between him and his parents, he compromised and used a collaboration strategy with them. His reasons were that his parents had more authority than him and he did not want to hurt his family relationship. He adopted a strong attitude towards his staff using a competition strategy since he was the only eligible heir to his family firm. Thus, he preferred to manage his staff with a top-down strategy, and it was the best way to overcome the communication difficulty caused by educational differences.

Participant E: In the adaptation period my father complained a lot. I told him to be patient, and emphasized that there must be a period of time to adjust to a new thing. Thus, I initiated the change with senior managers first. If they changed their behaviour, other staff would follow their lead.

Participant E coped with his father and staff with the same resolution strategy of collaboration. He collaborated with his father, and communicated with him, to lessen the differences with his father which originated from his overseas educational experience. There were many staff in the family firm, so he concentrated first on the managers, and then let the managers change the behaviour of staff. He chose a top-down strategy, which is like other Uppsala stage family firm participants, such as Participant B.

Participant E2: Most staff did not understand my ideas when I first entered the family business due to my foreign educational background. I spent a lot of time communicating with others. After the communication, I achieved a mutual understanding among all my group members.

(Participant E2 is a cousin of Participant E. — Field Note)

This is a big family firm with multiple shareholders; however, the decision-making was influenced by Participant E and E2's family tree. It seems their family had a tradition of sending the second generation to receive an education abroad since the first generation had internationalised the company before the entry of Participant E and E2. Participants E and E2 used different conflict resolution strategies. As a male, Participant E was more likely to encounter infighting inside the firm, as he resulted in comprising to family firm leaders, more negative emotions developed. However, as a more open-minded and by nature gentle female, Participant E2 used communication skills to break down cognition barriers and aimed to achieve a mutual understanding when coping with conflicts.

Participant O: I had a business operation gap with my grandfather, but it disappeared as time passed. I started to know his ideas, the psychological assumptions behind his thoughts, and his stubborn personality. These things need to be understood by mutual interaction and mutual effort.

Participant O is a third-generation in the family firm after his grandfather and mother. He had an entrepreneurial opportunity recognition difference with them due to his international education background. However, as his grandfather and mother were still in charge of the firm, he was in a rather weak position in terms of management power in the long-history Uppsala stage family firm. Thus, he had to collaborate with his family members, understand them, and most importantly, make his mother satisfied with his work.

Participant T: I took on two more people in the accounting department. I believed that six people could not compete the job. My father wanted to save money and keep only six staff, but I believed it was better to share the same amount of total salary among eight staff and let them finish the job quicker.

Participant T2 (staff): He (Participant T) arranged all the domestic and international trade exhibition. And he tried to explore international orders, such as digitalising our management routines in our company.

After Participant T returned to the family business, he set up a new firm targeting at international business which was different from his father's traditional business practice. Using a collaboration strategy with his father, Participant T obtained financial and management resources from the family firm, which led his family firm into a born-again global internationalisation pathway. He learnt from his international education experience and attended massive domestic and international trade exhibitions to increase international orders. He tried to build his own team in the family business, because there existed an experience gap in domestic and international working experience between him and his staff. The bottom-up strategy he used with his staff is different from other Uppsala stage family firm participants. This is because Participant T needed to re-structure a new management team following his orders instead of his father's orders in a brand new company.

A conflict resolution strategy can be divided as either/or, both/and, and more-than approach in the literature (Putnam et al., 2016). Collaboration strategy belongs to the both/and approach. In this approach, conflicting parties avoid segmenting opposites or privileging one role over another (Smith & Lewis, 2011). The both/and approach involves finding a new way to handle conflicts through changing existing practices or learning new tactics. The above examples of REs' conflict resolution show the both/and approach as a learning process, which redefines the relationship between conflicting parties (Filbeck & Smith, 1997).

