



Archetypes of SME internationalization: A configurational approach



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ABSTRACT

Building on the recognition of the variety of aspects associated with international expansion, we present a framework for identifying different archetypes of firm internationalization. Our model is based on six indicators: internationalization from the demand side, resources located abroad, geographical scope, international orientation, internationalization of the business network, and financial internationalization. Drawing from data on 63 Italian SMEs, four archetypes of internationalization strategy are identified through a cluster analysis: 'marketer', 'investor', 'networker', and 'weak internationalizer'. This study offers a methodological contribution to the analysis of firm-level internationalization, grounded in configurational theory, which defines strategies as multidimensional archetypes. We also discuss potential directions for future research.

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1. Introduction

Description and measurement of internationalization are central in international business research (Aggarwal, Berrill, Hutson, & Kearney, 2011). Two main types of contributions can be ascribed to this research area: those focusing on measuring the degree of firm-level internationalization and those aimed at identifying taxonomies and typologies of international strategies. As far as the former type is concerned, the literature shows heterogeneous approaches to measuring the degree of firm-level multinationality (Ietto-Gillies, 1998; Sullivan, 1994). Either single or composite index-based measures have been developed. Both of these measures show limitations in capturing the essence of the firm-level internationalization phenomenon. Single measures are considered deficient in capturing the complexity of internationalization processes. On the other hand, the adoption of aggregate indexes that summarize multiple indicators is questionable as they allow compensation among measures quantifying different sides of internationalization (Ramaswamy, Kroeck, & Renfort, 1996). The latter type of contributions includes all research that proposes configurations of international business strategies on the basis of one or more relevant internationalization dimensions (Bartlett & Ghoshal, 1989; Lim, Acito, & Rusetski, 2006; Perlmutter, 1969; Rugman & Verbeke, 2004). Our paper falls within this research stream.

In their analysis of the degree of firm-level internationalization, Aggarwal et al. (2011, p. 561) argue that "rather than searching for a single acceptable definition [of MNCs], a better approach would be to develop a classification system...". They suggest that "although classification systems have been used in the business and management disciplines, the more advanced quantitative methodologies have not yet been widely used... future research could usefully build on these techniques to construct enhanced classification systems of MNCs across a variety of dimensions in addition to their degree of multinationality" (p. 574). This paper aims at responding to this suggestion. Drawing from the multidimensional nature of the strategy construct, we develop a framework for the analysis of the internationalization archetype of the firm on the basis of six dimensions of firm-level internationalization.

The configurational theory of strategy (Meyer, Tsui, & Hinings, 1993) forms the theoretical background of this study. According to this theory, a firm's strategy or archetype can be described as a combination of multiple dimensions rather than a function of a single dimension. The search for strategic archetypes characterizes a well-consolidated stream of research in management literature (Miles & Snow, 1978; Miller & Friesen, 1978) and still represents a promising approach. For example, Lim et al. (2006) analyze three distinct international marketing archetypes, building on a conceptualization of international marketing strategies grounded in configurational theory. Very recently, Hagen, Zucchella, Cerchiello, and De Giovanni (2012) identify four strategic types of international SMEs and investigate their relationship with performance.

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On the empirical side, this paper proposes an application of the framework to 63 Italian manufacturing SMEs. Proxies of different internationalization dimensions are processed through a cluster analysis. A taxonomy based on four archetypes is therefore identified and the key characteristics of each archetype are discussed.

Our study primarily contributes to configurational theory, wherein strategies are analyzed as multidimensional archetypes. In addition, by focusing on international SMEs as our research setting, we offer an initial contribution to the understanding of the international strategies of SMEs, which is increasingly considered an important, though neglected, research field (Bell, Crick, & Young, 2004; Hagen et al., 2012).

The paper is structured as follows. The next section reviews the theoretical and methodological foundations of the configurational theory of strategy. In section three, we discuss the use of configurations in international business literature. Then, we present our approach as directed to the identification of configurations of international business strategies or ‘internationalization archetypes’. The framework is illustrated in detail in section four. Section five describes the selection of the firms included in the empirical analysis and the data collection. The framework is then applied. The process of cluster identification is presented in section six. The internationalization archetypes are described and interpreted in section seven. In the last section, the contribution of the paper and the implications for practitioners are discussed and a research agenda is designed.

2. The configurational approach to the analysis of strategy

The search for strategic archetypes and organizational configurations is popular in strategic management literature. A number of attempts have been made to understand commonalities across organizations (Lukas, Tan, & Hult, 2001) and to capture the essence of most competitive postures or patterns of strategic behaviour (Garrigos-Simon & Marques, 2004; Robinson & Pearce, 1988).

