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Local Heritage – A Hindrance or A Catalyst for Successful Internationalization Initiation?

Empirical Evidence from Micro-Businesses in the British Craft-Brewing Industry

Purpose

Drawing from extant literature on SMEs' internationalization, characteristics of micro-firms, and brand heritage, this study aims to provide insight into the complex role that strong brand associations to locality play in micro-firms' approach towards internationalization. The specific objectives of this research are to: 1) understand how deep local embeddedness influences the adoption of a domestically- or internationally-oriented market focus; 2) explore how strong brand associations with locality hinder and/or encourage internationalization decisions; and 3) reveal micro-breweries' mechanisms to negotiate potential tensions emerging from efforts to pursue international activities while retaining their crucial connections to their locale.

Design/methodological approach

A series of in-depth interviews (N=25) were conducted following site visits to micro-breweries (producing less than 5000 hl, and/or employing less than 10 people) in Yorkshire and Scotland. These two regions were purposely selected. The Yorkshire area has a long tradition in brewing and is of special interest due to increased competition amongst micro-brewers that puts additional pressure for internationalization; the region has the largest number of micro-breweries outside London, the most different types of brewed beers, and had the highest number of new micro-breweries in 2016. On the other hand, Scotland has enjoyed significance exporting successes with whisky that the craft beer sector is increasingly encouraged to capitalize on; the Scottish Government has established an industry-led organization, Scotland Food & Drink, to assist in building Scotland's international reputation as a 'land of food and drink' and providing exporting support for businesses.

Key findings

One of the most important findings of this study was that micro-firms' managers perceive locality - by default a core and active differentiating brand element for craft breweries - as both a hindrance and a facilitator for their internationalization. On the one hand, the resource-deficient micro-businesses

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consider their connection to their local backgrounds as crucial for both their own survival and growth but also the survival and attractiveness of their local communities. Having been embraced as a core element of the social and economic life of their local settings and having enjoyed trust from other local actors with which they maintain interdependent relationships, a shift of focus from their local markets to international markets was perceived as a form of betrayal towards their local identity; hence, respondents stressed their commitment to continue primarily serving their local communities (e.g. by supplying local shops with their most premium brands or exclusive products, prioritizing distribution there, etc.), especially for breweries in remote or disadvantaged places. On the other hand, under favorable beer duty rates and the increased pressure to export by relevant industry and governmental support agencies, internationalization was seen as an act that was facilitated by deep local embeddedness: strong local identity was seen as an illustration of product superiority which would benefit their local communities in the long-term (e.g. via attracting tourism), and hence the micro-breweries themselves.

Research, managerial and social implications

The study's findings have significant policy implications, especially in relation to the design of export support initiatives for micro-firms. In terms of future research directions, the study's findings suggest the existence of a continuum of internationalization willingness, on the one end having businesses that perceive internationalization as a threat to their local identity and legitimacy in their local setting, and on the other end having businesses which perceive their deeply local identity as a unique differentiation point that will enhance their success prospects in international markets and will thus benefit their local community. Future research could further explore the existence of such a continuum as well as factors that seem to play a role in influencing the exact positioning of micro-firms from different industrial and institutional contexts in this continuum.

Originality

Following calls for further research on the internationalization processes of micro-firms, given their unique resource deficiencies and their variable sensitivity to institutional influences, this study

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advances internationalization theory by providing further insight into the processes and specific challenges that micro-firms face when seeking to expand internationally.