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Marketing issues for business-to-business firms entering emerging markets: an investigation among Italian companies in Eastern Europe

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Marketing issues for business-to-business firms entering emerging markets: an investigation among Italian companies in Eastern Europe

Abstract

Purpose
The purpose of this paper is to comprehensively explore marketing issues for foreign industrial companies of large, small and medium size entering emerging markets (EMs), particularly transition economies in Eastern Europe. The vast majority of current studies about emerging markets focus only on defining suitable strategies related to large consumer goods corporations.

Design/Methodology/Approach
The research adopted a multiple case study approach. Five Italian companies belonging to different business-to-business industries that have entered emerging countries in Eastern Europe were selected for investigation.

Findings
Empirical analysis uncovered recurring issues related to: institutional factors causing market uncertainty and instability; difficulties in building a sales network; a need for product adaptation to guarantee satisfactory performance; choices related to communication, branding and trade fairs; and considerations about competition and first mover advantage. Results can be interpreted as an extension of the analysis of institutional voids by Khanna and Palepu (1997).

Research limitations
The study is based on the analysis of five case studies of companies operating in specific emerging markets, namely in Eastern Europe Countries (EEc) Further research based on different samples and different emerging countries is needed before generalizing results.

Practical implications
The study shows that the main institutional void affecting business-to-business companies entering EMs is the lack of locally developed sales and after-sales networks. This institutional void slows the entry process of business-to-business companies in EMs. Given these constraints, from the perspective of business-to-business SMEs, it may be fruitful to pursue niche positioning in EMs.

Originality / value
The study analyzes emerging markets opportunities and entry strategies from the business-to-business marketing perspective, uncovering the most critical issues.

Keywords: business-to-business; emerging markets; foreign market entry; trade fairs; sales network.

Paper type: Research paper

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1. Introduction

From 2000-2009, economies in transition grew at a rate of 5.1% compared to an average GDP increase of 1.3% in developed countries (United Nations, 2011). Economies in transition have been affected by the crisis in 2009, but they immediately experienced a rebound in GDP in 2010 (+3.8%) and are expected to grow at a rate of 4.0% in 2011 and 4.2% in 2012 (United Nations, 2011). Therefore these dynamic economies in transition (which according to the United Nations [2009] include 18 countries in Eastern Europe, i.e. Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, Georgia, Kazakhstan, Kyrgyzstan, Montenegro, Republic of Moldova, Russian Federation, Serbia, Tajikistan, The former Yugoslav Republic of Macedonia, Turkmenistan, Ukraine, Uzbekistan) are among the most attractive emerging markets (EMs) for companies seeking opportunities to gain new market shares.

Operating in these new contexts may require new managerial tools given the specific institutional conditions (Burgess and Steenkamp, 2006) of the EMs. Drawing on this awareness, management and marketing scholars have been studying effective strategies for "doing business in emerging markets" since the 1990s (e.g., Austin, 1990). In particular, a well-known article by Prahalad and Lieberthal (1998), "The End of Corporate Imperialism", paved the way for a growing stream of literature challenging the validity of transferring common managerial practices developed in mature countries to emerging countries. As the authors stated, "In order to participate effectively in the big emerging markets, multinationals will increasingly have to reconfigure their resource base, rethink their cost structure, redesign their product development process, and challenge their assumptions about the cultural mix of their top managers" (Prahalad and Lieberthal, 1998, p. 79).

