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Small Italian wine producers' internationalization: The role of network relationships in the emergence of late starters

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ABSTRACT

This paper aims to examine how network relationships influenced the internationalization of small Italian wine producers characterized as late starters. It is based on four cases. It shows that foreign tourists helped these firms to expand internationally: they identified business opportunities, suggested firms to contact importers, contacted importers themselves to get access to the same wine in their home country or provided foreign market knowledge. Thus, small wine producers should pay more attention to attracting tourists and creating network relationship with them. Several other network relationships – for instance, with friends and relatives, Italian expatriates and other business partners – also advanced the case firms' internationalization. Moreover, they were affected by lack of time and resources, language barriers and other factors. Thus, all these aspects also need managers' attention. Furthermore, they should take a more strategic approach towards internationalization and understand that not all internationalization attempts succeed or result in continuous orders.

1. Introduction

Internationalization processes have received active research attention since the 1970s but still, some research gaps exist. Scholars have mainly focused on slow/incremental internationalizers (Bilkey, 1978; Johanson & Vahlne, 1977, 1990; Morgan & Katsikeas, 1997) and very fast internationalizers: especially, born globals (Coviello, 2015; Knight & Cavusgil, 2004; Madsen & Servais, 1997; Rialp, Rialp, & Knight, 2005; Taylor & Jack, 2011). Other internationalizers – for instance, late starters[1] that have internationalized suddenly after a long period of domestic activities – have received less attention (Baum, Schwens, & Kabst, 2015; Schueffel, Baldegger & Amann, 2014; Sheppard & McNaughton, 2012; Vissak & Masso, 2015). Moreover, although many firms reduce or abandon exporting due to various difficulties (Arteaga-Ortiz & Fernández-Ortiz, 2010), most scholars have focused on firms' increasing international involvement (Nummela, Saarenketo, & Loane, 2016; Vissak & Francioni, 2013) instead of trying to find out why international firms change their strategy (Francioni, Musso, & Vardiabasis, 2013).

In addition to the need to contribute to the international business and international entrepreneurship literature by studying late starters – especially those that have experienced difficulties in their internationalization – several scholars have suggested that future research should concentrate on industry-specific characteristics as these can strongly affect internationalization (Schueffel et al., 2014; Taylor & Jack, 2011; Wickramasekera & Bianchi, 2013; Williams & Shaw, 2011). This paper focuses on the wine industry and also on the influence of network members – including wine tourists – on wine producers' internationalization. Wine tourism – defined as a "form of travel, which is based not only on a visit to the wineries and wine areas but also on carrying out other complementary activities" (Gómez &Molina, 2012; p. 353) – has received growing attention in the wine business and tourism literature (Carlsen, 2004; Dodd, 1995; Alonso, Bressan, O'shea, & Krajsic, 2014, Alonso, Bressan, O'shea, & Krajsic, 2015; Getz, Dowling, Carlsen and Anderson, 1999; Gómez & Molina, 2012; Koch, Martin, & Nash, 2013; Marzo-Navarro & Pedraja-Iglesias, 2009, 2012; Qiu, Yuan, Ye, & Hung, 2013; Sevil & Yüncü, 2009). Still, there is a lack of qualitative studies on how (wine) tourists and other network members affect wine producers' internationalization: if, due to them, some wine producers internationalize suddenly after being local-market oriented for years or even

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[1] We prefer this term to "born-again globals" as it is more suitable for characterizing our case firms.

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decades, how they help firms to start and increase exporting and if these firms experience difficulties in internationalization because of relying only or too much on wine tourists' and other network members' assistance. Moreover, it is necessary to find out which other factors cause or affect wine producers' internationalization and why it is often "*ad hoc* and opportunistic" (Lamb, Sandberg, & Liesch, 2011, p. 688).

This paper aims to examine how network relationships influenced the internationalization of small Italian wine producers characterized as late starters. It is based on four case firms belonging to this category. It starts from a review of the existing literature on late starters and of studies on the roles of tourists, other network members and other factors in wine producers' internationalization. After the method section, we will present our four cases. Thereafter, we will discuss the results, and, finally, draw some managerial and research implications.

2. Literature review

In international business literature, late starters have received less attention than fast and slow internationalizers. Authors have used different terms for these firms – including born-again globals (Bell, McNaughton, & Young, 2001; Bell, McNaughton, Young, & Crick, 2003), born-again regionals (Kirpalani & Gabrielsson, 2012), born-again internationals, late global starters, late international starters (Vissak & Masso, 2015), late movers (Bartlett & Ghoshal, 2000; Zhang, Gallo and Baynard, 2013), latecomers (Wickramasekera & Bianchi, 2013), late globals and late internationals (Aspelund & Moen, 2005) – and also different criteria for distinguishing them from other internationalizers.