According to the configurational theory of organizations (Meyer et al., 1993), strategy is a multifaceted construct consisting of different dimensions (Venkatraman, 1989). Strategic patterns are identified on the basis of the firms’ positions along the different dimensions of the strategy construct. Configurations of strategy can also be defined as ‘archetypes’, ‘gestalts’, or ‘generic types’ (Miller, 1986). As Rich (1992, p. 758) notes, ‘*classifying organizations into types presents an alternative to the idea that organizations are either all alike or are all individually unique*’. Configurational theorists of strategy therefore suggest that it is reasonable to believe that every business can be managed by a limited number of generic strategies (Miller, 1986). The focus of researchers is on identifying a limited number of strategy configurations out of numerous technically possible combinations (Lim et al., 2006).

The Miles and Snow (1978) typology provides an illustration of research on configurations of strategy. Miles and Snow (1978) develop a comprehensive framework that addresses the alternative ways through which organizations define their product-market domains and develop structures and processes to achieve competitive advantage in those domains (Olson, Slater, & Hult, 2005). Miles and Snow described four configurations: defender, prospector, analyser, and reactor.

Another popular dominant framework of business strategy is Porter’s (1980, 1985) typology. Porter’s typology suggests that business strategy is the result of how the firm creates customer value compared with its competitors and how it defines its market scope (focused vs wide). Certain generic strategies are more effective than others, depending on industry. The belief that the success of organizational types (or configurations) is a function of environmental and industrial conditions is grounded in

contingency theory (Meyer et al., 1993). Contingency theorists note that each strategic configuration is expected to be more effective in a particular type of environment (Ketchen et al., 1997).

A relevant issue regarding the identification of configurations is the choice between inductive and deductive approaches (Ketchen et al., 1997). Scholars following configurational approaches are commonly divided into two groups: typologists and taxonomists. Typologists identify configurations through a theoretical description. Typologies can be defined as “*theoretical devices that are mainly useful for categorization. . . [they] identify multiple ideal types, each of which represents a unique combination of the organizational attributes that are believed to determine the relevant outcome(s)*” (Doty & Glick, 1994, pp. 231–232). The researchers who define the configuration as taxonomy identify configurations by applying quantitative analytical techniques such as cluster analysis (Roca-Puig & Bou-Llusar, 2007). They focus on the empirical classification of organizations to inductively define a set of configurations that are appropriate to a given context (Ketchen et al., 1997). Meyer et al. (1993) argue that the distinction between typologies and taxonomies is largely artificial. Though originating from prior theory, organizational typologies are grounded in empirical experience. On the other hand, whereas taxonomies are developed from an empirical analysis, they are theoretically grounded because the attributes used in forming clusters are selected on the basis of a theory (McKelvey, 1982).

3. In search of configurations of international strategies: a multidimensional view of internationalization

Various examples of the typologies and taxonomies of multinational enterprises (MNEs) can be found in international business research (Harzing, 2000). Perlmutter (1969) identified three typologies of MNEs on the basis of managerial mindsets, which are labelled ethnocentric (home country-oriented), polycentric (host country-oriented), and geocentric (world-oriented). In his analysis of the rationale for FDI, Dunning (1993, 2000) identifies four main types of foreign MNE activity: market-seeking (or ‘demand oriented’), resource seeking (or ‘supply oriented’), efficiency-seeking (or ‘rationalized’), and strategic asset-seeking. Building on the economic integration-local responsiveness framework, Bartlett and Ghoshal (1989) modelled a fourfold typology of MNEs as international, multinational, global, and transnational. Relying on data on the geographic distribution of sales for Fortune 500 companies, Rugman and Verbeke (2004) identified four types of MNEs: home-regional, bi-regional, host-regional, and global.

In the context of born globals (Knight & Cavusgil, 1996), a taxonomy has been developed by Knight and Cavusgil (2005) based on the constructs of international entrepreneurial orientation, technological leadership and Porter’s (1980) generic strategies of differentiation, cost leadership and focus. Attempts to classify firm strategies can also be found in international marketing research (Larimo, 2006; Lim et al., 2006; Ozsomer & Prussia, 2000). However, as Hagen et al. (2012) observe, “*analysis of the differentiated strategic orientations of SMEs [small and medium-sized enterprises] in international markets is missing*” (p. 370). Uncovering strategic taxonomies, especially in international SMEs, is therefore a research area that deserves further investigation (Bell et al., 2004).

3.1. From the degree of internationalization to the internationalization archetype of the firm

Internationalization is a complex phenomenon that passes through multiple stages (Johanson & Vahlne, 1977) and follows multiple paths. It may involve not only marketing and sales, as the export literature shows, but also a number of different business

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