In the last decade, many authors have contributed to this stream of research by exploring several issues, such as the potential and attractiveness of EMs (Cavusgil et al., 2002; Pacek

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and Thorniley, 2007); factors leading to competitive advantage in EMs (Li and Zhou, 2010); effective product strategies (Brouthers et al., 2005); behavior of local consumers (Paswan et al., 2010) and the segmentation of EMs (London and Hart, 2004; Khanna and Palepu, 2006), with a particular emphasis on the bottom of the pyramid (Prahalad, 2007); branding choices among local and global brands (Eckhardt, 2005); country of origin effect (Ferguson et al., 2008); advertising strategies (Swami and Dutta, 2010); distribution channels and strategies (Dawar and Chattopadhyay, 2002; Griffith et al., 2005; Dong et al., 2010); reasons for multinational failures in EMs (Pak and Lee, 2002); the first mover advantage (Cui and Lui, 2005); and ethical dilemmas when operating in EMs (Sele, 2006). Despite these pioneering studies, knowledge on these issues is still scarce and fragmented: “we need to conduct more research in EMs, both to further advance marketing as an academic discipline and maintain its managerial relevance” (Burgess and Steenkamp, 2006, p.338). Moreover, “EMs are natural laboratories in which theories and assumptions about their underlying mechanisms can be tested, generalizations derived and boundary conditions identified” (Burgess and Steenkamp, 2006, p. 337).

The purpose of this paper is therefore to further explore marketing strategies for foreign companies competing in EMs, and in particular in transition economies, by filling two gaps in available knowledge:

- The vast majority of studies about EMs focus on defining suitable strategies related to consumer goods industries, while largely ignoring business-to-business markets, even if industrial settings are more globally relevant than consumer markets to the volume of transactions carried out (Håkansson & Snehota, 2006). EMs require significant demand for industrial goods because of a need to update the installed industrial base and the infrastructure (Khanna and Palepu, 1997). Available studies about business-to-business practices in EMs are scarce and focus only on a few specific issues or countries; e.g., the special issue of the

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Journal of Business & Industrial Marketing (Vol. 22, N. 2, 2007) about business-to-business marketing in China, and the special issue of the same journal (Vol. 23, N. 6, 2008) about culture and marketing in EMs economies (even if the latter includes studies conducted in business-to-consumer markets);

- Most available studies about strategies for EMs take the large corporation point of view (e.g., Bhaumik and Gelb, 2005), which may differ significantly from the perspective of small and medium-sized companies. SMEs, for example, often lack of the resources needed for international activities (Andersson et al., 2004; Singh et al., 2010). To further contribute to available knowledge, this paper analyzes firms of varying size.

The paper is organized as follows. First, EMs are introduced and their institutional context described. Second, the most important issues in industrial marketing are reviewed and discussed with reference to EMs, the empirical research is described and results are presented. Concluding remarks complete the paper.

2. Emerging markets and their institutional context

Several organizations and researchers have suggested their own definitions of the term “emerging markets”, for example: Goldman Sachs (2001; 2005), Van Agtmael (2007), Pelle (2007), The World Bank (2009), The United Nations (2010), The International Monetary Fund (2010).

Going beyond this variety of definitions, Khanna and Palepu (1997) provided a valuable conceptualization by stating that EMs are those with failures to provide the institutions necessary to support basic business operations (i.e., lack of adequate and reliable information, misguided regulations, where political goals are more important than economic efficiency, and inefficient judicial systems). Following this reasoning, Burgess and Steenkamp (2006)

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underlined how the institutional context distinguishes emerging economies from advanced countries. These divergences are related to:

-the socioeconomic subsystem, including rapid change, a young and partly under-educated population, extreme differences in household size and income between the affluent segment and the base of the pyramid;

-the cultural subsystem, suggesting an emphasis on hierarchy and embeddedness because people are strongly rooted in collective groups;

-the regulative subsystem, meaning that legal outcomes are less likely and that several stakeholders have a strong influence on corporate governance.

These institutional factors force foreign companies to adapt their strategies to compete in EMs. For example, Walters and Samiee (2003, p. 98) noted that in several emerging markets the "lack of reliable information is a key reason for the absence of formal corporate planning activities". Several other authors have studied the impact of the institutional context on managerial issues. Among these, Prahalad (2007) listed a set of principles to create suitable products for the bottom of the pyramid, where the majority of the population of EMs resides. Griffith et al. (2005) suggested that foreign companies competing in emerging countries should distribute their goods through natural channels, instead of imposing standardized channels. The institutional conditions may have a severe impact on business-to-business strategies as well, even if this topic has been widely overlooked, although a significant exception is the study by Darley and Blankson (2008).