5. Discussion

In the previous section the author reveals the three most practical conflict resolution strategies in the returnee family SMEs. They are competition strategy, separation strategy and collaboration strategy. Competition strategy focuses on concentrating on one's own interests, and pushing one's will onto another party (Fahed-Sreih, 2018). Separation strategy responds to conflicts by separating tensions and splitting the two or more conflicting parties (Putnam, Fairhurst & Bangharta, 2016), and building boundaries among them (Rhodes & Lansky, 2013). Collaboration strategy involves parties working together to find a mutually acceptable solution to fit everyone's interest (Qiu & Freel, 2020). In the discussion section, the authors put forward propositions about which human capital element leads to certain categories of conflict and

which conflict resolution strategies are most appropriate to resolve these conflicts. What the authors propose in the context of human capital and internationalisation pathways are new and different from previous literature such as Qiu & Freel (2020) or Kubíček & Machek (2020). The following triangle-shaped conceptual framework states the dynamics among human capital elements of REs, and three conflict resolution strategies of returnee family SMEs (*See Figure-2*).

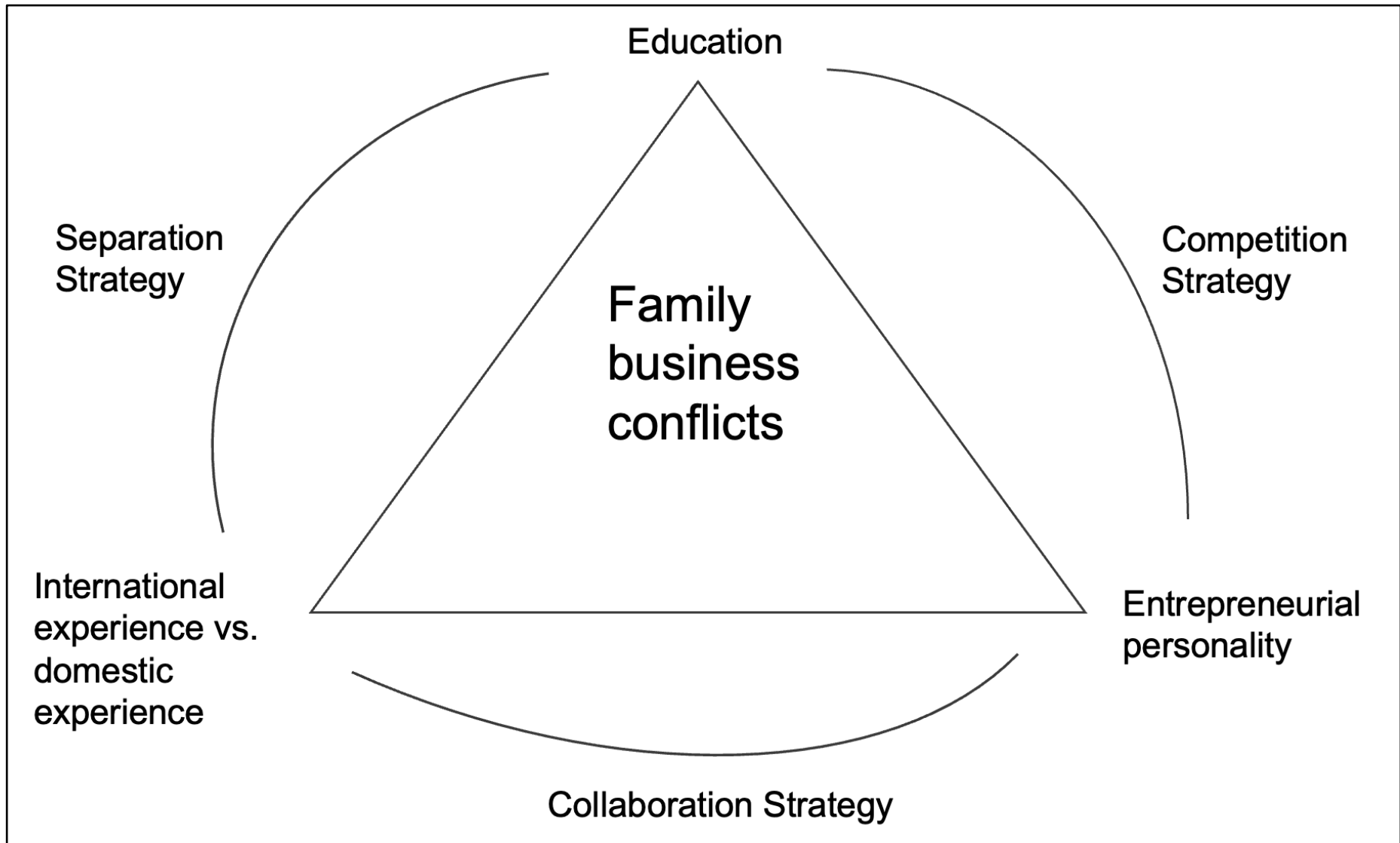


Figure 2 – Conceptual framework of conflict resolution strategies

5.1 Education-related family firm conflicts

Chinese family firm successors have grown up in very different circumstances to their founder parents, and many of them have benefited from an international education at world famous universities, so the authors suggest that their international education may equip the REs with a different cognitive outlook compared with family firm incumbents (Chung & Luo, 2013). They assume education as a key factor behind family firm conflict, since formal education plays a key role in the preparation for a successor during firm leadership succession in Chinese society (Dou & Li, 2013). Since formal business education is relatively underdeveloped in Mainland China (Zhang & Ma, 2009), many family firm founders believe the second or subsequent generations could achieve a better education abroad.

A cognitive outlook refers to the cognitive frameworks based on previous knowledge which is used to inform decisions such as those regarding entrepreneurship and strategy (Baron, 2007). The author defines entrepreneurial opportunity as a situation which benefits the firm with a better efficiency and chance to obtain future goods and services (Shepherd & Haynie, 2009). Entrepreneurial opportunity recognition may bring conflicts in a multi-generation involvement management. This is because cognitive differences of different generations may contribute to task and process conflicts in the organisation, thus negotiation ability needs to be developed as an advantage in the family firm (Caputo