



**Patient capital  
and family values as  
a compass – best practices  
for the international expansion  
and growth of family businesses.**

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## 1. Introduction:

**“ Internationalisation can take many forms and is not a one-size-fits-all process.**

Belgium is a country of family SMEs, and given our rather limited geographical area, many of our companies operate internationally. Around half of the exports of goods are destined for our neighbouring countries of Germany, France, and the Netherlands. In turn, exports of services are mainly overseas to the United States and the United Kingdom\*.

The open nature of our economy means that our family SMEs need a pathway to export countries in order to enable their growth. However, internationalisation takes many forms and is not a 'one size fits all' process. It ranges from a first tentative step outside the country's borders to fully integrating your company into another location, culture, and regulatory framework.

Moreover, family businesses adopt an internationalisation strategy that is very different from that of regular companies. The specific values and personal vision of the shareholder(s) play a decisive role. These characteristics can hinder but also promote the internationalisation process.

In this white paper, you will discover some real-case best practices for internationalisation by family businesses.

## 2. Forms of internationalisation

In essence, we can recognise four forms of internationalisation, ranked according to degree of involvement:

### 2.1. Commercial-oriented internationalisation

This often includes the first step of foreign exploration, which requires little resources and investment. This involves selling goods or services to foreign buyers. This can be done through the efforts of the in-house sales team or by engaging a local distributor. In a more digital environment, goods can be offered to foreign clients through e-commerce platforms.

*Over the years, for example, a manufacturer of balancing cranes has built up a network of local distributors to enable market development in Asian markets. They have the local networks and are able to convert prospective relationships into long-term client relationships for the Belgian company's range.*

### 2.2. Contractual partnership

A next step is to share knowledge with foreign partners or mobilise your brand name internationally through a local partner. A foreign company gets the right to use your intellectual property right, such as a patent or copyright, on payment of a royalty, through the granting of a licence.

If you wish to go a step further as an entrepreneur, your company can make its entire business formula (brand name, operating model, etc.) available through franchising.

Foreign partners are open to entering into a licensing or franchise contract when offered a strong formula or format. They can move very quickly to offer this concept in their local market.



\*Source: Nationale Bank van België, STATBEL, Instituut voor de Nationale Rekeningen

## 2.3. Forging strategic alliances

An option that is often chosen is to join forces with a local partner through the creation of a joint venture: a new independent legal entity in which costs, risks, and profits are shared between the partners.

There are variants on this in which cooperation takes place in a looser way, e.g. to shape research & development or market development efforts together.

*For example, a Belgian producer of detergents and washing products decided to set up a joint venture in Brazil because of very complex import regulations, which made exports from Europe enormously difficult. With the contribution of a local partner, a new joint venture was set up in which the Belgian company contributed the expertise and the Brazilian partner was responsible for local production and distribution with support from Belgium.*

## 2.4. Foreign Direct Investments

The most intensive form of internationalisation is a physical presence abroad. This can take various forms: establishing a sales office or developing a totally new investment ('green field') where a new, locally operating entity is started.

An acquisition could be considered to gain speed and further build and shape its foreign market presence. This may fit into an overall 'buy & build' strategy in selected attractive foreign markets.

*A producer of horticultural material for greenhouse cultivation, has decided – after developing the patent in Belgium – to organise the production of this propagating material in Poland due to lower labour costs, geographical proximity, and unlimited expansion possibilities also towards vertical integration. In the process, a Polish entity was established where not only a production workshop was built but also further steps are being taken to locally source certain raw and auxiliary materials that were bought externally in the past. By starting to produce these materials in-house, more control could be gained over the overall supply chain and a higher margin can be recorded.*

Conclusion: Internationalisation is a process that takes many forms, differing in speed, investment needs, building local knowledge and culture, and risk appetite.



### 3. The important role of the shareholder profile

The shareholder structure is often the 'invisible hand' behind a corporate strategy. It determines not only how much capital is made available to invest, but more importantly, how long one is willing to absorb a cash burn on the foreign investment and how much risk one is willing to take for it.

It is often argued that family businesses adopt the 'patient capital' approach, with the key features being a longer investment horizon and the transfer to the next generation as a benchmark. These are determining factors for the internationalisation strategy and financial structure of family businesses.

This is in contrast to investment funds and listed groups, which are strongly driven by financial targets and have a much shorter time horizon in mind. They exhibit more 'impatient capital' behaviour and are willing to commit more resources faster. This is very evident in closed-end investment funds that envisage a time window of five to eight years to achieve their financial returns.

Yet the long-term horizon is a strategic competitive advantage for family businesses that cross borders. By focusing on the distant future, they are seen by external partners as solid and reliable parties, laying the foundation for lasting business relationships. Moreover, this stability strengthens staff commitment and loyalty. Since internationalisation is a long-term process, the characteristic persistence of family businesses often acts as the decisive factor for international success.