3. Emerging markets and business-to-business opportunities

Even if emerging countries are generating a wide range of opportunities for business-to-business companies, this issue has been largely ignored by available scientific studies, which focus mainly on business-to-consumer industries. Drawing on the five-stage model of the

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economic development of countries created by Rostow (1991), Cateora and Graham (2007) suggested that specific kinds of business-to-business products or services are demanded at each stage of development.

It is therefore not surprising, for example, that in 2008, machinery and transport equipment accounted for 39.0% of goods imported by China and 47.8% by the Russian Federation (United Nations, 2009). Moreover, Goldman Sachs (2008, p.2) suggested that BRIC (Brazil, Russian Federation, India, China), NEXT-11 (Bangladesh, Egypt, Indonesia, Iran, Korea, Mexico, Nigeria, Pakistan, Philippines, Turkey and Vietnam) and the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Saudi Arabia and UAE) would establish an “enormous demand for infrastructure investment across a range of sectors, including electricity, air travel, roads, telecoms and internet use”. Total infrastructure investment across the five sectors over the next decade in these countries will amount to roughly $4.35trillion (Goldman Sachs, 2008).

To intercept such huge demand, foreign companies will need to apply well-defined business-to-business marketing strategies, which may differ from the strategies deployed in the business-to-consumer industries of EMs, already deeply analyzed by available studies. Business-to-business markets have several distinctive features that heavily influence suitable and effective marketing strategies (Mudambi, 2002; Håkansson and Snehota, 2006):

-the existence and importance of continuous business relationships involving activities, actors and resources on both sides (buyer and seller);

-a high degree of market concentration (i.e., a relatively low number of buyers and sellers);

-the complexity and customization of products and solutions;

-the complexity and the technical competences of the decision-making unit;

-the relevance of personal sales over mass-market advertising.

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Despite these premises, comprehensive studies about business-to-business marketing challenges and effective strategies in EMs are still lacking. Available research about these issues is mainly related to specific countries and issues: such as the special issue of the *Journal of Business & Industrial Marketing* (Vol. 23, N. 6, 2008) about business-to-business practices in China or a study on the impact of culture in building networks and conducting negotiations in Russia (Salmi and Sharafutdinova, 2008). A broader perspective on business-to-business marketing critical issues in EMs is needed.

Moreover, available studies about marketing strategies in EMs mostly take the perspective of large corporations, ignoring the point of view of small and medium-sized companies that could intercept niche opportunities in those markets. The purpose of the following analysis is therefore to comprehensively explore marketing challenges for foreign industrial companies of large, small and medium size competing in EMs, and particularly in transition economies.

4. Methodology and empirical base

Responding to the need for comparative (case-study) research on marketing strategies in developing countries (Akbar and Samii, 2005), this research adopted a case study approach with the purpose of building new theory (Bonoma, 1985; Eisenhardt, 1989). Beverland and Lindgreen (2010, p. 56) observed, “industrial marketing research is characterized by the use of qualitative case studies to build theory”. Moreover, qualitative techniques are generally more suitable than quantitative techniques to uncover new constructs (Burgess and Steenkamp, 2006) and to incorporate the effects of time (Wagner et al., 2010).

Theoretical sampling was used to select the cases to be analyzed (Eisenhardt, 1989), which means that cases were chosen based on the expected contribution they could give to theory building. In particular, five Italian companies that have entered economies in transition in

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Eastern Europe were chosen (table I). Italian companies have been extensively selected in previous studies to investigate several phenomena related to the internationalization of the firms (e.g. Majocchi and Zucchella, 2003; Zucchella et al., 2007). In particular Italian companies are mainly SMEs (Rabellotti, 2009) and many of them are highly specialized in business-to-business industries, such as machinery, equipment and chemicals (Eurostat, 2010). Moreover Italian companies have strong trade relations with EEc, and particularly with the Russian Federation (Eurostat, 2010). More specifically the case selection was based on the following criteria:

