

Internationalization of SMEs in the digital age :  
opportunities and threats, Bolzano, Italy, 29-30 April  
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Interactive Research Development  
Workshop and Conference

**Internationalization of SMEs  
in the Digital Age – Opportunities and Threats**

Editors: Katharina Gilli, Marjaana Gunkel,  
Michael Nippa, Valerio Veglio

**Conference  
Proceedings**



Conference Proceedings  
Interactive Research Development Workshop and Conference

**Internationalization of SMEs in the Digital Age  
Opportunities and Threats**

April 29 – 30, 2019 · Bolzano, Italy

**Editors**

Katharina Gilli, Marjaana Gunkel, Michael Nippa, Valerio Veglio

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## 1. PROGRAM ACKNOWLEDGEMENTS

### 2. ISME 2019 Organization Committee

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## 2. INTRODUCTION

The current digital transformation generates opportunities and challenges for all firms that want to stay competitive. This is especially true within international contexts (Kleindienst & Ramsauer, 2015) and for small and medium-sized enterprises (SMEs) that are changing the way to do business to survive and to grow in a highly competitive international marketplace (Raymond & St-Pierre, 2011) increasingly driven by new digital technologies such as Internet of Things, Big Data & Analytics, Additive Manufacturing, and Robotics.

These new technologies are transforming the conditions under which and how firms create and deliver value-based transactions within local and foreign markets (Ojala, Evers, & Rialp, 2018). In particular, the digitalization could have a relevant impact on the internationalization process of firms in terms of the timing, pace, and rhythm of internationalization, location and entry mode choice, foreign market learning and knowledge recombination, accessibility of requisite resources and capabilities in home and host markets, and the firms' ability to manage the liabilities of foreignness and outsidership (Coviello, Cano, & Liesh, 2017). Therefore, this new competitive scenario might bear the opportunity for new modes of internationalization (Turber, Brocke, & Gassmann, 2015; Autio & Zander, 2016), new business models (Autio & Zander, 2016), and new configurations of value chains (Porter & Heppelmann, 2015).

Previous research studies, frequently confined in the context of multinational corporations (MNCs), have shown that the continuous development of digital technologies is disrupting traditional business models, (Brouthers, Geisser, Rothlauf, 2016; Yoo, 2010), value chains (Dasi, Elter, Gooderham, & Pedersen, 2017), and internationalization processes of MNCs (Coviello, et al., 2017), international new ventures (Autio & Zander, 2016) and iBusiness firms (Brouthers, et al., 2016).

However, despite the relevance of this issue in today's global business, research on the influence of digitalization on the internationalization of SMEs is still under-represented in the literature. Hence, the idea to organize the 2.ISME interactive research development workshop and conference on "Internationalization of SMEs and Digitalization: Opportunities and Threats" at the Free University of Bozen-Bolzano in May 2019, which aimed at discussing fresh ideas and innovative research initiatives in the field of internationalization of SMEs in the digital age in a more workshop-like format.

We invited international scholars interested in this field, including senior PhDs and PostDocs, to submit and present their early stage research on the internationalization of SMEs at this interactive conference. We were particularly interested in empirical and conceptual papers that advance already existing knowledge from diverse disciplines affecting SMEs and their attitude towards internationalization and digitalization. The unexpectedly high number of interesting studies from authors originating from many different countries demonstrated that our idea to offer a developmental format that allows for constructive feedback and discussions among the participants was highly appreciated.

Both conference days started with a keynote speech. On the first day, Professor Farok Contractor gave an inspiring keynote speech on how digitalization increases the propensity to

form international strategic alliances leading to successful SMEs internationalization. Professor Timothy Devinney, spoke about theory, testing and scientific knowledge in digital times at the beginning of the second conference day. Both keynotes were very inspiring and certainly provided food for thought for the participants.

Eleven presentations in the areas of digitalization, strategy and business models innovation, decision making and finance, and internationalization processes were held during the conference. The submitted projects varied in their methodology and stage of development. We believe that all authors benefited from the lively discussions after the presentations and will be able to develop papers further.

The conference proceedings at hand include the extended abstracts of the papers presented at the interactive conference if the authors did not signal that they want to abstain from being included for different reasons. Further information on the projects as well as the references cited in the abstracts can be obtained by contacting the authors of the papers.

We surely enjoyed hosting the international conference at our University and hope to see many of the authors at the 3<sup>rd</sup> interactive development workshop and conference on internationalization of SMEs at the Free University of Bozen-Bolzano in the spring 2020.

Bozen-Bolzano, July 2019

Katharina Gilli, Marjaana Gunkel, Michael Nippa, and Valerio Veglio

#### **REFERENCES AVAILABLE FROM THE AUTHORS**

### 3. PROGRAM OVERVIEW

April 29-30, 2019 / Free University Bozen-Bolzano / University Club, F6

#### Day 1 // April 29, 2019

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- 12.00 am Registration
- 12.45 pm Welcome
- 1.00 pm **Keynote Speech**  
*“On the importance of international strategic alliances for the success of SMEs internationalization”*  
 Farok Contractor – *Rutgers University, United States*
- 2.15 pm Coffee Break
- 2.30 pm **Track: Digitalization**  
*Digital Internationalizing Firms: a systematic literature review and future research agenda*  
 Silvia Piqueras – *Autonomous University of Barcelona (UAB), Spain*
- Digital Talent – The Most Critical Resource of SMEs for Managing Digital Transformation*  
 Katharina Gilli – *Free University of Bozen-Bolzano, Italy*
- What is the potential of Big Data Analytics? Insights for SMEs competing in the Digital Age*  
 Valerio Veglio<sup>1</sup>, Rubina Romanello<sup>2</sup>  
<sup>1</sup>*Free University of Bozen-Bolzano, Italy,* <sup>2</sup>*University of Udine, Udine, Italy.*
- Barriers to the adoption of cross border e-commerce by SMEs. Evidence from Italian Fashion and Food Industries*  
 Stefano Elia<sup>1</sup>, Maria Giuffrida<sup>1</sup>, Lucia Piscitello<sup>2</sup>  
<sup>1</sup>*Politecnico di Milano, Italy,* <sup>2</sup>*University of Reading, UK and Politecnico di Milano, Italy*
- 4.30 pm Coffee Break
- 5.00 pm **Track: Strategy and Business Models Innovation**  
*Do firms learn to export? Evidence from Switzerland*  
 Lamia Ben Hamida<sup>1</sup>, Patrick Ischer<sup>1</sup>  
<sup>1</sup>*HES-SO - Haute école de gestion Arc, Switzerland*
- Feeding the Fire of Digital Disruption: How family firms innovate their business model in time of digital disruption*  
 Alfredo De Massis<sup>1</sup>, Marcel Hülsbeck<sup>2</sup>, Emanuela Rondi<sup>1</sup>, Ruth Überbacher<sup>1</sup>, Leopold von Schlenk-Barnsdorf<sup>2</sup>  
<sup>1</sup>*Free University of Bozen-Bolzano, Italy,* <sup>2</sup>*Witten/Herdecke University, Germany*

- 6.00 pm End of the presentation sessions  
7.15 pm Social Event & Conference Dinner (for registered attendees only)

## Day 2 // April 30, 2019

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- 9.00 am **Keynote Speech**  
*“Theory, Testing and Scientific Knowledge in Digital Times”*  
Timothy Devinney – *Leeds University Business School, UK*
- 10.00 am **Track: Decision Making & Finance**  
*Internationalization Decision-making of Small & Medium Enterprises in Uncertainty: the impact of the decision maker*  
Georgina Victoria Kemsley<sup>1</sup>, Fragkiskos Filippaios<sup>1</sup>, Zita Stone<sup>1</sup>  
<sup>1</sup>*Kent Business School, University of Kent, UK*
- The influence of the European Central Bank’s low interest rate policy on long – and mid – term investment decisions of management-owned small and medium enterprises.*  
Björn Schäfer<sup>1</sup>, Vinzenz Krause<sup>1</sup>  
<sup>1</sup>*Catholic University Eichstätt-Ingolstadt, Germany*
- 11.00 am Coffee Break
- 11.30 am **Track: Internationalization Processes**  
*Being global while preserving authenticity*  
Francesco Debellis<sup>1</sup>, Carlotta Benedetti<sup>1</sup>, Annalisa Leuzzi<sup>2</sup>  
<sup>1</sup>*Free University of Bozen-Bolzano, Italy*, <sup>2</sup>*LUM Jean Monnet University, Italy*
- Institutional and emotional dynamics on the dark side of legitimacy: The case of anti-corruption in internationally operating SMEs*  
Stefan Schembrera<sup>1</sup>, Andreas Georg Scherer<sup>1</sup>  
<sup>1</sup>*University of Zurich, Switzerland*
- 12.00 pm Farewell Reception & Light lunch  
1.45 pm End of the Conference



## 4. ABSTRACTS OF ACCEPTED CONTRIBUTIONS

### **Digital Internationalizing Firms: a systematic literature review and future research agenda**

Silvia Piqueras

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Digital technologies are basically disrupting traditional industries and the global economy. Examples of new IT infrastructures, Business Intelligence, Telecommunications, high-speed internet and Wireless technology, and other ICTs are generally referred to as “digitalization”.

