

Growth Strategies & Internationalization for SMEs: an introduction to the special issue

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The increasing market globalization and the consequent enlargement of the market borders continues to provide a multitude of growth opportunities to small and medium enterprises (SMEs). These opportunities include but are not limited to the expansion abroad through internationalization strategies. They refer also to the innovation of business models triggered by the fact that the SMEs operate in global sectors, and they can utilize global innovations and digital technologies to compete. The joint pursuit of digitalization and internationalization has proven to be most powerful in facilitating the SMEs growth processes on a global scale. The advantages that accrue to SMEs from the usage of digital technologies go beyond the mere Internet and rest mainly in the possibility to create a deep relationship with international customers, for example through the usage of social networks. This does not necessarily imply that the firms operate in two or more locations through trade, investments, and alliances, since SMEs can keep their location in the home country, while expanding their market borders by serving international customers, developing the global power of the brand and the international corporate image. At the same time they have to face international competitors in their home country as well.

More generally, it is no longer possible to act in the current marketplace without considering the risks and opportunities presented by foreign and/or global competition.

Most of the papers accepted for the EURAM 2020 online Conference “The business of now: the future starts here” (rescheduled as virtual in Dublin, December 4-6, 2020 - Dublin, Ireland) in the Track “Growth Strategies & Internationalization for SMEs” (Special Interest Group: Entrepreneurship) promoted by the Italian Society of Management (SIMA), are focused on these main research streams. The strategic challenges for SMEs were also discussed during the Sinergie-SIMA 2020 Conference “Grand Challenges: Companies and Universities working for a better society” (September 7-8, 2020 - Pisa, Italy).

To acknowledge these research advances, we decided to organize a Special Issue for Sinergie - Italian Journal of Management, in order to propose original contributions to each of the main SMEs’ strategic profiles.

In particular, the special issue partially mirrors the aforementioned scenario including 1) papers that deal with the SMEs growth more specifically in relation to the internationalization strategies and 2) papers in which the SMEs growth strategies are connected to an international management approach required by the current global context made by international customers, global knowledge/technologies, global sector/international competitors.

Focusing on the first research stream, in the current hypercompetitive scenario, SMEs are increasingly facing international challenges like those of larger firms. The international growth strategies for SMEs go well beyond import/export, outward processing figures or even the amounts of Foreign Direct Investment (FDI). The focus of the firm is not only on selling abroad, but also on being international. It concerns the management of all business functions; it extends to various steps and/or to the entire value chain, from operations to marketing, from finance to research and development, from human resources and logistics to supply chain management. International strategies are indeed becoming much more complex than in the past. In this vein, some research questions are solicited:

- How do SMEs cope with uncertainty and risk associated the international process?
- What are the characteristics associated with growth and internationalization strategies of SMEs?
- Which are the prevailing relationships between corporate and subsidiaries within the multinational enterprises?
- Which are the main managerial issues in the multinational enterprises?

Internationalization decisions are typically taken under uncertainty, particularly in the case of entrepreneurial SMEs. The adoption of a global niche strategy is considered a successful mechanism in order to reduce uncertainty. The paper co-authored by *Giovanna Magnani and Antonella Zucchella* proposes a model that explores the relationships among the implementation of a global niche strategy, perception of lower competition, and international performance. Applying structural equation modelling, the model is tested on a sample of 110 Australian entrepreneurial SMEs. The results underline that, in order to reduce uncertainty in the internationalisation process, entrepreneurial SMEs create their own market; moreover, they tend to control manufacturing and technological capabilities, by vertically integrating production processes. In particular, the creation of market spaces and a unique system of offer is associated with lower competition perception and, in turn, a better international performance. The foreign growth seems to be the result of a “customer-driven” approach, aimed to create solutions problem-solving and intense customer interactions, instead of being “country-driven”.

Focusing on innovation management within the international business, the paper co-authored by *Maike Simon and Susanne Royer* analyses the innovation process initiated by subsidiaries within multinational enterprises. Grounding on Schmid et al.’s (2014) process model of subsidiary initiative development, the research is based on a meta-synthesis of ten selected exploratory case studies. The results of the paper suggest that subsidiary-initiated innovation is a time-constrained phenomenon driven by certain types of subsidiaries. Isolated subsidiaries without extensive headquarters’ control tend to be more proactive; a significant role at this stage of the process is played by the ability and the motivation of subsidiary managers. When headquarters identifies an innovative subsidiary, the subsidiary receives more attention at the corporate level and a reverse knowledge transfer starts. In this phase, entrepreneurial subsidiaries come out of isolation and they evolve in terms of their

multinational network position; as a consequence, the “entrepreneurial spirit” decreases. For this reason, this paper can be considered a substantial contribution to the current managerial problems affecting the relationship between the corporate level and subsidiaries within the multinational enterprises, providing recommendations in terms of organisational and communication aimed to accomplish the process of subsidiary initiative development.

