



Exploring structural and strategic correlates of difficulties in the internationalisation process of Italian wine SMEs[☆]

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Abstract

Internationalisation has been a key strategy for businesses around the world over the last decades. Nowadays, the European wine sector finds itself in an increasingly competitive international environment, which is characterised by mature and declining per capita wine consumption in traditional markets and increasing competition from new emerging wine producing countries. Structurally, this sector is characterised by a vast majority of family businesses and faces several particularities. This research investigates the perception of difficulties in the internationalisation process of small and medium wineries in two emerging Italian wine exporting regions. It is found that the difficulties perceived in the internationalisation process depend on strategic and structural factors. The strategic factors highlighted in this paper are the degree of international diversification and the geographic scope of a firm's export activities. The structural factors relate to the characteristics of the exported goods, the management and the size of a firm. The findings are discussed in the light of recent developments of Italian wine exports and their implications for the Italian wine sector are derived.

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Keywords: Internationalisation; SME; Italy

1. Introduction

Internationalisation has been identified a key driver of firm growth and an important strategy for businesses to diversify their operational risk (Johanson and Vahlne, 1977; Leonidou, 2004). Hence, firms that do not consider selling their products and services internationally put themselves at a disadvantage. Particularly the current change of global wine consumption pattern forces wine businesses to reconsider their distribution strategies in order to ensure profitability and survival on the long run (Mariani et al., 2014a). This development is a key concern especially for many small and medium businesses (Pomarici, 2016). In Italy, a shift in demand for Italian exports towards higher quality wines has opened an important opportunity for small and medium businesses (Corsi et al., 2004). However, during the internationalisation process, businesses face

managerial, financial and market-related barriers with respect to their activities. These challenges are linked to structural characteristics and the strategic decisions a business takes during this process of internationalisation. The examination of related obstacles and problems has been an important field of study among researchers in the past (Katsikeas and Morgan, 1994; Saeed and Vincent, 2011; Azzi da Silva and da Rocha, 2001).

International trade is a topic of foremost interest at the European level. This can be seen from commissioned dedicated research by the European Commission (Reinstaller et al., 2010). However, the vast majority of past studies have focused on MNEs¹ (Laufs and Schwens, 2014) and large manufacturing firms in the United States (Hitt et al., 2006), while small and medium sized firms have received less attention in the past (Chiao et al., 2006). The European wine sector is predominantly shaped up by small and medium enterprises (European Parliament, 2012). Existing research on

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¹MNEs: Multinational Enterprises

internationalisation in SMEs² (Paul et al., 2017) lacks of the consideration of sector-specific needs of the wine industry. These knowledge gaps and the past studies' limited transferability to the wine sector provide the starting point for dedicated research. The influencing effects of structural characteristics and strategic action in the process of internationalisation are important to understand in an age shaped by increasing transnational trade relationships, yet no dedicated literature has jointly investigated specific structural and strategic in the wine sector. Identifying the particularities that apply for businesses in the European wine sector is the purpose of this research.

The exploration of the structural and strategic correlates discussed above is not only important for future scholarly research but also valuable guidance to industry practitioners and policy makers. For this reason, the present study investigates how structural firm characteristics and strategic actions relate to the perception of difficulties in the internationalisation process of SMEs in the Italian wine sector. Understanding obstacles related to the internationalisation process can help different stakeholder groups to support the economic growth of small businesses in the wine sector. Results help management teams to take proactive measures to influence the effects of export barriers and their perception. Educators may support this process by providing managers with relevant skills in achieving this goal. Policy makers can better understand the needs of small and medium firms and better evaluate their related difficulties and derive implications in the policy making process. Finally, scholars can consider the findings of this research when developing or validating related frameworks in internationalisation research.

2. Literature review and tested hypotheses

The phenomenon of international trade and the resulting process of internationalisation³ relates at its core to the unique resources of a firm, which allow the same to develop and sustain a competitive advantage in the marketplace (Barney, 1991). A major source of competitive advantage in the agricultural sector is largely related to the location of production and its related uniqueness, which in the European context is protected by European law (Morrison and Rabbellotti, 2017). The choice to internationalise involves difficulties, which need to be overcome. Previous research has shown that relationships between these difficulties, structural characteristics and strategies of a firm exist.

Firms have to identify the degree of internationalisation that maximises their performance in foreign markets as a part of their strategic planning (Hitt et al., 1994). This decision is closely linked to the geographic scope of a firm's export activities. The characteristics of exported goods or services are another crucial strategic aspect that firms need to carefully

consider (Cavusgil and Kirpalani, 1993). For instance, recent research in the wine sector points out that quality wine with denomination of origin is associated with higher export values, and hence achieves a better valuation through the market (Agostino and Trivieri, 2014). Also structural factors have been instanced to influence the process of internationalisation in a firm. One factor that has been long-discussed and often considered is the size of a business. Human resources, especially at the managerial level, are a further meaningful determinant of successful internationalisation. It has been recently argued that business leaders accumulate experiential knowledge during their tenure, but also become more risk-averse as they age (Gielnik et al., 2012). The following paragraphs discuss the previously mentioned aspects and their relationships in greater detail.

2.1. Perceived difficulties in the internationalisation process of SMEs

Previous research has pointed out the importance of export related perception variables, such as problems and difficulties, to be important predictors of export performance (Aaby and Slater, 1989; Zou and Stan, 1998). Shaw and Darroch (2004) argue that managerial perceptions of the macroeconomic environment and the related barriers are more important than facts when it comes to choosing internationalisation strategies and have a profound influence on the internationalisation of a business. For this reason and due to the inherent challenge to identify appropriate measures of export performance, it is similarly argued that the adoption of perceptual measures of export performance is advantageous since "management action is driven by perceptions of company performance rather than by objective calibration of its performance characteristics" (Katsikeas et al., 1996).

Developing an understanding of managerial perceptions of export barriers is important as it is associated with a firm's continuity of export activity (Azzi da Silva and da Rocha, 2001). More importantly, research in SMEs has a key constraint due to the fact that financial data which would enable direct conclusions regarding a firm's export performance is not publicly available for this type of businesses and firms are reluctant to disclose such information. Earlier research has pointed out, that export related perception variables strongly correlate with firm export performance (e.g. Katsikeas et al., 1996; Axinn, 1988; Zou and Stan, 1998): factors related to management's attitudes and perceptions seem to be potent determinants of the financial measures of export performance. The link between export performance and perceived difficulties/barriers has not been unambiguous in early research in the 1980–1990s (Azzi da Silva and da Rocha, 2001), but a growing body of recent literature has found a strong link between these two variables (Cameiro et al., 2011; Cacic et al., 2002; Jalali, 2015; Mavrogiannis et al., 2008; Altıntaş et al., 2007).

Abstracting from specific firm or industry levels, barriers may be generally subdivided into the following three groups (Shaw and Darroch, 2004): managerial, financial and market-

²SMEs: Small and Medium Enterprises

³Researchers propose different terminologies, i.e. degree of internationalisation, multinationality, international diversification, which are used interchangeably throughout this study.

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