1) Variability in firm size: as it is demonstrated by relevant previous studies (e.g. Andersson et al., 2004) firm size is a strong determinant of the firm's approach to and development of international activities. This relates to the different level of knowledge and resources held and acquired by the firm over time in the markets where it operates as well as by the different impact of environmental pressures on the firm. Moreover as demonstrated by Walter and Samiee (2003), acquiring reliable information is one of the biggest challenges for firms entering emerging markets. Nonetheless it is a prerequisite for strategy development and implementation. Therefore we expected that the difficulties in gathering information may differently influence the perceptions by SMEs vs. large firms about the intensity of the obstacles faced when operating in EMs. Therefore following the statistical definition of small, medium and large firms in the European Union (2005), we selected two small firms (i.e. employing fewer than 50 persons), two medium firms (i.e. employing more than 50 but fewer than 250 persons) and one large firm (i.e. employing more than 250 persons)

2) Numbers of years that have passed since the company entered economies in transition in Eastern Europe: previous research about business-to-business companies in EMs (e.g., Low et al., 2007) highlighted that time is required to secure legitimacy from the community of customers in EMs. Drawing on these results, we expected that companies may have different

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perceptions of marketing challenges depending on the length of their operation in EEc. Therefore we selected three firms which entered these economies in the 1991-1994 period, and two firms which started their presence in EEc in 2005. It must also be mentioned that all five companies decided to expand their sales (but not sourcing) activities to transition economies in Eastern Europe, after having collected previous experience in several mature foreign markets (Johanson & Vahlne, 1990).

3) Product/Industry: in business-to-business marketing studies, given the presence of a wide variety of industrial market conditions which are often unique to a specific industry, it is a common practice to include in the sample companies from different industries to grasp the complexity of the phenomenon under investigation (e.g. Michell et al., 2001; Han & Sung, 2008; Baumgarth, 2010). Following this practice, we selected five companies belonging to different business-to-business industries.

The three mentioned main features (number of employees, year of market entry in EEc and product/industry) together with some other information about the five cases are summarized in Table I.

	Product / Industry	**Number of employees**	**Current presence in Eastern Europe Countries (EEc)**	**Year of market entry in EEc**	**Sales organization in EEc**	**Interviewee**
Case 1	Machine and technologies for agricultural activities	35	Albania, Russian Federation, Serbia and Montenegro, Ukraine	1991	Sales area manager and local distributors. No own branches.	Sales area manager
Case 2	Equipment for the food industry	132	Ukraine, Belarus	2005	Sales area managers, agents, and regional distributors. One branch office in both countries.	Sales director
Case 3	Heating systems	640	Russian Federation, Ukraine	1993	Sales area managers for key accounts and a few nationwide importers with	Sales area manager

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					their own sales network reaching several wholesalers. One branch office in both countries.	
Case 4	Molds manufacturing	63	Russian Federation, Ukraine	2005	Sales area managers and a branch office in both countries.	CEO
Case 5	Furniture for hotels, head offices, yachts	31	Kazakhstan, Russian Federation	1994	Sales area managers, local agents/dealers and an office in the Russian Federation.	Sales area manager

Table I: Key features of the cases included in the study.

To gather valuable data about the complex issue under inquiry, semi-structured, in-depth interviews with the sales director or the sales area manager responsible for company exporting activities in Eastern Europe were conducted. A standardized interview protocol was followed to increase research reliability (Beverland and Lindgreen, 2010). A verbatim transcription of the interviews was sent to the interviewees for feedback. Each interview was then coded independently by the authors of the study and analyzed to identify recurring themes. The cases were analyzed using Eisenhardt's (1989) method of within-case and cross-case analysis.

5. Findings and discussion

Results are presented according to recurring marketing issues revealed by analysis. It should be premised that all the interviewees agreed about the existence of large market opportunities for business-to-business products in EMs.