The second research stream focuses on the paramount importance of digital technologies and sustainability in designing successful paths of SMEs in an international context. We try to provide some directions for research questions such as:

- How is the digital transformation changing the business model and the internationalization strategies of SMEs?
- What are the major issues and barriers that hinder SMEs high technological product commercialization process? Does Industry 4.0 support or hinder the commercialization of new products?
- To what extent are enterprises conscious of immersive technologies growth strategies? Which are the motivations to adopt Augmented Reality as a smart growth tool in retailing?
- How do SMEs develop an effective business model for tackling sustainable challenges?

It is well known that the digital transformation has revolutionized the way companies conduct business, create relationships with consumers, suppliers, and other stakeholders and foster business model innovation and customer value creation. Literature has highlighted how digital transformation can enhance the creation of international markets, which is an important challenge for SMEs. Digital technologies impact on internationalization of business in two ways: they easily help enterprises show products virtually, avoiding the travel costs e.g. for trade fairs and the physical barriers typical of e-commerce, and they promote enterprises images in international markets.

In this vein, the paper written by *Francesca Serravalle, Milena Viassone and Regine Vanheems*, emphasizes the importance for SMEs to adopt digital growth strategies in order to develop their business. This paper applies a multi-case study methodology based on nine Italian SMEs operating in the furniture and interior design retailing. Although the selected Italian SMEs show a low exposure to the knowledge of technologies and a higher resistance to adopt digital growth strategies in their business, they are aware about the potential of these technologies. Three out of nine are internationalized, and augmented reality helps them in the growth of their international markets. Even though the data were gathered before the COVID-19 outbreak, the authors conclude that SMEs need to embrace tech solutions (such as AR) for their survival and business growth more than ever.

Consistently, the paper coauthored by *Michela Matarazzo, Lara Penco and Giorgia Profumo* investigates the impact of digital transformation on business model innovation (with a focus on the customer value creation) and internationalization in the context of SMEs operating in the Made in Italy sectors. The study is based on a multiple case study research. From

the analysis of three case studies (belonging to fashion, food and furniture industry), the results underline that the investigated SMEs shaped their business model using digital instruments both in the distribution and in the communication phases. In particular, some digital instruments (e.g. social media, augmented reality, chat bot) are applied to the process of consumer value creation, creating new distribution channels and deeper relationships with the existing consumers, such as enlarging the covered markets, also at the international level. Moreover, the results demonstrate that digital transformation may be considered the first driver for the internationalization strategy of SMEs, often characterized by financial constraints and barriers of entry. Web sites and the linkage with global or specialized e-commerce platforms are useful for creating new channels to sell companies' products at the international level; social media can help firms to create connections and interactions with international customers exploring and creating new markets abroad. Although the research is focused only on the relationship with customers, digital technologies help to improve collaborations with foreign distributors, strengthening the relationship among the different actors within the global value chain.

The paper of *Andrea Sabatini, Sara Bartoloni, and Gian Luca Gregori* focuses on a global sector including digitization, internet of things, internet of services and cyber-physical systems labelled as Industry 4.0, which are considered the new main challenge in the current production system. Their study explores how SMEs are managing industry 4.0 new products commercialization. It contributes to the SMEs growth research stream drawing on the new product development literature, more precisely the new product commercialization phase, and the Industry 4.0 literature. This research topic is of particular importance since, despite the growing interest in the academic and managerial literature, firms are struggling to effectively develop and commercialize new products embedding such technologies. Commercializing highly technological products is increasingly relevant as Industry 4.0 brought more complexities into manufacturing and development processes as well as into marketing and sales activities. Therefore, the study posits that embedding Industry 4.0 into new products might bring new challenges in the commercialization phase stimulating SMEs growth. As a matter of fact, to create marketable solutions, firms are asked to develop personalized products that can fit the buyers' manufacturing processes. The study provides an understanding of the several issues and barriers which SMEs face in the New Product Development commercialization process while developing Industry 4.0 products.

The paper co-authored by *Eleonora Annunziata, Francesco Rizzi and Marco Frey* deals with the contribution of SMEs to the development of sustainable innovations by implementing effective sustainable business models, which is another important topic within the field of firms' growth and expansion over time. Indeed, generally firms implementing sustainable innovations have better growth performance than firms that do not pay great attention to this issue. Specifically, the paper aims to investigate the role of innovative sustainable business models in supporting the development of sustainable innovations such as

geothermal heat pumps (GHPs), an attractive and sustainable technology for space heating and cooling. It analyzes how new ways of developing a value proposition, supply chain, customer interface, and financial models are the main strategic tool to contribute to the diffusion of decentralized and sustainable thermal energy supply at the residential and commercial level. The empirical results suggest that companies who want to develop business models for boosting sustainable innovations should identify the peculiarities of selected sustainable innovations and tackle potential issues that can produce opposition to their adoption. Furthermore, companies should identify and potentially acquire internal and external capabilities to support an effective implementation of sustainable innovations without ignoring the availability of their resources. However, this process can be influenced by the size of companies. Indeed, SMEs should assess the external acquisition or internal development of capabilities by considering potential resource constraints.

We hope that the studies selected for this special issue, showing novel approaches and original findings, can provide valuable insights into the challenges facing current entrepreneurial firms and SMEs. We hope that they can stimulate future studies of this important phenomenon which provide a deeper understanding of the growth processes of these firms and the barriers and obstacles they have to overcome to compete successfully in the global marketplace.

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