

# The burden of Liability of Insularity

## - a case in Azores archipelago



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### Introduction/Resume

This article examines the liability of insularity impact on strategic partner selection in small and medium enterprises (SMEs). The objective is to understand how permanent geographic conditions of insular territories, named smallness, remoteness, and vulnerability, impact the different importance assigned to partner attributes and the differences between the selection of domestic vs foreign partners in SMEs. We adopted a qualitative approach through six semi-structured interviews with Azorean SME managers. Findings show that inter-partner trust is the most valued attribute by SME decision-makers from the Azores. Furthermore, the challenges and obstacles derived from insularity create stronger advantages in selecting partners based on both task and partner-related criteria through a more analytical approach.

### Objectives and research questions

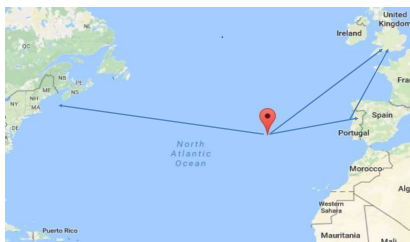
- Understand how permanent geographic conditions of insular territories, named smallness, remoteness, and vulnerability, impact the importance assigned to partner attributes  
 - Investigate the effects of insularity on the differences between the selection of domestic vs foreign partners in SMEs

- (1) Which partner characteristics are important for a successful alliance?
- (2) Should firms attempt to partner with domestic, foreign or both types of partners?
- (3) How is the partner selection process of small companies from small and insular territories, like the Azores?

### Methods and framework

#### Context - Azores:

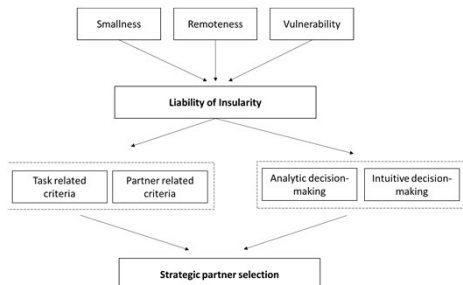
Total of around 250K thousand residents  
 Ultra peripheric region of Europe: 2 hours distant by plane from Porto or Lisbon (same as to London or Paris)  
 Region's economic context mostly composed by agriculture and fisheries; and most recently tourism  
 Particular geographic location -> insularity



#### Method:

Qualitative research approach – Case study analysis  
 6 Azorean SMEs studied

#### Framework of analysis:



### Findings

#### Propositions:

- P1: Liability of insularity impact the criteria used in the strategic partner selection process  
 P2: Liability of insularity impact the decision-making process to strategic partner selection

#### Findings:

Partner attributes and characteristics:

- Most important partner attributes are trust and shared values
- Both task-related and partner-related processes are relevant
- Insularity influences the searched attributes: logistics and transports; flexibility, resources offer
- Potential group of partners for alliances is smaller in small insular territories, making it more difficult to find adequate partners

*"One of the solutions I valued the most from one of our partners (...) was that they addressed our issue of being based here in the island, for example, by providing us by consignment. A clinic based in Lisbon can order implants from a laboratory which arrive in a matter of hours and here they can take several days to arrive"*

Partner selection and decision-making process:

- More analytical approach is followed, instead of intuitive one, due to the absence of local ties resulting from little to none opportunities to establish cooperative arrangements with local firms

Domestic vs International partners:

- The process of selecting international partners was found to be more challenging: foreign firms are often not aware of the Azorean reality
- However, domestic partners are somewhat structurally unorganised and might offer redundant resources

*"I believe that it only makes sense to search for partners who can add something to what we already are, have or know"*

### Conclusions

Azorean firms seem to suffer from what can be labelled as liability of insularity as a result of the small dimension of the islands, the distance to mainland, and vulnerability that turns the smaller size of the local market and the higher coordination costs relevant obstacles, inhibiting the free flow of goods and personal information. The smaller number and less diverse relevant players locally available puts firms of Azores in a more fragile position when compared to their counterparts in mainland. First phase on an alliance development is the recognition of needs. The needs are related to the permanent insularity conditions of these companies. Limitations in resources due to smallness, remoteness and vulnerability create additional demands on international alliances. Advantages that are obtained with foreign partners have a more significant impact on Azorean SMEs.