To companies, digitalization means opportunities for new and/or changed business models, spanning from marketing and sales channels to logistics. The use of advanced digital information and communications technologies (ICTs) allow companies to identify opportunities for improvement, provide challenges to growth and share international activities.

It is widely recognized in the literature that digital technologies, market liberalization and significant improvements in transportation and communication infrastructures greatly enhance internationalization opportunities for SMEs (Fernández & Nieto, 2006).

Digitalization is transforming how international business (IB) is conducted (Coviello, Kano & Liesch, 2017; Alcacer, Cantwell & Pisicello, 2016; Vahlne & Johanson, 2017). Digitalization enables some firms to reach high levels of internationalization very rapidly and with limited investment in foreign assets (UNCTAD, 2017).

However, little research has been done regarding the emergence of a new type of digitalized (Internet-based) company (Bell and Loane, 2010; Brouthers et al., 2016; Wentrup, 2016), which bases its business model on the latest digital technologies: Digital Companies. There are many reasons why digital companies form a distinct type of internationalizing company.

Although the internationalization analysis looks very similar to those used by born-global and international new ventures, the internationalization process of digital firms seems different.

Prior research suggests that digital firms may follow different internationalization patterns and adopt different operating modes than conventional firms (Autio and Zander, 2016; Mahnke and Venzin, 2003; Yamin and Sinkovics, 2006). First, the internationalization process of digital firms goes from regional to international, and finally global, using adaptations such as language translations to overcome barriers, (Mahnke and Venzin, 2003; Brothers et al., 2016). Second, they position their products or services for a niche market, and they adapt very quickly to control it, (Hennart, 2014; Autio, 2017). Third, these companies base their businesses on online platforms or marketplaces to internationalize (Shaheer and Li, 2018). Fourth, using a high degree of digitalization of the value chain, they coordinate the value chain activities with Internet-enabled technologies (Hennart, 2014; Hazarbassanova, 2016). Fifth, the centre of decisions is generally the home country, (Mahnke and Venzin, 2003). It is argued that these companies prefer to enter international markets via controlled modes (e.g., subsidiaries) (Reuber, 2016; Sinkovics, Sinkovics, and Jean, 2013). Based on this thinking, digital companies cannot activate in a market without being partly present offline, in general, as a result of legal compliance and market-specific requirements (e.g., a dependence on local e-commerce merchants) (Wentrup, 2016).

Thus, the applicability of the internationalization theories to digital ways of conducting business needs to be challenged.

In this sense, the aim of this paper is to contribute on this aspect by performing a literature review of central academic papers on how internationalizing digital companies can be defined, measured and classified based on their so-called degree of digitalization.

This paper analyzes the content and evolution of the research in the fields of International Business and Entrepreneurship, to develop a more complete understanding of how digital firms internationalize. This

work use the digital approach as a conceptual framework, and to provide guidance on possible lines of future research on digital firms as an important phenomenon rapidly growing in the global economy. Future research should advance in this aspect. Likewise, it is important more empirical research that analyze the international expansion of digital firms and internationalization patterns.

Although there are still few academic publications regarding the degree of digitalization of firms and how digitalization of their Business Model affects their internationalization, the number of articles is increasing in the field of International Business and Entrepreneurship, as are opportunities for future research.

We adopted the basic guidelines for a systematic review set out by Tranfield, Denyer, and Smart (2003), identifying relevant articles through keyword searches in two journal databases. *Scopus and Web of Science (Wos)* were selected as our database due to their wider coverage of articles, highly adaptable search, and more refined options (Mongeon & Paul-Hus, 2016), especially for reporting and graphing the searches.

Our search methodology help us to identify various articles published in the field of internationalization, digitalization, international entrepreneurship, digital business model between 2000 and 2018. This review would serve as a basis to understand the research gaps, opportunities, and undertake new research studies based on the propositions and the future research agenda outlined.

The main findings reveal that there is still no consensus on the definition of digital firms and their internationalization processes. In so doing, we attempt to discuss some shortcomings of research at a methodological and thematic level offering insights into how such limitations could be addressed. To achieve this, we structure this paper in five sections as follows.

The initial conceptual framework is discussed in the first section. In section two we present the methodology to analyze systematically the literature that used digital dimensions as a framework in international business and international entrepreneurship research published in high impact journals between 2000 and 2018. The discussions based on the findings are given in section three and directions for future research are outlined in section four. Our conclusions are reported in the last section.

## **REFERENCES AVAILABLE FROM THE AUTHOR**

## **Digital Talent – The Most Critical Resource of SMEs For Managing Digital Transformation**

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### **The General Need for ‘Digital Talents’**

Due to recent technological advances, especially in the information and communication technologies (ICT) sector, public and private organizations are confronted with new challenges (Colbert, Yee, & George, 2016) and the need to develop coping strategies, overcoming resistance to change, and implementing new structures and processes. Information and communication technologies affect organizations in many ways.

Disruptive technologies such as mobile computing and virtual reality, make previously existing boundaries between online and offline settings and create large-scale networks of people, computers and objects obsolete (Cascio & Montealegre, 2016). Organizations, regardless of size and purpose, struggle to cope with technological advances and thus with the applicability of digitalization in the means of digital transformation (Fitzgerald, Kruschwitz, Bonnet & Welch, 2014).

But the exact nature of these changes to undergo a digital transformation process is still unclear as most of the studies were conducted during earlier stages of the digital transformation and the available literature is highly fragmented (Schwarzmueller, Brosi, Duman & Welp, 2018).

SMEs lack especially on critical resources which is a major factor that more than any other will determine which companies will turn the digital revolution to their advantage: people. Talented employees, who know how to use digital technologies and adapt to evolving methods and innovative approaches. According to recent research of Boston Consulting Group, the biggest perceived technology challenge is not the technology itself.

It is the lack of qualified employees who can evaluate, apply, and manage them. Digitally skilled people are already so high in demand that many large companies must put much effort into attracting them (Strack, Dyrchs, Kotsis & Mingardon, 2017). But beyond more general calls for digital talent it is still not clear, which skills, capabilities and attitudes a digital talent needs to possess. So far, there's no scientific study examining the whole framework of skills and attitudes of digital talent.

According to the variety of technological changes, that particularly affect the design of work (Barley, 2015), a skill shift is occurring. Certain skills, which were important before, decline in their demand while others rise.

Therefore, understanding which skills, capabilities and attitudes are needed to successfully apply digital technology and thus manage digital transformation is a critical success factor for organizations, especially for SMEs which, due to their reliability of smallness and the limited slack resources, often face problems in attracting talent (Mellahi & Wilkinson, 2004; Bruderl & Schussler, R, 1990).

### **Objective of the Study**

To answer these questions, I propose to follow a two-step approach. First, I summarize what derives from previous concepts and theories regarding skills and capabilities at large mentioned in the according literature. Second, I take a closer look at the management consulting industry, which is at the forefront of engaging digital talent.