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Institutional factors causing market uncertainty and instability

Respondents named problems such as corruption, long bureaucratic procedures, tax evasion, and instability when asked about the overall market scenario they found in EEc. One of the respondents noted:

> *"One of the main problems we have to face in the Ukraine is a high level of corruption and the presence of a diffuse black market. Those factors severely increase the level of competition in the market. Fake goods indicating a false country of origin and supported by false quality certifications are invading the Ukrainian market from the Far East […] Moreover, a high level of tax evasion means that local firms give false official reports of low levels of sales turnover: this implies that they have severe difficulties in obtaining loans from banks. This is a critical issue for us since our products are mostly directed toward the local building industry, which is dependent on bank loans […] Moreover, the political and financial instability of this country has emphasized the negative effects of the financial crisis in 2009" (case 3).*

Another respondent underlined the risk of unforeseen events:

> *"The devaluation of the Ruble caused an unexpected reduction in our sales on the Russian market. Moreover, the decrease in the price of raw materials, oil and gas, on which the Russia economy is strongly dependent, lowered the demand for our products" (case 4).*

These findings confirm that institutional factors may have as strong of an effect on business-to-business as on business-to-consumer for the institutional context of EMs (Burgess and Steenkamp, 2006), supporting the theoretical approach of Khanna and Palepu (1997), who state that institutional voids distinguish EMs from mature economies.

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Building a sales network

Building an efficient sales (and after-sales) network is one of the most important tools of business-to-business marketing (Håkansson and Snehota, 2006). Interviewed managers reported that building such networks was, and still, is their major concern about operating in EEc:

> *"It was extremely difficult to find suitable and reliable partners in EEc with whom to share our product and commercial know-how. Most of our efforts in building and maintaining our sales network there relate to training activities for distributors, who will have the responsibility to interact with customers. These partners are usually not trained from a technical point of view […] We could have expanded our activities more quickly, as in mature countries, if we did not have to face these issues" (case 1).*
>
> *"In both Eastern European countries where we expanded, we found that there was not a nationwide distribution system; thus we have to rely on a number of small and regional distributors that lack the standard professional competencies we are used to finding in any mature country. Of course, we need to include local distributors in our sales network because they know the local market and culture and they know how to capture the attention and confidence of local clients […] but the high level of fragmentation is a difficult managerial complexity for us. Moreover, you have to monitor whether the local partner is behaving consistently with our instructions, and this is not always the case" (case 2).*
>
> *"In the Ukraine, above all, we had to create a complete network for after-sales services" (case 3).*

Another respondent emphasized the time and effort required to establish a local network:

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> *"In the Russian market, we found a door-to-door policy more effective than generating a number of (low-quality) leads during trade fairs. But to perform such a door-to-door strategy, you need trained local agents, and this is a challenging issue. Therefore our growth in that market is not as high as it could be" (case 5).*

A slow, step-by-step structuring of a local sales network is forced on foreign companies (especially small and medium-sized companies, as in cases 1, 2 and 5) entering EEc. Even if business-to-business opportunities may appear huge and attractive, foreign companies may be slowed by constraints related to local sales force recruiting and training. Griffith et al. (2005) observe that in business-to-consumer contexts foreign companies operating in EMs have better to employ natural channels of distribution. The findings of this study show that this opportunity is not always accessible in the business-to-business settings, because specialized natural channels are not available. At the same time the results suggest that large companies (case 3) are able to overcome these obstacles by creating their own channels, while SMEs have better to concentrate their initial sales efforts on selected narrow geographical areas and/or selected niches of the market.