Type of capital structure	Patient Capital – Family businesses	Impatient Capital – Listed companies / investment funds
Focus	Continuity and legacy	Return on capital employed (earnings per share)
Time horizon	Long-term: +20 years	5 to 8 years, with quarterly reporting
Decision-making	Often based on tradition, consistent with the company's DNA. Financial metrics are supportive, not determinative	Based on financial metrics
Risk appetite	Lower	Higher

## 4. The differences in approach explained



Family businesses prefer to shape their own internationalisation and gain experience before handing over control to local employees.

The individuality of the dominant shareholders determines the direction of the internationalisation path. Below, we explore the differences that explain why internationalisation processes are handled and organised differently in family businesses.

### 4.1. Socio-emotional wealth as a driver

Families drive their businesses and look beyond the assets and liabilities that need to be deployed to achieve results. The company is inseparable from their identity and their history or legacy. Often, the family name is also the company name, further emphasising the bond. In practice, we see that decision-making is more complex than in regular companies. Here, risk assessment is strongly intertwined with personal interests: the fear that a misstep will affect the family wealth or pension of the previous generation weighs heavily. In addition, a pronounced sense of responsibility towards the region plays a central role. The fear that internationalisation will come at the expense of local employment is often a decisive moral consideration.

In addition, the emotional attachment in family businesses is also high. This implies that once the family/families have decided to go international, they will be willing to provide support for much longer even if the initiative has difficulty getting off the ground, or if start-up losses are greater than initially estimated. Their willingness to provide support is greater compared to listed and/or investment funds, which, if they fall short of target returns, are more likely to pull the plug. At the same time, it is common for family businesses to define financial targets less sharply and to recognise that international expansion takes time, without always explicitly quantifying this start-up phase.

*One example was an office furniture distributor, which, after a successful growth story in Flanders and Brussels, had decided to move into the Dutch market. A local manager was recruited and they started looking for a nice building and location to build a local showroom. The broad lines of revenue growth for the first three years were laid out.*

*After the necessary start-up difficulties and initial turnovers of the Dutch branch, it soon became clear that the Belgian parent company was financially supporting this subsidiary. When the question came up in the Advisory Board about how long the financial lifeline could be maintained from Belgium, a desperate look came over the face of the controlling shareholder. "For as long as it takes," was the reply.*

*The question about the financial responsibility of the local managing director and the expected profit contribution from the Netherlands remained unanswered. The financial framework thus appeared to be secondary to the will to succeed and place a 'landmark' in the Dutch market. Should an investment fund be at the table as a controlling shareholder, the Dutch managing director would have been given a clear financial framework at the start of his mission.*

Another driver, in addition to emotional attachment, plays an important role: maintaining control. Families like to stay in control and are therefore often willing to accept a lower financial return so that the survival of the foreign project is not compromised. As a result, the use of a local partner is often not the desired option and people want to start the process on their own.

The drive for control can manifest itself in different ways. Our experience with family businesses shows that, in the context of internationalisation, they prefer to send one of the family members to start up and develop the foreign activity, before handing over the keys to local co-workers. One starts to feel the potential opportunities and pitfalls before unloading some control.

Management from a distance is no easy task, and trust is essential here. Who better to trust than your own family members? The same can be said for filling key positions within the company. Here, the appointment of family members is given priority over the recruitment of external experts. The result is a management team that sometimes lacks the specific expertise and strategic clout crucial to effectively manage a complex, cross-border growth process.

## 4.2. Financial strategy: self-financing and reinvestment

Family businesses usually adopt a conservative financing policy, often paying fewer dividends and reserving their realised gains within the company. These financial buffers enable them to finance internationalisation projects from their own resources and thus use the realised gains to invest further.



**Family businesses often partner with a local family business because they share the same DNA.**

This is preferred to paying dividends, which means these funds do not go to the private side, instead remaining available within the company. This is in contrast to investment funds that want to put as little of their own

capital to work as possible and make full use of financial leverage. The cost of external (often bank) financing is cheaper than the cost of its own deployed capital.

Family businesses do not consider the 'Weighted Average Cost of Capital' and often dislike incurring external financial debt or will limit their debt ratio as much as possible. Financial independence is an important principle in family businesses. Through this strategy, accumulated profits must first be sufficient to then take the step towards internationalisation and for the associated pre-financing.

## 4.3. Patience is a fine virtue and graces family businesses

Patience is one of the most common characteristics of family businesses. They do not get rushed by impatient shareholders or investors. As a result of this attitude, they can afford to embark on projects, which need a longer lead time or where one wants to work step-by-step towards implementation. For instance, we note that certain R&D projects are progressing slowly but steadily, resulting in substantial steps in innovation.

That patience is often also needed to become better acquainted with the local market conditions and culture. Too often, we have seen internationalisation projects go wrong due to a purely copy/paste approach. Somebody might think a successful market launch in a home market can be easily transferred to one or more foreign markets, without considering local customs and different client preferences. Here, we note that family businesses often partner with a local family business because they cherish the same DNA. On top of that, family businesses invest sustainably in local relationships: co-workers, suppliers, partners. Together, they want to build a trajectory without having to change partners often.