I will analyze job advertisements from management and IT consulting companies with a special focus on the requirements those consultancy companies are looking for when hiring experts in the fields of digitalization and digital transformation on an executive level.

The sample consists of 300 job advertisements from Europe and North America mainly collected from the career platforms Monster, Vault and Digital McKinsey. Requirements are analyzed by clustering the skills into different components. Based on my findings I propose certain patterns or types. Finally, I

combine the findings from literature and as well as the empirical study and categorize the most important requirements that constitute digital talent.

### **Implications**

Based on the analysis of the Job advertisements, I developed seven components consisting of general and specific skills, capabilities and attitudes defining the requirements of digital talent.

With this overview, my paper closes an important research gap which is highlighted by other researchers arguing the changes resulting from the digital transformation for work and leadership (e.g. Avolio, Sosik, Kahai & Baker, 2014; Cascio & Montealegre, 2016; Parker, Van den Broeck & Holman, 2017).

Furthermore, this paper has valuable practical implications because it is supposed to support organizations in the preparation for the digital transformation in the means of talent management.

According to a Gartner study, we expect a severe shortfall in digital talent around the world by 2020, when 30% of tech jobs will be unfilled owing to digital talent shortfalls (Strack et al., 2017). Thus, organizations need to respond to this challenge by building new pools of digitally skilled employees. To do so, they must understand who these potential employees are, where they can be found, and how they can be attracted and retained. Or organizations decide to build them up on their own by developing and training their existing staff.

Furthermore, the authors claim that the resources needed required to develop these needed skills are often not available or limited. In this light, knowing where to invest to address and correct a skill shortage is critical for organizations, especially for SMEs which must dispose with their resources in a responsible way. Being aware of the required skills of digital talent and the different components of requirements, executive search can be simplified.

Therefore, my framework is supposed to work as a guideline.

### **REFERENCES AVAILABLE FROM THE AUTHOR**

## What is the potential of Big Data Analytics? Insights for SMEs competing in the Digital Age

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Digital technologies generate opportunities and challenges for all-sized firms, including Small and Medium-sized Enterprises (SMEs) that aim at remaining competitive in international contexts (Kleindienst & Ramsauer, 2015). In spite of the limited financial and human resources, SMEs can leverage digital technologies to launch new product or services in the international marketplace, or to develop effective international strategies (Hitt, Li, & Xu, 2016).

In this landscape, a powerful technology is the Internet of Things (IoT) that allows the inclusion of sensors in physical products with different potential applications: from production processes to finished products (Ng & Wakenshaw, 2017).

Moreover, IoT is at the base of a new generation of superior products named Smart and Connected Products (SCPs), which include physical, smart, and connectivity components. SCPs can generate a huge amount of raw data – with a potential intrinsic value – regarding, for example, consumer behavior, production processes, and logistic flows (Porter & Heppelmann, 2015). As such, a group of techniques called Big Data Analytics (BDA) are becoming a fundamental asset for all-sized firms in order to extrapolate strategic knowledge from raw data (Wamba, Gunasekaran, Akter, Ren, Dubey, & Childe, 2017).

For instance, companies can use BDA to monitor emerging trends and opportunities in overseas markets without the need to make substantial resource commitments in local marketing affiliates (Strange & Zucchella, 2017). Through BDA, firms could optimize their knowledge about foreign customers and translate it into new foreign market knowledge (Chiarvesio & Romanello, 2018). Overall, BDA are helpful tools for all-sized companies, particularly for SMEs that could even leverage these technologies to overcome their liability of smallness and increase their international competitiveness.

However, despite the general interest for BDA in management research, studies from an international business perspective are rare (Sheng, Amankwah-Amoah, & Wang, 2017). In fact, to the best of our knowledge, no research studies have provided a comprehensive understanding of how BDA could positively influence the international competitiveness of firms, and especially SMEs competing in global business. This research seeks to contribute to filling this gap. To this purpose, we developed a multiple case study research based on in-depth interviews with entrepreneurs of three high tech SMEs located in Bozen (IT) that provide BDA-services to both large and small companies. The goal of the interviews was to understand whether and to what extent Big Data & Analytics can support the development of competitive international strategies of firms.

Preliminary findings highlight that BDA can be applied on different types of data: i) open data and external databases related to, for example, markets, patents and products, country economic development; ii) internal databases, where data are derived from internal management software tools (e.g. CRM and SAP); and iii) IoT-related data derived from smart cities, SCPs or intelligent devices located, for instance, inside or outside shops and malls. Furthermore, BDA have a potential stronger effect when integrating different typology of data derived from multiple sources.

Data seems to be a strategic source of information for all-sized firms, which could analyze them and support the development or improvement of production, logistic, and marketing strategies. In particular, through BDA, firms develop more accurate profiling of competitors and consumers, and a better understand of how to optimize production and logistic processes. However, compared to large companies, SMEs tend not to recognize the potential of BDA as a strategic tool to improve their international competitiveness or, more in general, to support decision-making processes despite its price affordability. Although there are a few SMEs among their clients (e.g. wine and beer makers), we might expect that the number of small companies interested in these techniques will increase.

The cross-case analysis has highlighted three main applications of BDA that could somehow increase the international competitiveness of companies. First, firms adopt BDA in production and logistics to improve productivity, quality and effectiveness of production and logistic systems. Second, BDA are adopt to provide useful insights in the exploration of potential new foreign markets in terms of attractiveness and accessibility, such as market and competitor analysis, or tracking existing products and patents. Third, BDA aims at tracking the consumer journey and profiling. For example, some wine makers have developed an app to provide information about their products to consumers within traditional shops and supermarkets. Besides, through this, wine makers collect data on consumers and through BDA services they develop accurate consumers profiling.

Summing up, especially in the case of SCPs, we might expect that IoT-data become a primary source of information on international customers' habits, which through BDA can be transformed into strategic foreign market knowledge. This process could lead companies to identify differences and commonalities among foreign customers and markets, and create data-driven customer management strategies, which could be more accurately tailored on the needs of foreign consumers. For this reason, we believe that the application of BDA within all-sized firms will be increasingly used to enhance the international competitiveness of both large and small companies. Although it is still early to draw implications about impacts, based on theory and our preliminary evidence, we propose the following research proposition:

*Proposition. BDA can allow firms to design data-driven strategies related to production, logistic and marketing strategies. These tools can positively impact on the international competitiveness of firms, particularly SMEs, which could leverage BDA to overcome liabilities of smallness in the global competition, by optimizing production and logistic processes, supporting decision making and developing competitive international strategies through effective segmentation techniques and customization mechanisms based on accurate profiling of competitors, customer and prospects.*

This work is in a preliminary stage. We underline the need for analyses on larger samples of companies that use BDA techniques, especially, for marketing purposes, to investigate their impact on performance.

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## **REFERENCES AVAILABLE FROM THE AUTHORS**

## Barriers to the adoption of cross border e-commerce by SMEs: Evidence from Italian Fashion and Food Industries

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The “*digital revolution*” has the potential to impact the main elements of the internationalization process of firms, especially for SMEs that, traditionally have suffered from higher difficulties in overcoming liability of foreignness and outsidership in foreign markets (Coviello, Kano, & Liesh, 2017). Although the impact of digitalization on the internationalization of firms is a topic that received significant attention (Alcacer, Cantwell and Piscitello, 2016; Von Tulder, Verbeke and Piscitello, 2018) there is ample evidence that many issues regarding the effect of the digital revolution on the internationalization process of SMEs are yet to be addressed, especially as far as the challenges and barriers they face even (and perhaps more) on the digital markets than in the traditional ones.

Based on a preliminary study conducted by the Digital Export Observatory of Politecnico di Milano School of Management, however, there is some evidence that only a few companies, and particularly SMEs, use e-commerce to grow in foreign markets. The amount of B2C cross border sales transacted online accounts for just slightly over 6% of the total export of consumer goods in 2017 (Digital Export Observatory, 2018). Reasons are tied to multiple factors acting as barriers.