In principle, all authors have agreed with Bell et al. (2001, 2003) that these firms should stay domestic for a long time and, thereafter, internationalize fast, but their criteria have differed. For instance, the period of domestic activities was 28 years or more in Sheppard and McNaughton (2012), ten years or more in Vissak and Masso (2015) and more than three years in Jantunen, Nummela, Puumalainen, and Saarenketo (2008) and Tuppura, Saarenketo, Puumalainen, Jantunen, and Kyläheiko (2008). All these authors, and also Kuivalainen, Saarenketo, and Puumalainen (2012) stated that these firms should achieve an export share of at least 25% within the first three years since starting internationalization. Moreover, according to the latter, they should also enter five or more countries during this period while Olejnik and Swoboda (2012) emphasized that born-again globals should also enter other continents. Finally, Kuivalainen et al. (2012) defined "failed" born-again globals and –internationals as firms that attempted to internationalize in the above-stated manner but failed in achieving a 25% or higher export share while Vissak and Masso (2015) used the term "very slow moderate internationalizers" for such firms but also for those that reached this share but entered only 1–2 foreign markets.

Scholars have identified several factors affecting and leading to late starters' internationalization. These firms' suppliers, customers and competitors are often already international (Johanson & Mattsson, 1988) but they have still remained domestic because of lacking network relationships, knowledge, other resources (Chetty & Blankenburg Holm, 2000; Graves & Thomas, 2008) or capabilities (Baum et al., 2015). Also, language barriers (Hurmerinta, Nummela, & Paavilainen-Mäntymäki, 2015), attractive domestic growth opportunities, low awareness of international opportunities, low international competitiveness (Janjuha-Jivraj, Martin and Danko, 2012; Spence, 2003; Wilkinson, Mattsson, & Easton, 2000), lack of production capacity (Chetty & Blankenburg Holm, 2000) or lack of time for engaging in international business (Janjuha-Jivraj et al., 2012) can motivate firms not to internationalize from the beginning.

Late starters can be both "pulled" and "pushed" into internationalization (Graves & Thomas, 2008). For instance, increased domestic competition or decreased domestic demand can force them abroad (Aspelund & Moen, 2005; Schueffel et al., 2014). They can also suddenly internationalize because of a "critical incident": for example, getting an order from a local customer that already has international operations,[2] acquiring internationalized firms; ownership or management change[3] (Bell et al., 2001, 2003) – including succession in family firms (Graves & Thomas, 2008; Kontinen & Ojala, 2012; Schueffel et al., 2014) – or participating in local trade fairs and exhibitions and suddenly meeting customers from other countries (Hampel-Milagrosa, 2014). In some cases, migrants can also create useful contacts for entering foreign markets (Mustafa & Chen, 2010; Oortwijn 2012). High-quality (Aspelund & Moen, 2005) and/or innovative products, network ties with other partners (some formed during and some before internationalization (Baum et al., 2015; Johanson & Mattsson, 1988)), readiness to adapt to market changes and perceiving only a small difference between the home and the host country can also increase the possibility of internationalizing suddenly (Kontinen & Ojala, 2012; Schueffel et al., 2014).

Compared to already international companies, late starters can be disadvantaged as their neighboring markets are already "full" (Johanson & Mattsson, 1988), their experienced competitors have more foreign market knowledge and it is hard for newcomers to enter existing networks (Chetty & Blankenburg Holm, 2000). Moreover, sometimes, network relationships change and break down (Johanson & Mattsson, 1988). On the other hand, during internationalization, all firms can learn from their previous export activities and, resultantly, improve future export performance (Bartlett & Ghoshal, 2000; Lages, Jap, & Griffith, 2008).

Late starters have not received considerable research attention in the wine business context. Still, some authors have studied some aspects. Several scholars have examined interrelationships between international tourism and international trade (Fischer & Gil-Alana, 2009; Kulendran & Wilson, 2000; Santana-Gallego, Ledesma-Rodríguez, & Pérez-Rodríguez, 2011; Shan & Wilson, 2001) and found that wine tourists create selling opportunities for wineries (Charters & Ali-Knight, 2002; Getz et al., 1999; Getz & Brown, 2006; Mancino & Lo Presti, 2012; Marzo-Navarro & Pedraja-Iglesias, 2009, 2012). For instance, Kulendran and Wilson (2000, p. 1002) stated: "many international travellers, whether they be visiting friends or relatives, studying overseas, or enjoying a holiday, may identify business opportunities that could lead to either export sales or import purchases". Beames (2003, p. 212) concluded: "If the winery provides a good experience and image, visitors returning home from their holidays will then seek to buy that wine." Some authors also found that wine tourists and their networks offer wineries opportunities to acquire foreign market knowledge (Dodd, 1995; Szivas, 1999), improve their image (Williams & Kelly, 2001), promote themselves (Sevil & Yüncü, 2009) and sell directly to foreign customers (Beames, 2003; Dodd, 1995; Getz & Brown, 2006; Koch et al., 2013).[4]

In addition to network relationships created with tourists or through them, several authors have also noted that other network relationships can be useful for wineries' internationalization. For

[2] Or receiving an unsolicited export order (Vissak & Francioni, 2013)

[3] Especially if the new owners or managers have access to foreign market knowledge and international networks, and are interested in the firm's internationalization (Gabrielsson, Gabrielsson, & Dimitratos, 2014)

[4] Still, some authors have noted that some wine-makers mainly focus on growing grapes and/or producing wine: for them, tourism is a secondary activity, a distraction or a cause of additional costs (Beames, 2003; Mancino & Lo Presti, 2012; Sevil & Yüncü, 2009); also, some lack time, personnel or other resources to engage in wine tourism (Koch et al., 2013).