*For instance, we recall the case of an importer and wholesaler of venison. The supply had long been organised from New Zealand where a long-standing trust relationship was established with a deer farm run by a local family. This trading relationship has grown over the years into a bond of trust between the families, making a contractual underpinning of this relationship unnecessary. A given word is a given word. This makes it impossible for the Belgian importer's counterparts to contract volumes with this supplier as well.*

An additional advantage for family businesses is the fact that they can invest anti-cyclically. When the market climate looks difficult and investors start having cold feet, family businesses dare to take steps to build a 'first-mover advantage'. The lack of a tight financial framework is helping them down this path.

Finally, the strength of family businesses lies in their high degree of agility and operational flexibility. The concentration of decision-making in a few key people means that lines of communication are short, allowing them to respond more quickly to the dynamic opportunities presented by internationalisation. This decisiveness is supported by a great willingness to sacrifice capital and time: profits are often reinvested rather than distributed, and the family shows a natural commitment at peak times. Yet there is a downside: prolonged unchanged leadership can lead to a certain rigidity. This resistance to change can actually hinder necessary innovation during an international growth process.



## 5. What can family businesses learn from investment funds/listed groups/family offices about internationalisation?

Although family businesses excel in many areas, experience shows that they often enter the international playing field later and slower than other companies. This is largely attributed to strong local roots and a corporate culture that is more focused on its own region. The DNA of a family business means that opportunities are often missed or the lessons learned come at a high cost. But this can be avoided. Family businesses can also learn from the boldness and drive of, e.g. investment funds, while respecting the culture of the family business.



### 5.1. Your Board of Directors/ Advisory Board as a compass

Family-owned companies often wait to take the step of setting up and establishing their corporate governance. If a family business has taken its first steps towards internationalisation and has ambitions to increase its geographical footprint, a Board of Directors can be a good compass to help shape this process. External consultants and administrators, who have already gained international experience, can contribute their experience and expertise to shape the project. They have insights on specific market conditions, a keener eye on the local culture, and have learned from previous mistakes. These insights are shared, allowing more targeted deployment, saving time, and avoiding mistakes.



**A Board of Directors/  
Advisory Board is an  
essential compass  
for shaping and  
guiding the  
internationalisation of  
family businesses.**

We are seeing more family businesses setting up an Advisory Board to bring external expertise, including on internationalisation, on board.

*For example, an electrical equipment wholesaler has made faster strides in international expansion with the help of a family investment group with international distribution experience. It had ambitions to build a market position in the Scandinavian markets, but did not have a concrete elaborate plan. With the help of this family investment group, which had experience in these markets with its other holdings, a coherent plan was quickly developed, and the wholesaler was able to get movement on making the required connections very quickly through local contacts. Under its own power, this would not have happened so quickly.*

## 5.2. Speed is often essential to success

Investment funds or listed groups looking to shift gears internationally have often done their homework thoroughly. Market research supplemented by various conversations and contacts at trade fairs or face-to-face make them quickly identify market potential and dynamics and list which target companies match their profile and/or requirements. For example, these active investors have a wish list, which they carefully complete and thereby gain speed. Very often, takeover talks run in parallel to ensure that critical mass is achieved in a target market within a short timeframe.

Family businesses lack the time and space to make those efforts, to marshal those insights. Moreover, they are often reluctant to enter into mergers and acquisitions for fear of loss of control and increased risks. However, this form of internationalisation can be an engine for growth if they show commitment and courage to choose targets that align with their core values. Their focus on long-term value and risk management often leads to more thoughtful and strategic acquisition decisions that can also strengthen their sustainability performance.

Growing a family business and implementing an internationalisation strategy often requires external funding. For a closed family business, raising external capital can be a daunting but crucial decision, requiring careful consideration of financing options and their implications. Access to growth or succession capital increases the likelihood of third-party participation – as long-term partners or temporary financiers through debt or equity – while preserving the family's investment.

Carefully selected investors not only provide capital, but also add expertise, strategic guidance, and networks essential for scaling up. Whereas private equity firms are known for enhancing operational value, family offices often offer 'patient capital' with a long-term vision perfectly aligned with preserving the family legacy. In an economic landscape where traditional financing has limitations, collaborating with these parties can lead to sustainable growth and success.





## 6. Conclusion

Internationalisation is a necessity for an open economy like Belgium, but successful internationalisation is no easy task and adds a layer of additional complexity. Family businesses demonstrate a different view of internationalisation than active (foreign) investors. Apart from some key strengths such as patience and flexibility, family businesses often lack the processes to implement the internationalisation strategy, the expertise to build accelerated insights, and the local contacts to move quickly. Understanding the diversity of these dynamics and openness to external advice and/or capital helps family businesses succeed in their internationalisation efforts.

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