Our research develops an exploratory survey, targeted to a sample of 50 Italian SMEs operating in the Food and Fashion industries with the aim to identify the main obstacles to digital export. The mentioned industries are selected because they are typical representatives of Made in Italy abroad, thus probably embodying the most attractive type of goods for an international consumer. Moreover, Food and Fashion are among the biggest contributors to Italian export, with a share of respectively 7.6% and 11.4% on total exports (ISTAT, 2018).

Our preliminary results highlight that the main barriers, especially for SMEs, refer to some dimensions that widely mirror those experienced in traditional foreign markets. Specifically, difficulties mainly refer to: (i) the lack of knowledge, and consequent uncertainty, about foreign markets and legal requirements in particular; (ii) the lack of knowledge, and consequent uncertainty, about the appropriate digital channels and/or payment systems, to adopt; (iii) the costs associated to logistics, and (iv) the need to comply with sometimes very different culture (and the associated uncertainty about the appropriate communication strategies). However, the preliminary results also highlight that those barriers to the adoption of cross-border e-commerce are heavily dependent on the destination market and on the industry. For instance, logistics is recognised as particularly complex for the Chinese market (Hensher, 2015), while legal aspects seem to be particularly critical in the US as well as in Russia.

We believe such a preliminary evidence already provides some insights about the limited diffusion of cross border e-commerce in Italy, especially among SMEs, and possible implications for industrial policy.

### REFERENCES AVAILABLE FROM THE AUTHORS

## Do firms learn to export? Evidence from Switzerland

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The digital revolution reveals characteristics based on distributed and combinatorial innovations (Youngjin, et al. 2012). These characteristics impact firms' innovation and internationalization paths, in which small and medium firms need to learn from large firms to be able to reduce their costs and maintain their market shares. Large firms such multinationals are assumed to possess a countervailing advantage over SMEs since they use advanced technology in production, marketing, management, etc., which makes them more efficient (Dunning & Rugman, 1985). MNC is highly likely to be in a better position to start export operations and overcome the fixed costs induced by these activities, since it can benefit from the existing international network of the entire corporation (Blomström and Kokko, 1998).

The contacts of SMEs with export oriented MNCs provide both knowledge about the product and process technologies and international market conditions and access to foreign marketing and distribution networks – for example, foreign preferences regarding design, packaging, and product quality – raising the export and productivity performances in domestic SMEs through export spillovers.

Our paper addresses the issue of export spillovers and argues that export activities of MNCs may benefit domestic firms ♦ (including SMEs) when the export specific knowledge of MNCs that are experienced on foreign markets may spill over to domestic firms, improving domestic export performance. By learning from MNCs, domestic firms are likely to raise their export propensity or intensify their export volume. We argue that in this digital era, domestic firms can enhance their exports when investing in learning activities by observing and imitating MNCs or creating linkages with them. Little attention has been paid by scholars to analyze spillovers from MNCs' export activities and existing empirical results on this kind of spillover effects have been mixed for both developed and developing countries and export spillovers are not well understood (Aitken et al., 1997; Greenaway et al., 2004; Ruane and Sutherland, 2005; Koeing et al., 2009; Giuliano et al., 2014; and so on). Part of the problem is that learning is expected to be highly localised (Yildizoglu and Jonard, 1999) and spillovers are geographically bound.

When spillover effects are measured for domestic firms in all regions (i.e. at a national level), the regional benefits might not be observed if they are too small to offset the overall negative effect across all regions. (Aitken and Harrison, 1999). We believe that regional dimension plays an important role in assessing export spillover effects. “It may be easier to monitor competitors' strategy on international markets when they are located close by” (Choquette and Meinen, 2012, page 6).

In addition, we argue that export learning is more likely to be vertical than horizontal, since export oriented MNCs are likely to be relatively isolated from the domestic market (Kokko et al. 2001). Backward and forward linkages that domestic firms have with MNCs' suppliers and customers, respectively, would be a valuable source of knowledge on foreign markets, allowing them to export to the same destination. And finally, we think that higher cultural and geographical distances may hamper the path of domestic international expansion, since exporting costs increase with destination's geographical and cultural distances (Lawless, 2010, Giuliano et al. 2014). MNCs that have multi-market presence would be then a valuable source of knowledge on foreign market, allowing domestic firms to export to the culturally and geographically distant destinations. According to the above arguments, we expect the following hypotheses:

H1. The presence of export spillovers on the export decision of domestic firms is more pronounced with neighboring MNCs.

H2. Export spillovers on the export decision of domestic firms are more likely to be vertical (from MNCs' suppliers and customers) than horizontal (from MNCs' counterparts).

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♦ Domestic firms used in this paper refer to exporting and non-exporting firms that are not investing in FDI. A great number of them is small and medium enterprises “SMEs”.



H3. Export spillovers on the export decision of domestic firms are higher as export destination's geographical and cultural distances increase.

We test our hypotheses using firms-level data from manufacturing industry in Switzerland. Our data is derived from innovation activity survey (2015) of manufacturing firms, with at least five employees, conducted at the Swiss Institute for Business Cycle Research (KOF). Switzerland is an interesting case study since export is a preeminent activity in Swiss economy (BFS, 2016). In addition, Swiss government, especially at canton level, is more and more active in encouraging export activities. And there has been no investigation of the potentially beneficial export spillover effects of MNCs on domestic manufacturing firms in Switzerland.

Our Probit regression results show that (1) domestic firms benefit from the presence of MNCs' exporters in their industry and from the export activities of their upstream MNCs' suppliers. (2) The benefit from forward linkages are three time larger than that of horizontal effects. (3) Both horizontal and vertical effects are higher when spillovers are specific by destination. (4) The effect of forward linkages becomes stronger when MNCs and domestic firms are located in the same region and when export destination's geographical and cultural distances increase<sup>†</sup>. And (5) domestic firms do not seem to benefit from the export activities of their MNCs' customers.

On the policy front, suggestions with respect to encourage export, following such findings, must consider that export spillovers from MNCs occur in the region and are highly likely to be vertical more than horizontal. Actions should encourage collaborations between domestic firms and their MNCs' suppliers of the same region to promote the flow of knowledge between firms and facilitate the assimilation and absorption processes in this digital era. This collaboration would contribute to a successful domestic learning and encourage SMEs to export to distant markets•.

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<sup>†</sup> In this case, domestic firms in Switzerland seems to gain higher benefit when MNCs' suppliers export to Asian and American markets rather than to Europe.

• Network based relationships are considered to be an effective way of navigating through uncertainties inherent to international operations » (Sinkovics, et al. 2018, page 1065).

## "Feeding the Fire of Digital Disruption: How family firms innovate their business model in times of digital disruption"

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The digital disruption radically changes traditional value chains and incumbent firms, which are locked in their established structures (Christensen, 2013) increasingly find themselves under severe innovative pressure (Loebbecke & Picot, 2015; Archibugi, 2017). This applies especially to family firms, which are typically characterized by particularly entrenched structures that have often grown over generations, by serious resource constraints (De Massis, Frattini & Lichtenthaler, 2013) and also by their additional non-financial goals (Gómez-Mejía, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007; Kotlar & De Massis, 2013). Nevertheless, like all firms, family firms are forced to respond to digital disruption by following innovative avenues for value creation, such as business model innovation (BMI) (Zott, Amit & Massa, 2011; Zott & Amit, 2017). However, their ability to do so has been questioned, because they are often considered as conservative organizations unwilling to break away from their proven ways of doing business that are thus perceived as less innovative than other types of organizations (De Massis et al., 2013; Chrisman, Chua, De Massis, Frattini & Wright, 2015).