Product adaptation, solutions and performance

Product and solution customization is a distinctive feature of business-to-business markets (Håkansson and Snehota, 2006). Respondents underlined that the need to adapt products for EEc derives not only from specific buyer's requirements but also from factors within the institutional context:

> *"In the Ukraine, we had to adapt our products to resist higher water pressures" (case 3).*

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> *"Even if you use a standard equipment, the performance and the output may be completely different in EEc, since they depend on specific environmental conditions (e.g., humidity), on the quality of local raw materials, and on the competences and the culture of the personnel […] You must have a complete control on the production process to obtain a good output. Therefore, in EEc we had to invest heavily in after-sales assistance and services and the training of client employees. This requires huge investments for a company of our size" (case 2).*

Moreover, one manager stated that extra efforts are needed to support co-production (Grönroos, 2008) with local customers:

> *"You have to own both international and national quality certification to communicate your product reliability. But these tools are useful only if potential clients appreciate them. You have to assist them in defining the best investment solution for them because they are not used to performing such evaluations" (case 3).*

The findings demonstrate that a customized solution for the business-to-business customers is necessary but difficult to obtain because the decision-making unit does not own the high technical competences required for the co-production process (Grönroos, 2008). Additional efforts for SMEs emerge from the results. As it is not easily possible for all SMEs to set up a nation-wide after-sales network, the findings support the tendency of SMEs to start focusing on selected narrow geographical areas and/or selected niches of the Eastern Europe markets.

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Communication, branding and trade fairs

Communication activities in business-to-business markets usually rely on a different media mix compared to business-to-consumer contexts (Yoon and Kijewski, 1995). Respondents mentioned several critical issues related to their participation in trade fairs in EEc:

> *"The participation in trade fairs in EEc can be efficient particularly if you have already built a sales network on your own […] these events can increase the credibility of your brand, products, agents and distributors […] It can be useful to reinforce your brand through scientific publications but only if you find customers able to appreciate them, and this is rare in EEc" (case 1).*
>
> *"Participating in trade fairs is fundamental in our industry; therefore we devote a large part of our investments to them. You have to make a distinction between participating in trade fairs in Italy or in trade fairs in EEc. For example, we had participated in the most important trade fair for our industry in Russia, but recently we decided only to attend trade fairs in Italy. That is because the quality of the Russian exhibition lowered over time, and it is no longer consistent with the quality of our products. Moreover, Russian clients are pleased to visit us at trade fairs in Italy. On those occasions, we also organize visits to our company to enhance their experience" (case 5).*

Results confirm the importance of trade fair participation in attracting new customers from EEc and highlights that investments must be planned selectively. As a matter of fact findings support that "even the most carefully managed stands will yield few returns if organizers fail to attract visitors that correspond to the target groups of exhibitors" (Rinallo, Borghini and Golfetto, 2010, p. 256).

Respondents also frequently mentioned personal contacts and experiential drivers as critical communication issues for gaining the trust and loyalty of EEc customers:

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> *"Having a strong brand image is fundamental to attracting new clients. The main drivers of brand image in EEc are the ownership of international quality certifications and the equipment installations we already completed for other local clients. Moreover, clients may be interested in our equipment only if they can verify how it works […] participating in trade fairs is a good opportunity in this sense because potential customers can experience our machines" (case 2).*

Managers made an interesting point about the country of origin effect:

> *"Being Italian can help you, given our recognized expertise in this industry" (case 1).*
>
> *"Italian components are perceived as high-quality. This is also related to the fact that several Russian industrial plants were equipped with Italian components and machineries during the Soviet period, and it is not uncommon to find some of those machineries still working 40 years after their installation" (case 4).*

At the same time, however, two other respondents noted:

> *"Even if our country of origin could give a positive support to our activities in EEc, it is actually a liability. Other Italian companies entered these countries immediately after the fall of the Berlin Wall, attracted by the huge commercial opportunities. Unfortunately, these companies sold low-quality products, and their negative business behavior has deteriorated the image for all Italian products. You have to work hard to be perceived as reliable in our industry" (case 2).*
>
> *"Russian clients are used to paying their orders in advance, but we register an increasing distrust toward Italian companies because some of them were not able to fulfill the orders after payment" (case 5).*

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Answers suggest that the effect of country of origin in business-to-business markets matters (Dzever and Quester, 1999), but country of origin effect may represent both a facilitator and a liability for foreign companies entering EEc. These factors are largely out of the control of the company. At the same time interviewees underlined that quality certifications are often more important to their customers than the effect of the country of origin and both SMEs and large companies invest to achieve relevant quality certification.

