

## CHANGES IN ENTRY MODE STRATEGY FOR ITALIAN SMES

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### Abstract

*The purpose of this paper is to examine the internationalization of Small and Medium-Sized Enterprises (SMEs) with a particular focus on the factors that influence changes in entry mode strategy that occur during the process, after the first foreign market entry and from the perspective of firms belonging to the mechanical sector. To achieve this, a quantitative research has been performed through a survey of 60 entrepreneurs and managers of Italian SMEs operating in the mechanical sector. The main findings confirm that, although existing business and social relationships have always had a great influence in the internationalization strategies, when it comes to analyze the SMEs perspective it is also necessary to take into account the influence of other factors, regardless of relationships, like the entrepreneur's perception of the need to change mode strategy in a specific market.*

**Keywords:** *Entry mode selection, Small and medium-sized enterprises, International strategy, strategic change, proactive and reactive orientation*

### Introduction

The internationalization process of firms has been examined extensively since the late 1970s and, until recently, internationalization processes have mainly been analysed with reference to multinational corporations (MNCs) but less for small and medium-sized enterprises (SMEs) (Jansson and Sandberg, 2008; Wright, Westhead and Ucbasaran, 2007).

However, during the last decade, Small and Medium-Sized Enterprises (SMEs) have been the object of increasing interest: politicians, governmental bodies

and academics have re-evaluated the importance of these firms.

Indeed, with improved communication systems and as a consequence of transportation cost reduction and the lowering of barriers to international trade, SMEs have been pushed towards international markets (Nummela, Loane, and Bell, 2006). Moreover, in most countries, SMEs represent the majority of firms and play an important role in the economic growth of their representative countries. For instance, in Italy 99.9 percent of all firms have less than 250 employees (Istat, 2009; Musso and Francioni, 2009) and SMEs achieve as much as 55.7 percent of total Italian exports.

The purpose of this paper is to examine the internationalization of Small and Medium-Sized Enterprises (SMEs) with a particular focus on the factors that influence changes in entry mode strategy that occur during the process, after the first foreign market entry and from the perspective of firms belonging to the mechanical sector.

Although there has been a growing recognition of the important role of the key strategic decisions during SMEs' internationalization process, like the entry mode choice, scholars have tended to ignore why firms change their strategy and why a new strategy is chosen. This research try to fill this gap by giving a rich insight into changes that occur in internationalization strategies after the first foreign market entry.

The organization of the rest of this paper is as follows. After the introduction, the second section deal with internationalization and focus on strategic choices and changes during the process. Then, we describe the mechanical sector,

starting with a general description of the sector and following by a description of Italian firms' internationalization within the sector. Next, the methodology, analysis, and results will be presented. Finally, conclusions and suggestions for future research are discussed.

### ***Theoretical background***

#### **SMEs' internationalization theories**

Examining the literature related to the internationalization process, it is possible to identify different theories, like from the Network Approaches to the International entrepreneurship, from the Stage model to the Innovation related model.

However, despite the numerous internationalization theories and models, according to different authors (Coviello and McAuley, 1999; Ghanatabadi, 2005; Jones and Coviello, 2005), none of these theories and models completely captures the real internationalization of SMEs. Thus, integration of these theories and models is recommended for understanding the process. A certain amount of integration in SMEs' literature has been attained and the majority of integration perspectives includes the Network Theory (Hilmersson, 2009).

In 1999, Coviello and McAuley published a paper in which they reviewed and assessed empirical researches about the internationalization of small firms, and they found five studies (Bodur and Madsen, 1993; Bjorkman and Kock, 1997; Coviello and Munro, 1997; Fontes and Coombs, 1997) that combined network perspective and stage models. Other authors (Ruzzier, Antoncic, Konecnik, 2006; Ruzzier, Hirish, Antoncic, 2006) proposed the integration of the Resource Based View and the Network Theory.

During the last years, some authors attempted to integrate the Network Theory and the Entrepreneurship Perspective, since they have been considered as very closely interrelated (Johannisson and Mønsted, 1997). Indeed, on one hand, the network construct has become increasingly employed by researchers studying the process of entrepreneurship (O'Donnell et al, 2001); on the other hand, the field of entrepreneurship has seen an impressive increase in studies focusing on networks and relations (Jack, 2010).

After examining the different integration options, an Extended Network Theory has been adopted, where Network Theory and Entrepreneurship Perspective converge, in view of the fact that the field of entrepreneurship permits to better examine the role of the entrepreneur, who is a central actor in small firms.