The digital disruption leads to an uncontested shift in paradigms fundamentally changing societies, economies and ultimately organizations around the globe at an unprecedented intensity and speed (Bounfour, 2016; Rindfleisch, O'Hern, Sachdev, 2017; Schwab, 2017). Organizations have to respond to digital disruption with digital innovation, which is by no means limited to processes, products and services, but increasingly to the entire business model (BM) (Zott & Amit, 2017). Technological innovation alone is thus no longer sufficient to respond to digital disruption and thus BM and innovation scholars have turned to BMI as a novel avenue for value creation (Chesbrough, 2007; Amit & Zott, 2012). Since entering the digital age, the notion of BMs has been gaining increasing momentum (Amit & Zott, 2001; Magretta, 2002; Foss & Saebi, 2017) and especially BMI has since become ever more important (Chesbrough, 2007; Amit & Zott, 2012; Zott, 2016). Like all incumbent firms, family firms have to innovate their BMs in order to remain competitive and to ensure firm survival in an increasingly dynamic and digital environment (Johnson, Christensen, & Kagermann, 2008). However, there are strong theoretical reasons to believe that family firms may encounter distinctive difficulties in adopting digital innovation on the BM level (König, Kammerlander, & Enders, 2013). Their unique family firm traits - e.g. resource constraints and generational transition - have a strong and often negative impact on how they manage innovation (König et al., 2013; De Massis, Frattini, Kotlar, Petruzzelli, & Wright, 2016). At the same time, however, family firms range among the most innovative firms in the world (De Massis et al., 2013; Urbinati, Franzò, De Massis, & Frattini, 2017; De Massis, Audretsch, Uhlaner & Kammerlander, 2018). Despite the uncontested importance of digital disruption and BMI, the relationship between disruptive innovation and family firms remains puzzling (De Massis et al. 2013; Duran, Kammerlander, Van Essen, & Zellweger, 2016; König et al., 2013).

Due to the contemporary nature of the phenomenon under investigation, which is particularly new and just unfolding, it has so far not been addressed by the existing research. Hence, further exploration in this direction is much needed. Therefore, we conducted a multiple-case study research design to detect similarities and differences between family firms (Eisenhardt, 1989; De Massis & Kotlar, 2014). This approach is perfectly suited to capture our qualitative research question starting with "how and why" (Yin, 2014). Our sample comprises 20 family-owned and family-run German Mittelstand firms. To collect our rich and informative data, we conducted 43 semi-structured interviews with family members in the TMT (average duration of one hour) and over 40 informal expert interviews. We further integrated more than 6,000 pages of secondary data (e.g. company chronicles, websites, annual reports, articles, press releases, corporate documents, etc.). The use of multiple sources of data allows us to triangulate the data collection (Yin, 1994) in order to increase robustness and significance as suggested by Eisenhardt (1989) and Yin (2014). To analyze the collected data, we independently read interviews and

archival data. Applying open in vivo coding (NVIVO®), allowed the exchange of memos to capture the three components of digital disruption, to trace the trajectories of digital stewards through family and non-family involvement in digital innovation projects. Our qualitative research approach, i.e. moving from empirical evidence to first-order codes, second-order themes, and aggregated theoretical dimensions, perfectly addresses our research question: *How do family firms innovate their business model in times of digital disruption, while preserving their traditional family firm traits?*

The results from our study unpack the umbrella dimension of *digital disruption* into its three components - *digitization*, *digitalization* and *digital transformation* - with respect to *what* is being digitally innovated (i-Scoop, 2019). The “*digitization*” component refers to a family firm’s digital innovation at the process level. Once a family firm digitally innovates its products or services, we included it into the “*digitalization*” component. As soon as a family firm digitally innovates its entire BM, it is allocated to the third component of “*digital transformation*”. Within each of the three digital disruption components, we again allocated the family firm cases to five different types of digital stewardship, namely incumbent generation, next generation, non-family TMT, external consultant and cooperation. A firm can have involved one to five stewards in its digital disruption projects at the same time. Our findings broadly show that the first two digital disruption components comprise radical innovations, but are not as disruptive as digital transformation, which requires a fundamental change in the family’s mindset in order to realize the need to change established BMs. It has become essential to exploit the typical family firm traits, which may hinder disruptive innovation, e.g. path-dependency, rigid mental models and especially loss of control. We observe the increasing necessity to open up towards external knowledge, technology and lastly support from external consultants and to open up the innovation process through cooperation with third parties (e.g. universities, research institutes, start-ups. etc.). Hence, to ride the digital wave of the XXI century, family firms have to open up and seek for external technical and knowledge support more than ever.

In conclusion, we combine the digital disruption dimension with the digital stewardship dimension. We further bring to light the unexplored nuances on family and non-family members’ involvement, which account for the heterogeneity of digital stewardship. The promising intersection of digital disruption, BMI and family business is currently one of the most pressing topics on scholars’ agenda, entailing radical changes in organizational BMs, processes and products and services to fully leverage the potential of digital innovations and to unlock value creation through BMI (De Massis et al., 2013; König et al., 2013; Zott & Amit, 2017). With this in mind, our study aims to address this very promising intersection and ultimately offers important theoretical as well as practical contributions.

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# Internationalisation Decision-making of Small & Medium Enterprises in Uncertainty: the impact of the Decision-Maker.

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## Introduction & Background

Even before the United Kingdom (UK) voted to leave the European Union (EU) in a nationwide referendum held in June 2016, a climate of economic uncertainty had begun. This atmosphere only increased in the run up to the UK triggering Article 50 in March 2017, and if anything has only deepened during the negotiation period, as the projected regulatory environment post-Brexit remains unclear. A period of such ambiguity has had both a tangible and intangible effect on UK business; arguably felt most acutely by Small & Medium Enterprises (SMEs) whose tight margins and diminished resources make it difficult to adequately assess potential strategies to combat the effects felt by uncertainty. Yet these firms account for the vast majority of business and employment in the UK and across Europe. Excluding the financial business sector, in 2016 over 99% of enterprises operating in the EU were SMEs; employing 93 million people and constituting to 67% of the total employment (Muller et al. 2017). This highlights just how vital these businesses are to the health of an economy and how necessary it is to gain a more comprehensive understanding of exactly who and how SMEs make the decision to grow and internationalise; especially in periods of economic uncertainty. This is particularly relevant now as it is these SMEs across the European continent which are likely to suffer most during the potential transitional period of Brexit, some of which seem to be already feeling the negative effects of an unknown future between the UK and mainland Europe.

What is unique about this particular period in the wake of Brexit, is that this unprecedented event has the potential to require a full revision to the framework of the institutional environment; which is an occurrence yet to be explained by the existing literature surrounding enduring periods of uncertainty. Contrary to previous research where the uncertainty is limited to effecting dimensions existing within a stable institutional environment (Bailey 2018; Krammer, Strange and Lashitew 2018; Young, Welter and Conger 2018; Figueira-de-Lemos and Hadjikhani 2014; Matanda and Freeman 2009; Meyer et al. 2009; Zahra and Garvis 2000; North 1990); in this instance, the uncertainty in question threatens the very composition of the institutional framework in which the SME operates. This raises exceptional questions as to decision-making in such a climate. During a period of uncertainty, the unchanging configuration of the institutional framework in which the SME resides has previously provided a key element of consistency and stability. If the future of the framework itself also experiences uncertainty then questions are raised as to whether the absence of this stabilising factor will alter strategic decisions of an SME, and how much impact the individual decision-maker has on this situation. Previous uncertainty documented in the literature surrounding this area of research has been more akin to risk than 'true' uncertainty, as it has been based on events during which it is possible to take a calculated gamble through quantifiable measures of analysis of probable outcomes. However, this situation presents a scenario where it is impossible to know the 'risk and reward' for any strategic decision as what even constitutes a good outcome is not definite, meaning the onus falls on the decision-maker to try to navigate the unknown. Often in an SME this has the potential to be an individual person, bringing their own perceptions, experiences and motivations to the forefront of the process. Therefore, in order to facilitate their growth during this time it is important to discover in what way this will alter, exacerbate, or create additional barriers to internationalisation faced by SMEs, and what can be done to eliminate or alleviate them. Moreover, whether there is a way to instil a level of stability during a period of such regulatory and institutional ambiguity, through policy, support mechanisms or advisory services, and ultimately whose responsibility that would be to implement such measures.

## Research Question

Therefore, the overall aim of this research is to gain a more comprehensive understanding of decision-making in SMEs during periods of uncertainty, with an emphasis on investigating their response to uncertainty in the external environment which extends to the future composition of the institutional framework in which it operates:

How does uncertainty surrounding the future constitution of an institutional framework effect the decision-making of an SME in their efforts to internationalise?