Competition and first mover advantage

Managers reported that they found a medium to low level of competition in their industries in EEc, but the number of legal (and illegal) competitors is increasing steadily:

> *"There still are growing business opportunities in EEc for our products. Nonetheless competition is sometimes very strong due to the behavior of other Italian companies!" (case 1).*
>
> *"Even if the market for our products was relatively new in EEc, when we entered these markets we found some German companies operating there. More importantly, you have to consider the competition coming from products imported illegally" (case 2).*
>
> *"The degree of competition in our industry in EEc is already high. There are several German and Swedish companies in these markets. We entered these markets as a first mover, and we are still taking advantage of our pioneering condition" (case 3).*
>
> *"Even during the recent crisis, local customers did not turn to low-cost alternatives because they know that the quality of our components influences the*

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quality of their products. Instead, they tried to reduce costs by asking for larger pricing reductions or better terms of payment" (case 4).

More interestingly, findings confirmed the order of entry effect on current performance (Cui and Lui, 2005), highlighting the presence of the first mover advantage.

Finally, it should be observed that the interviewees did not mentioned the heavy cultural impacts on business-to-business marketing strategies, which were reported in several previous similar studied conducted in other settings, and particularly in Africa (Darley and Blankson, 2008) and in China (Gebauer et al., 2007; Pressey and Qiu, 2007). This finding is not surprising given the cultural proximity between Italy and EEc.

6. Conclusion and further research

The purpose of this paper was to explore marketing issues for foreign business-to-business companies entering EMs, particularly EEc. The study based on in depth-case analysis has shown some recurring issues related to:

-Institutional factors causing market uncertainty and instability;

-Difficulties in building a sales network;

-The need for product adaptation and solutions to ensure and performance;

-The mixed effectiveness of communication, branding and trade fairs;

-The low level of competition and the possibility to gain a first mover advantage.

Our study highlights that the main institutional void affecting business-to-business companies entering EEc is the lack of locally developed sales and after-sales networks. This means that each company should create, ex novo, its own distribution system, which implies significant efforts and investments to find and train reliable partners. This institutional void can slow the entry process of business-to-business companies in EMs. In general results can be interpreted as an extension of the analysis of Khanna and Palepu (1997), who stated that EMs are

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characterized by the presence of institutional voids. Moreover the results highlight the need of strong efforts to continuously assist and educate the customers to select the best solution for them and make it work properly.

More interestingly our study offers new contributions in the perspective of SMEs entering emerging markets, complementing the large companies' perspective adopted by the vast majority of studies (e.g., Li and Zhou, 2010). The findings underline that SMEs have to face higher levels of (perceived) barriers. As a consequence, initially they often select narrow geographical areas and/or selected niches, where they are able to build a satisfying sales and after-sales network.

Therefore from a managerial point of view it may be fruitful for business-to-business SMEs to pursue niche positioning in EMs, focusing investments and resources on a narrow portion of the market, where it may be easier to overcome institutional voids and gain a first mover advantage. At the same time, foreign companies should evaluate all business-to-business opportunities in EMs with caution, knowing that a long period may be needed to gain a structured presence in the market.

This research presents several limitations. First, the study is based on the analysis of five case studies of Italian companies operating in specific EMs, namely in EEc. For example, as mentioned before, there is a certain cultural proximity between Italy and EEc. This relation could explain why the impact of cultural-specific variables on marketing strategies did not emerge from the study. Therefore further research based on different samples and in different emerging countries is needed before generalizing the results. Moreover it should be considered that each business-to-business industry has its own specificities and nature. There are several opportunities for future studies on this under-researched topic. It would be fruitful to derive specific constructs related to the institutional context of EMs (e.g., the intensity of institutional voids) and to integrate the moderating effects of those institutional elements into

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traditional business-to-business models. Empirical analysis on business-to-business country of origin strategies and first mover advantage in EMs may also provide useful insights.

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