#### **Key strategic decision and changes in SMEs' internationalization strategies.**

With reference to internationalization strategies, one of the most critical aspects is the decision related to the entry mode choice (Root, 1998; Lu, 2002; Brouthers and Nakos, 2004).

However, over the years, after the first foreign market entry, international strategies and, in particular, the entry methods can be modified. Nevertheless, scholars have tended to ignore why firms change their strategy and why the new strategy was chosen (Brouthers and Hennart, 2007; Calof and Beamish, 1995).

Referring to changes in entry mode decisions, Petersen and Welch (2002) stressed the importance to do more research about the strategic choices regarding the operation methods' change over time, especially because previous analyses of foreign operation modes, with some important exceptions (like Buckley and Casson, 1981), used to have a static approach based merely on the initial choices of locations and modes of entry into a market (Asmussen Benito and Petersen, 2009).

According to Agndal and Chetty (2007), there are two primary types of changes:

1. New high commitment mode, i.e. the use of a high commitment entry mode which is new to the firm or new to one or several markets.
2. New low commitment mode, i.e. the use of a low commitment entry mode which is new to the firm or new to one or several markets.

In addition to this, according to the authors, change may be proactive or reactive. Reactive change occurs as a response to internal or external pressures (Leonidou et al., 2007). In this context, pressure could be specifically related to relationships with firms and individuals. (Agndal and Chetty, 2007).

In addition, in this study it has been supposed that reactive changes could also

derive from an entrepreneur's reaction to a particular internal or external condition, regardless of a previous relationship.

A proactive change happens when a firm initiates a change through "an active search for new strategic options and strategic steps taken in new directions, although neither the internal nor the external situation obviously requires new strategic actions" (Melin and Hellgren, 1994). In this case the change could be generated from a relationship with a firm or an individual known by someone in the firm. However, different studies did not consider that proactive changes could also derive from a particular idea, belief, skill, talent or something else of the entrepreneur, regardless of a previous relationship.

Therefore since, as previously said, this study adopts an Extended Network Perspective, it will be argued that not only existing relationships may have an impact on changes in internationalisation strategy, and in particular in strategic decisions related to entry mode.

To this end, there are some studies that attempted to discover the determinants of mode shift. Calof and Beamish (1995), after interviewing some senior executives, found out that four categories of stimuli influence mode change, namely attitudes, internal environment, external environment and performance. Gomes-Casseres (1987) analysed 419 shifts from international joint ventures to wholly owned subsidiaries pioneered by multinationals over the period 1900-1975 and proposed that in some cases changes have been made because the initial choice turned out to be unsatisfactory, or even mistaken. Pedersen, Petersen and Benito (2002), examining what factors motivated exporters to shift their mode from using independent distributors and agents to setting up an employee sales force, identified four switch motivators, namely diminishing satisfaction with the foreign intermediary, exporter's accumulation of market knowledge, export market growth and growth of the exporting company.

### ***The mechanical sector***

The mechanical sector has been defined a "multi-sector" (Paradisi, 2000) because inside it there are firms with little relationships, producing different products in different markets, from manufacture of

metal doors to metal hand tools, from manufacture of weapons and ammunition to steam generators.

In Italy, the mechanical sector employment represents approximately 10 percent of the whole economy and 47.4 percent of the manufacturing sectors. Indeed, the mechanical sector consists of about 60,000 firms employing 1,600,000 workers.

The average size of 27 employees shows a strong presence of small and medium-sized enterprises, which constitute the "backbone" of Italian economy (Federmeccanica, 2009).

In Marche, that is an Italian region composed of five provinces whose territories cut horizontally its area, during the last years the mechanical sector has increased its importance in terms of local units of employees, from 39.190 employees in 1981 to 72.096 employees in 2008. The mechanical sector development in Marche region has been particularly stronger and higher than in other Italian regions. This result derives mainly from the type of mechanical specialization of Marche (for example machinery, mechanical components and electronics, appliances) whose main divisions have received particular benefits from a high foreign demand. The growth of the sector was also demonstrated by the overall increase registered by the specialization index of the various micro-sectors present in Marche region (Confindustria, 2008). Finally, mechanics is the area that best represents export in Marche region (OECD, 2010).

### ***Methodology***

In order to achieve our objectives, we decided to perform a quantitative survey to entrepreneurs and managers of SMEs operating in metal sector in Marche region in Italy. Firms were picked out from some lists obtained by industry and entrepreneur associations: the Italian Chamber of Commerce and Confindustria (the manufacturing and services firms association). 736 firms belonging to these lists were contacted by e-mail and, in some cases, by telephone and 99 companies gave their availability for a direct interview.