### **Methodological Considerations**

This research will adopt a mixed methods approach which will oscillate between qualitative and quantitative methods of research. It is necessary to begin with exploratory methods due to the aforementioned gap in the literature regarding this particular phenomenon; the implications of uncertainty in the Institutional Frameworks on an SME's decision to internationalise. This differs from previous research centred on uncertainty (Alimadadi, Bengtson and Hadjikhani 2018; Young, Welter and Conger 2018; Engelen, Schmidt and Buchsteiner 2015; Figueira-de-Lemos, Johanson and Vahlne 2011; Meyer et al. 2009; Makhija and Stewart 2002), which is primarily focussed on political or economic ambiguity in the environment. Owing to the nature of this particular event there exists a real threat to the endurance of the institutional framework; something which has not hitherto been thoroughly examined. Preparatory exploratory research including focus groups and roundtable discussion sessions aid in the formation of questions for a decision-making survey with respect to international activities, to be distributed to SME decision-makers. Responses to this questionnaire will then establish explanatory evidence and provide a key source of quantitative data to be analysed using specialised statistical software (STATA). Subsequent follow-up Interviews of respondents will be used to refine and expand upon information gathered from the questionnaire, providing an opportunity for additional, more comprehensive exploratory data collection. By allowing the exploratory research to inform the explanatory, which can then be subsequently used to direct further exploration and explanation; it will be possible to incrementally build a more holistic picture of the phenomenon.

### **Contribution**

The aim of this research is to better comprehend the impact an uncertain external environment has on managerial decision-making of SMEs with respect to their internationalisation, particularly when the ambiguity extends to the institutional framework in which they operate. The expected academic contribution will involve results to support the continued study of decision-making in SMEs by providing evidence of the impact individual managers have on strategy, notably how their perception of effects their propensity to engage in international activities. This will look to build on the Uppsala Model of internationalisation through examination at the individual manager level rather than firm level. By analysing the attitudinal characteristics of the decision-maker, including their previous experience, knowledge and perception of risk; a more comprehensive understanding of the process can contribute to the development of the literature. This research will also examine SMEs operating during the unprecedented event of a well-established institutional framework undergoing a revision or even potential collapse; findings of which will be novel in the study of institutional environments and uncertainty.

There is also the potential for this research to have an impact from both a policy and managerial perspective. By examining the decision-makers in reference to the Typologies of Miles & Snow [Prospector, Analyser, Defender, Reactor], it will be possible to highlight the different approaches to the unknown and increase self-awareness of the impact their preconceptions can have on the growth of their firms. Conclusions will also be of interest to Policy makers who wish to promote and aid in the internationalisation of SMEs; especially during a period of economic uncertainty when it is more crucial than ever they succeed for the health of the domestic economy.

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## **The influence of the European Central Bank's low interest rate policy on long- and mid-term investment decisions of management-owned small and medium enterprises**

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The importance of small and medium enterprises (SME) in our contemporary economy has been stressed by several scholars. For example, research addressing ownership and performance (Randøy and Goel, 2003), governance (Brunninge et al., 2007) or the development of capital structures (Yazdanfar and Öhman, 2016) has been conducted in various forms. Such interest concerning well-established research areas in a different context reflects the specificity that SMEs characterize as a phenomenon. Due to the financial crisis of 2007, the existing literature focusing on the accessibility of financial resources for SMEs has gained momentum (Lee et al., 2015). As SMEs are restricted in terms of access to capital markets (Pollard et al., 2018), the European Central Bank's (ECB) low interest rate policy contributed to the attention around this topic. However, the question regarding the motivation for demanding low interest rate loans by SMEs have been largely ignored. At the same time, SMEs have been facing increasingly complex and strongly interrelated strategic challenges in terms of internationalization and digitalization (Biggiero, 2006). Digitalization is considered as a strong driver for transforming the locus of entrepreneurial opportunities and entrepreneurial practices in the mid-term, thus providing also new perspectives and options for internationalization initiatives in the long run (Autio, 2017; Joensuu-Salo et al., 2018). Consequently, digitalization and digital technologies create new opportunities and therefore influence both, the internal focus of SMEs to proactively reconsider the value-creation logic of how to interact and co-create with customers, suppliers and internal stakeholders (Autio et al., 2016), and the shift of locus of SMEs' opportunities in the economy by fostering and enriching cross-border interactions (Autio, 2017). For this reason, the importance of the effects of digitalization on the internationalization of small and medium enterprises must be considered. In order to address these challenges properly and to ensure to stay viable, SME's inevitably need to focus not only on developing managerial skills, internal capabilities and capacities, but also on gaining access to comparatively large investments and financing opportunities (Acs et al., 1997; Lu and Beamish, 2001).

Recent literature connecting the internationalization of SMEs with the topic of digitalization aims primarily at understanding how topics such as market orientation, internal capabilities, or management skills impact firm performance when combined with digitalization (Joensuu-Salo et al., 2018). But only little research is dealing with the capital structure decision making and the importance of debts as a determining factor for the internationalization initiatives in the long term and with the investment in digitalization measures of SMEs in the mid-term (Benito-Hernandez et al., 2014; Romano et al., 2001). Therefore, comprehensive research to better understand the influence and effects of low interest rates on investment decisions of small and medium enterprises within mid- and long-term engagements is still scarce. Hence, such endeavors pose an opportunity for contributing to this important research area.

With regards to the financial crisis of 2007, research has to date mainly considered the UK and partially Spain with a strong focus on the immanent (post)crisis-time span of 2007-2010 (Benito-Hernandez et al., 2014; Pollard et al., 2018; Cowling et al., 2016). Regarding the UK study, while the regional focus can be attributed to panel data availability, it also reflects the Bank of England's early response in monetary and interest rate policy. Nevertheless, the decision to leave the European Union in 2016 has since then influenced investment decisions in the UK.

In contrary, Benito-Hernandez et al. (2014) have targeted within their study factors influencing Spanish family-owned businesses to move towards internationalization and focused on the level of debt as a possible determining factor. The study provides limited outcomes and a considerable level of ambiguity in the results. In addition, the data set concentrates on the year 2007, time at which the base rate of the European Central Bank (ECB) was on a remarkably high level (between 3,75% and 4,00%) compared to nowadays with 0,00% (ECB, 2018). Plus, at that time, the decision-making process of SMEs was highly impacted by uncertainty due to the immediate aftershocks of the financial crisis outbreak. Nevertheless, Matthews et al. (1994) outlined within their framework that the capital structure decision

making is not just influenced by the owner's attitude towards debt as a financing option but is also stressed by moderating effects such as external environmental conditions (e.g. accessibility and interest rate of funding options) or the owner's locus of control, risk propensity or experiences made (Matthews et al., 1994).

Following the framework of Matthews et al. (1994) and the primary literature reviewed, we have conducted initial, semi-structured interviews with representatives of German hidden champions. Analyzing the results, we were surprised by how little the low interest rate policy seemed to have an influence on the companies' investment decisions.

With our analysis we identify an existing, complex research gap concerning behavioral finance in times of low interest rate policies in the context of SMEs when addressing long- and mid-term investments. All fields have been addressed separately before, yet our combined approach allows us to consider the inherent complexity of contemporary challenges (Beinhocker, 2007) to SMEs and addresses the interrelated research questions of our paper:

- (1) To what extent are small and medium enterprises relying on external capital when investing into immanent medium- and long-term strategies?
- (2) Which factors influence the demand for such external capital and to what extent do low interest rate policies influence decision makers in SMEs?

We address these questions within the context of internationalization and digitalization strategies of small and medium enterprises. As research is still ongoing and interviews with SME managers are being conducted and to be completed by end of February 2019, we can only report that the initial picture of SMEs' management as not being influenced by the low interest rate policy at all seems to prevail.

Our work aims on contributing to the field of SMEs by better understanding the motivation for (not) resorting to external debt for medium and long-term investments (e.g. into digitization and internationalization projects) of SMEs. We also stress the question whether a low interest policy can stimulate such investments. For practitioners we hope to provide insights from successful companies who "have been there before".