et al., 2018). For example, second generation REs may suffer from managerial opportunity recognition differences with their staff because the educational gap between the REs and their staff is far more distant, which causes a tension when REs try to negotiate a managerial decision with multiple contradictory views from their staff in junior or senior managerial roles (Putnam et al., 2016). A firm identification refers to a cognitive attachment that an individual has with a group upon the common attributes (Webb, Ketchen Jr, & Ireland, 2010). The author has found that after receiving years of overseas education, second generation REs' entrepreneurial cognitive outlook is no longer compatible with the family firm identification which still lingers as a domestic business player.

Consequently, this study proposes that REs use separation and competition strategies to resolve education-related family firm conflicts, as education determines an individual's cognitive outlook and decision-making, which is hard to be convinced and negotiated.

5.2 Family firm conflicts due to international and domestic experience difference

REs may suffer from an experience gap with family firm members due to the differences between the RE's international experience of studying and working abroad and other family

firm members' domestic experience. Cognitive beliefs define an individual's beliefs, which is important for the success for an enterprise (De Cock, Andries, & Clarysse, 2021). Individuals' cognitive beliefs are constructed based on his/her formal and informal learning or different prior experience (Denzau & North, 2000). International experience/studying abroad thereby affects REs' way of managing their enterprises, as their prior international experience shapes their view of the world, limits the information they use, and interprets their environment, making it more likely that they seek similar models to their past international experience (Beckman & Burton, 2008). However, REs' international experience has been proved to be at times a misfit with the local working environment, and fails to satisfy the needs of the local market (Wu & Ma, 2018). For instance, when Participant E first launched the digital management system in the family firm, it did not go well and even decreased the firm's working efficiency; this resulted in his father complaining a lot and regarding the system as useless. Thus, participant E used a collaboration strategy to convince his stubborn father. After he accumulated more local know-how, he began to understand the routines and initiate the change in a more mature way.

Consequently, this study proposes that REs use separation and collaboration strategies to resolve family firm conflicts due to international and domestic experience difference, as REs and their incumbents can use different experience in separate areas of company operations, or they can communicate and collaborate their distinctive skills.