However, once the interviews were reviewed and the less reliable removed, the sample was reduced to 60 firms.

The survey was conducted from January to June 2010. Interviews lasted from half an hour to one hour. Interviewees included owners, chief executives and managers responsible for decisions on the international processes of their firms.

Data collection was performed through a questionnaire. Items contained in the questionnaire stem from one previous research step, that was individual in-depth interviews with six Italian SMEs that undertook an international development.

The qualitative step was exploratory, in order to enhance the comprehension of how SMEs develop and even change their internationalization strategy and to give a basis for the realization of the questionnaire.

The case studies also allowed to identify several factors that can lead to a change in international strategy, in particular a change in the entry mode strategy. As mentioned above, in addition to the reactive/proactive changes that derive

from previous business and social relationships, there are also changes resulting from the entrepreneur's proactive actions or from reactions to internal or external conditions, independently from previous business and social relationships.

Therefore, on the basis of the literature related to the entry mode strategy (Welch, Benito, Petersen, 2007; Davidson, 1982; Ekeledo & Sivakumar, 2004; Gatignon & Anderson, 1988; Root, 1998; Terpstra & Sarathy, 1994; Mencarini, 2003; Musso, 2000; Musso, Francioni, 2009; Brouthers, Hennart, 2007) and to mode strategy changes (Petersen and Welch, 2002; Agndal and Chetty, 2007; Gomes-Casseres, 1987; Calof and Beamish, 1995; Pedersen et al., 2002; Asmussen et al, 2009) and the analysis of case studies, a framework was created to illustrate the most significant factors influencing changes in strategic decisions related to the entry mode (Table 1)

**Table 1**  
**Factors influencing changes in entry mode strategy**

<p><b>Factors related to a reactive strategy change of the entrepreneur, who reacts to something regarding the business and social relationships that he has with other companies and / or individuals</b></p>	<ul style="list-style-type: none"> <li>○ Intermediary/agent/distributor offers an alternative entry mode</li> <li>○ The intermediary sells its products and other more profitable products, but not those of the company</li> <li>○ Decreased satisfaction with commercial Italian/foreign intermediaries/ distributors</li> <li>○ Customers of foreign country ask for direct contact with the company</li> <li>○ Foreign / national customers and / or potential customers offer to the company an alternative way to enter</li> <li>○ The foreign customers show loyalty to agents</li> <li>○ Company (also competitor) proposes to enter into foreign market with an alternative entry mode</li> <li>○ The Chamber of Commerce or other institutions offer an alternative entry mode</li> <li>○ The foreign public operator makes opportunities available for alternative modes</li> <li>○ A friend/relative offers an alternative way</li> <li>○ A foreign/Italian supplier offers an alternative entry mode</li> <li>○ One of the company's employee offers an alternative entry mode</li> <li>○ Meeting at a trade show with a person who proposes to launch a new more profitable entry mode</li> <li>○ The partner in the foreign country offers an alternative way</li> <li>○ The partner in the foreign country has a misconduct against the company</li> <li>○ The partner does not comply with quality standards</li> <li>○ The local producer is not qualified</li> <li>○ The company has difficulty in training staff abroad</li> <li>○ The foreign labour is too little qualified</li> <li>○ Distributor and/or licensor become competitors by copying the company's product illegally</li> </ul>
<p><b>Factors related to a reactive strategy change of the entrepreneur, who reacts to conditions</b></p>	<ul style="list-style-type: none"> <li>○ The method previously used reached its goal or ended (for example work concluded or contract expired)</li> <li>○ The method used takes too much effort and too many costs to be kept</li> <li>○ The method used didn't give the expected results</li> <li>○ The method used is not suitable for the firm operations and/or is incompatible with the objectives of business growth</li> <li>○ Extreme performance (positive or negative) of the procedures currently used</li> </ul>