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## Being global while preserving authenticity

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### Introduction

Family firms look at their future while constantly protecting their own roots and traditions, which means putting efforts for keeping preserved their organizational authenticity. On the other hand, the fierce global competition obligates all firms to look for new opportunities abroad and be able to adapt to different institutional contexts. This strong tension between preservation of authenticity and adaptation to foreign markets is a critical aspect for many family-owned firms. In particular, within the wine industry, quality commitments, relationship to a certain place and method of production are, among others, distinctive attributes of authenticity (Beverland, 2006). Therefore, when a wine firm internationalizes, it exports not only a product, but all the concepts and the values related to its original “terroir”. How family firms can keep their authenticity by going abroad is a very critical issue that has been overlooked by prior studies. So, with the current study, we aim to fulfil this gap, by answering to the following research question: “is it possible to preserve authenticity by being a global company?”. Using a case study of Familia Torres, a very successful 5th generation family-owned firm which operates through both exports and FDI in over 140 countries, we examine whether and how is possible to conjugate the tension between authenticity and international expansion within family business’ context.

This extended abstract is structured as follows. First, we provide a theoretical background merging the literatures on internationalization and authenticity in the context of family businesses. Then, we explain the methodology and we finally discuss the intended contributions of our paper.

### Theoretical background

#### *Internationalization of family firms*

Prior literature commonly agrees in claiming that family-owned businesses are less prone to internationalize compared to non-family peers (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011), concentrating their activities on a limited number of foreign markets (Arregle, Duran, Hitt, & Essen, 2017). The main reason of a more limited internationalization has been found on the risk of Socioemotional wealth (SEW) loss, where SEW indicates all those “non-financial aspects of the firm that meet the family’s affective needs” (Gómez-Mejía et al., 2007: 106) and represents the pivotal reference point in family firms’ strategic decision-making (GomezMejia et al., 2010). Therefore, pure economic considerations are not sufficient to explain the international behaviour of FFs, which in order to be untangled need to be combined with the analysis of non-economic aspects. While FFs tend to have less access to capital, less knowledge and access to qualified personnel (Fernández & Nieto, 2006, Gomez-Mejia, Makri, & Kintana, 2010, Sciascia, Mazzola, Astrachan, & Pieper, 2012), they also have unique qualities such as long-term orientation and ability to accumulate social capital that can lead them to be successful in foreign markets (Zahra, 2003, Arregle, Duran, Hitt, & Essen, 2017). Despite research on family business’ internationalization is gaining momentum in more recent years, several gaps still exist. In particular, it has not yet been solved the conceptual tension between international expansion and risk of SEW loss. Moreover, prior studies have mainly focused on exports, neglecting that family firms have often values and reputational assets that constitute firm-specific advantages that can be better exploited by investing through FDI, rather than exports.

#### *The concept of Authenticity*

Rigid in its original meaning of “thine own self be true” (Avolio & Gardner, 2005), authenticity has evolved from an individual (Ibarra, 2015; Schultz, 2015) to a multilevel concept (Liedtka, 2008; Cording et al., 2008) and it still hides interesting and unexpected nuances. As a developmental and processual concept, authenticity implies a strong tension between evolving, while being true to a future self; considering changing as a potential threat for its maintenance. In literature, authenticity is conceptualized through its relationship to quality, sincerity of the story, commitment to the territory, the use of traditional methods of production and stylistic consistency (Beverland, 2005). These arguments might be important for all types of organizations; but, for family firms, where past and future are tightly



intertwined, leading to a strong tension between preservation and adaptation, the concept of authenticity become crucial, providing opportunities for fostering family business sustainability across generations (De Massis et al., 2016). In management literature, only recently, Cording et al. (2014, p. 39) proposed a preliminary definition of organizational authenticity as “consistency between firm’ exposed values and its realized practices”, raising for the first time the perspective to a firm level. Despite this recent advancement, there is still a considerable lack of knowledge about organizational authenticity.

### ***Internationalization and authenticity in family firms***

Family firms are usually less prone to internationalize due to the risk of SEW loss. Expanding globally, especially through the constitution of foreign subsidiaries, requires indeed a strong adaptation to different institutional contexts and access to external funding that may compromise the pursuit of SEW goals, such as identification with the firm and renewal of family bonds through dynastic succession.

On the other hand, family firms, especially those that operate in sectors as wine industry, have in their authenticity and connection with the original terroir their distinctive advantage. Basing on this assumption, it is common to think that the consistency between the firm original values and the concrete realized practices could be hindered by pursuing a global expansion. However, we argue that preserving original values and keeping authenticity is not only possible at global level, but it is right a distinctive advantage for family firms. The aim of our study is therefore to show that authenticity and internationalization are not aut-aut concepts and that they together can constitute a significant competitive advantage for family-owned firms. Indeed, it is right the ability to show abroad the consistency with the original values that makes possible to be appreciated and to have economic success in other countries, without compromising the pursuit of SEW objectives.

### **Methodology**

To answer our research question, we will use an inductive exploratory case-study analysis of the internationalization process in a Spanish winery, Familia Torres, a critical and extreme case (Eisenhardt, 1989; Yin, 1994; Siggelkow, 2007) of a family company that successfully maintained values of excellence toward five generations while expanding the business globally. Indeed, nowadays Torres family owns more than 1300 hectares of vineyards and sells in over 140 countries. They also run the Miguel Torres Chile winery in the Central Valley, and in California, where in 1986, they founded Marimar Estate. This case provides a unique opportunity to observe how family firms are able to preserve their authenticity while being global. Indeed, choosing an extreme case will allow us to clearly isolate and recognize the phenomenon under investigation (Pettigrew, 1990; Siggelkow, 1999). The main motivation of this study is theory elaboration (Lee, Mitchell, and Sablinsky, 2007), thus we will adopt inductive techniques to clarify the event sequence and disentangle the overlapping forces.

### **Expected contribution**

This study aims to make some important theoretical contributions on both IB and authenticity literatures. From an IB perspective, our study aims to improve the expanding literature on family business internationalization (Arregle et al., 2017; De Massis, Frattini, Majocchi, & Piscitello, 2018; Pukall & Calabrò, 2014), focusing also on entry modes beyond exports, answering to the call for research of Stoian, Dimitratos, and Plakoyiannaki (2018) on shedding light on the more complexities that firms have to cope when they go abroad with high commitment modes. Moreover, studying how internationalization has changed through intragenerational change, we shed light on how contingencies that happen during the family life cycle can affect family internationalization strategies (De Massis et al., 2018). From an authenticity literature perspective, we explore how family firms can be consistent between firm’ exposed values and realized practices (Cording, 2014), operating at a global level. By doing it, we explore how family firms can cope with the potential tension between the need to expand internationally and preserving authenticity, bridging the two literatures on internationalization and authenticity that to date have been developed separately from one another, especially with reference to family business context.

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## Institutional and emotional dynamics on the dark side of legitimacy: The case of anti-corruption in internationally operating SMEs