5.3 Family firm conflicts due to various entrepreneurial personalities across generations

Entrepreneurs' entrepreneurial personalities or traits in identifying and accessing resources and pursuing opportunities and innovations are related to the body of internationalisation research (Denzau & North, 2000). Research focused on how generation differences influence organisation found that even multigeneration in the family firm share the similar values and qualities, the motivations and goals of family members become more diverse across generations (Qiu & Freel, 2020). Communication is a process including creating, sending, receiving and the interpretation of messages when using symbols (Sciascia et al., 2013). Through communication, family members can create mental models and these models endure over time and across generations (Vangelisti, 2004). Family functioning can be strengthened or weakened through the efficiency of the family communication (Kolak & Volling, 2007). The authors assume that the internal family communication reflects the way in which the family firm management team communicate (Sciascia et al., 2013).

When learning is requested in the conflict resolution strategies to change individual's behaviour, it may trigger further resistance and produce new conflicts (Qiu & Freel, 2020). In order for FBs to survive multi-generations, the incumbents must have the flexibility to accept new ways of doing things (Cabrera-Suárez, De Saá-Pérez, & García-Almeida, 2001). The subsequent generation of REs need to respect the preceding generation's knowledge, adapt their foreign expertise to the local working environment, and accumulate local working experience by learning on the job (Zhao et al., 2020). Each generation needs to be allowed to offer suggestions for improving or transforming the business process, and be willing to learn from each other by transferring new knowledge and cultivating a culture of innovation (Kellermanns & Eddleston, 2004).

Consequently, this study proposes that REs use competition and collaboration strategies to resolve family firm conflicts due to various entrepreneurial personalities across generations, as the selection of the conflict resolution strategy depends on the communication and learning attitudes of each party and how they would like to work with their offspring/incumbents.

International market experience knowledge plays as a competitive advantage for SMEs (Knight & Liesch, 2002), especially family firms, and thus can be an important aspect for SME internationalisation. Former study shows subsequent generations have brought negative impacts to FB internationalisation, because they have a higher potential to bring generational conflicts, and thus impede internationalisation (Sciascia & Mazzola, 2008). However, this study has generated an opposite conclusion: that by using different conflict resolution strategies, second and subsequent generation REs are able to resolve family firm conflicts, which triggered the late and dedicated internationalisation pattern of their domestic FBs, such as a born-again global internationalisation pathway.

6. Conclusion, limitations, and directions for future research

This study innovatively puts forward a conflict resolution theoretical framework and contributed to human capital and international entrepreneurship theory by linking it to an underlying rationale behind family firm conflicts. As conflict-related issues in family firms are still inadequately researched (Kubíček & Machek, 2020), this study innovatively puts forward three conflict resolution strategies, namely, competition strategy, separation strategy, and collaboration strategy. We believe that by successfully using conflict resolution strategies, REs are able to conduct the business process transformation, accelerate the internationalisation speed of their domestic FBs, and introduce a born-again global internationalisation pathway.

Conflict can occur at a particularly high cost in family firms, since family members are locked into the firm; thereby the dynamics change and the conflict remains persistent (Kellermanns & Eddleston, 2004). The propositions made in this study remedy most of the daily conflicts that today's returnee family SMEs are faced with. We provide valuable empirical evidence to second generation REs and family SME owners that family firm conflicts can be transformed into a positive impact on the firm. By using different conflict resolution strategies, REs are able to communicate with other family firm members, achieve a mutual understanding, co-exist with these conflicts and achieve successful FB internationalisation.

Influenced by the Confucian values, as the heir of the family business, REs see it as a responsibility to return home (Gruenhagen, 2018) and bring the family SMEs up to the international standard. It is also their ambitions to apply what they have learnt from the OECD countries at home, and thrive the family business on the hands of the new generations. The findings in this study can bring new insights to FBs and REs in other Asian economic contexts whose culture is also influenced by the Confucian values.

This study has the following limitations. FB literature shows that family businesses are prevalent around the world, but they may operate in very different social circumstances (Fainshmidt, Judge, Aguilera, & Smith, 2018), thus it is necessary to be cautious when applying the findings in this study to family firms located outside of China. This study only used a limited qualitative sample of 26 semi-structured in-depth interviews in 12 case firms with online secondary data. Future studies are welcome to verify our conclusions by using a quantitative research design with a larger scale questionnaire method.

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