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Theoretical background and empirical context. Literature on organizational legitimacy tends to focus on the positive outcomes of legitimacy. Legitimate organizations protect their license to operate to ensure the continuous inflow of resources, which is a precondition for their sustainable existence (Meyer & Rowan, 1977: 352; Suchman, 1995: 574). Legitimate organizations also contribute to society by providing a variety of benefits (goods and services, taxes, jobs etc.). While acknowledging the various advantages legitimacy has for organizations, this study focuses on situations and contexts when – taken-for-granted – legitimacy may actually trigger negative consequences. We look at internationally operating small and medium-sized enterprises (SMEs)\* as prototype organizations that, unlike large MNCs, have long seemed to be exempted from public scrutiny. SMEs and their activities are normally unknown to the wider public so that these organizations are neither questioned nor challenged. Therefore, it is fair to say that many SMEs even enjoy a taken-for-granted status resulting from the lack of concerns about their ethicality. However, we argue that there may be negative implications of taken-for-granted legitimacy that have yet to be analyzed. Most notably, the global trend towards transparency and accountability, which is also fostered by technological innovations in our digital age, may increasingly affect also SMEs (Bromley & Powell, 2012; Tilson, Lyytinen, & Sørensen, 2010). Specifically, we scrutinize the implications of taken-for-granted legitimacy by looking at the case of anti-corruption. Corruption, defined as the “misuse of an organizational position or authority for personal gain or organizational (or sub-unit) gain, where misuse in turn refers to departures from accepted social norms” (Anand, Ashforth, & Joshi, 2004, p. 40), constitutes a serious problem for organizations and society at large (OECD, 2014). Scholarly work on corruption, and on CSR in general, has recognized increasing risks for MNCs arising through the process of globalization (Scherer & Palazzo, 2007; Scherer & Palazzo, 2008a; Scherer, Palazzo, & Baumann, 2006); however, in today’s globalized and digitalized economy, also small and medium-sized enterprises (SMEs) operate internationally, are often confronted with heterogeneous demands, and have to balance different expectations with regard to the appropriate design of socio-environmental governance and anti-corruption in particular (Kostova & Zaheer, 1999; Scherer & Palazzo, 2007; TI, 2015). Existing literature on corporate responsibility and corruption seems to focus on rational considerations, such as making decisions dependent on available resources or responding to institutional expectations (Baumann-Pauly, Wickert, Spence, & Scherer, 2013; Hauser & Kronthaler, 2013, p. 44; Wickert, 2016). However, what often seems to be overlooked in such discussions is the possibility that SME behaviors deviate from such rational paths and are much more guided by the emotions of their decision-makers. Some scholars even go as far as suggesting that emotions play a bigger role in human behavior than (rational, or: cognitive) considerations (Goleman, 1996, "Emotional intelligence. Why it can matter more than IQ") (see also: Ashkanasy, Humphrey, & Huy, 2017). A core aim of this paper is thus to answer how and why emotions can help SMEs to overcome the negative consequences of taken-for-granted legitimacy, and to improve their anti-corruption strategies and practices.

Methods. From 2012 to 2018, we conducted a series of more than 50 interviews with actors in the anti-corruption field. The range of interviewees includes representatives from different SMEs, MNCs, NGOs (non-governmental organizations), IGOs (inter-governmental organizations), government, business chambers and field experts. Interviewees are originated in low and high corruption risk countries. In addition, we collected observational data at three international anti-corruption conferences, as well as archival data consisting of company documents and media coverage. Representing the dynamic process of data collection and theoretical grounding, we apply a process of open coding to iteratively identify and validate emerging structures in the data (Gioia, Corley, & Hamilton, 2013; Hardy & Maguire, 2010).

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\* Note that we refer to SMEs as „enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro” (EC, 2003)

Findings. We find that SMEs tend to apply a set of rationalizations to maintain taken-for-granted legitimacy in order to avoid proactively managing corruption risks and exposing themselves to public scrutiny. That is, they deliberately decide to stay under the ‘anti-corruption radar’ and make themselves invisible for formal or informal anti-corruption initiatives – radar is used here as a metaphor referring to an organization’s exposure to societal evaluation. We reveal that such rationalizations may actually increase the likelihood for SMEs of being involved in unethical behavior, for example, by justifying a full absence of formal controls such as monitoring (Langfred, 2004) or by becoming blind for the presence of (corruption) risks (Bazerman & Tenbrunsel, 2011; McCarthy, Oliver, & Song, 2017). Furthermore, we outline how cases in which SME legitimacy is not taken for granted (e.g. in the context of increased transparency through MNC supply chain due diligence processes) may even have positive outcomes for SMEs by overcoming the reluctance of SMEs to install formal controls such as monitoring. To our surprise, it is particularly the exceptional yet powerful emergence of emotional dynamics, positive and negative, which triggers dynamics away from the dark side of legitimacy by interacting with dynamics in the institutional environment; taken alone, the latter typically seem to fail outweighing SME forces of ‘reactivity’ and ‘staying under the radar’. Based on the observed interactions of emotional and institutional dynamics, we theorize an anti-corruption pathway matrix (see Figure 1), wherein positive emotional proactivity paired with institutional best-practice exposure feeds into an ‘enabling path’, and negative emotional self-exposure interacting with institutional sanctioning and exposure forms a ‘pressure path’. While both paths depart from the ‘dark side of legitimacy’ quadrant and eventually lead toward a ‘legitimization of institutional change’ quadrant, the enabling path is first and foremost concerned with SME and institutional (pro) activity (‘walk before talk’ quadrant), whereas the pressure path focuses on exposure of reactive SME practices (‘talk before walk’ quadrant).

Implications for theory and practice. First, we contribute to literature on organizational legitimacy by outlining how emotions can help overcome the often overlooked negative consequences of taken-for-grantedness with regard to organizations and their practices in the absence of a big scandal (Jepperson, 1991; Suchman, 1995). Second, we expand on existing frameworks for managing CSR at SMEs (Wickert, 2016; Wickert, Scherer, & Spence, 2016) by suggesting an updated perspective: With SMEs facing novel and complex business conditions in an increasingly globalized and digitalized economy, reliance on informality and trust alone seem insufficient to capture the necessity for institutional change (see critically: Langfred, 2004; Suchman, 1995). In contrast technological innovations such as ‘e-governance’, online repositories collecting data on anti-corruption risks at business partners, as well as anti-corruption apps (e.g. for reporting misconduct) seem to offer avenues for more formal cost-efficient CSR processes at internationally operating SMEs (Bertot, Jaeger, & Grimes, 2010; Singh, Pathak, Naz, & Belwal, 2010). Third, we contribute to research on organizational corruption. We showed how SMEs employ status-quo rationalizations and explained that under a certain constellation of SME and institutional forces, this may allow them to normalize corruption and reduce cognitive dissonance.

## REFERENCES AVAILABLE FROM THE AUTHORS

## 5. EDITORS

### Valerio Veglio

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Dr. Valerio Veglio is Assistant Professor of International Management at the Free University of Bozen since May 2018. Previously, he was a post-doc research fellow at Bocconi University, Università della Svizzera Italiana, and University of Southampton (UK). He was also Adjunct Professor of Management at the University of Milan-Bicocca, where in 2013 he got his PhD in Marketing and Management in collaboration with the University of Aberdeen (UK). He carries out research on how firms perceive and react to the competitive threat caused by digitalization, with particular attention at exploring how smart and connected products generate new and innovative governance and coordination mechanisms of global value chains.

### Michael Nippa

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Prof. Dr. Michael Nippa received his PhD in 1988 from the Universität der Bundeswehr München with a study on the office of the future. As co-founder and managing director of a management consulting firm specialized in strategy-led reorganization and reengineering he advised various organizations. From 1997 until 2014 he held the Chair of Management, Leadership, and Human Resources at the Technische Universität Bergakademie Freiberg. Since January 2015 he is a Full Professor of Strategic Leadership and International Management at the Free University of Bozen-Bolzano. His predominantly interdisciplinary research addresses strategic management issues in the fields of international management, corporate portfolio management, corporate governance, and innovation management, social acceptance of technologies, organizational design, leadership and motivation.

### Marjaana Gunkel

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Prof. Dr. Marjaana Gunkel was born in Finland but has completed her academic education in Germany. She received her PhD from the Otto-von-Guericke-Universität Magdeburg. In her doctoral dissertation she examined country differences in employee motivation. Marjaana Gunkel has held professorships in International Human Resource Management as well as in Management and Organization at the Otto-von-Guericke-Universität Magdeburg as well as the Leuphana Universität Lüneburg in Germany. Since 2015 she is a professor of Organization and Human Resource Management at the Free University of Bozen-Bolzano. Marjaana Gunkel's research is focused on International Human Resource Management, especially on examining international differences in HR practices as well as employee behavior.

### Katharina Gilli

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Katharina Gilli was born in Germany and received her Diploma in Management and Economics at Johannes Kepler University in Linz, Austria. She wrote her Master Thesis about corporate social responsibility and the role of corporate values examining the Palfinger Group in Salzburg. After her studies, she collected more than 10 years of practical experience in small and multinational companies in the fields of Human Resources, Employer Branding and Communications, before she returned to science. Since 2018, Katharina Gilli is a PhD Candidate in Management and Economics at the Free University of Bozen-Bolzano, her research is focused on how digitalization affects organizations, especially from a human resource point of view.

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