<p><b>inside or outside the company, regardless of business and social relationships</b></p>	<ul style="list-style-type: none"> <li>○ It is not efficient to serve the foreign market from the country of origin</li> <li>○ The business was best/worst: the firm has more/less money to use for international operations</li> <li>○ The firm accumulated enough knowledge of foreign markets/international experience that it has been decided to switch towards a more challenging mode</li> <li>○ There are few contractual restrictions to rescind the previous contract</li> <li>○ The disinvestment costs are low</li> <li>○ The firm has done wrong forecasts of demand for foreign country</li> <li>○ The foreign market is in decline/expansion</li> <li>○ The foreign market has entered into EU or other organizations</li> <li>○ The foreign country has lowered/raised tariff/non-tariff/competitive barriers</li> <li>○ The foreign country has a social, political, economic environment more/less risky</li> <li>○ The foreign country has more/less efficient mechanisms of certain institutions than in the past</li> </ul>
<p><b>Factors related to a proactive strategy change of the entrepreneur, who uses a business or social relationship to change entry mode strategy</b></p>	<ul style="list-style-type: none"> <li>○ The firm identified an intermediary/agent/distributor and proposed an alternative entry mode</li> <li>○ The firm established a relationship with a major customer/potential customer and proposed him an alternative entry mode</li> <li>○ The firm identified a potential firm (even competitor) and proposed an alternative entry mode</li> <li>○ The firm suggested to a friend/relative an alternative entry mode</li> <li>○ The firm suggested to Italian/foreign provider an alternative entry mode</li> <li>○ The firm offered to Italian/foreign employees an alternative entry mode</li> <li>○ The firm identified a potential partner to whom proposing an alternative entry mode</li> </ul>
<p><b>Factors related to a proactive change of the entrepreneur, who uses his special insight or ability to change entry mode strategy, regardless of business and social relationships</b></p>	<ul style="list-style-type: none"> <li>○ Entrepreneur's perception of the need to change</li> <li>○ Desire to have more/less control of the activities in the foreign market</li> <li>○ Desire to gain experience, knowledge of the competitive situation and of the demand's characteristics of the foreign market</li> <li>○ Desire to establish direct marketing policies</li> <li>○ Desire to enter into other markets thanks to a "massive" presence in this market</li> <li>○ Perception that a change was necessary if the firm wanted to achieve a growth target</li> <li>○ Desire to give more/less importance to the foreign market in the future</li> <li>○ Different attitude than the old management to international business</li> <li>○ Desire to go back to give more/less emphasis to the internal market</li> <li>○ Willingness to go back to concentrate/multiply the production in a few/many geographical areas</li> <li>○ Desire not to invest anymore and take risk</li> <li>○ Desire to have a higher flexibility in investment</li> <li>○ Willingness to overcome the entry barriers</li> <li>○ Desire to avoid the possible loss of know-how</li> <li>○ Willingness to delegate international activities to specialized operators in intermediation in a major/minor way</li> <li>○ Desire to achieve a long-term policy</li> </ul>

**Results**

In order to achieve the objective, changes in mode strategy have been examined.

Particularly, the personal survey permitted to discover a total of 149 changes, 88 of which have a reactive orientation while 61 have a proactive approach.

However, in order to create a detailed description of all the entry mode changes, table 2 has been created. The findings reveal that out of these 149 changes, 112 consist of changes in different countries, 31 consist of changes in the same foreign market and 6 consist of the adoption of more than one entry mode in the same country.

**Table 2**  
Description of changes in mode strategy

FIRM	MODE STRATEGY CHANGE	ORIENTATION	
		REACTIVE	PROACTIVE
1	Direct negotiation	X	
2	Direct negotiation	X	
3	Direct negotiation	X	
4	Direct negotiation		X
	From direct negotiation to direct sales subsidiary	X	
	Distributor		X
	Direct negotiation	X	
	From direct negotiation to direct sales subsidiary	X	
5	Direct negotiation	X	
6	Agent		X
	From agent to direct negotiation	X	
	Agent		X
	From agent to direct negotiation	X	
	Direct negotiation		X
	From direct negotiation to agent	X	
	From agent to direct negotiation	X	
7	Importer	X	
8	Export buying agent	X	
9	Importer		X
	From importer to Commercial Unit		X
	From commercial Unit to Greenfield investment		X
	From importer to subsidiary		X
	Commercial Unit		X
	From commercial Unit to Greenfield investment		X
	Buying groups		X
	From buying group to subsidiary		X
	From subsidiary to Greenfield investment		X
	From importer to distributor		X
	Direct negotiation		X
	Acquisition		X
10	Export society	X	
	From export society to importers and direct negotiation	X	
	Direct negotiation and direct sales force	X	
11	Agent	X	
12	Direct negotiation		X
	Piggy back		X
13	Direct negotiation	X	
	Production contract	X	
14	Distributor	X	
	Direct negotiation		X
15	Agent		X
16	Direct negotiation	X	
17	Direct negotiation		X
18	Direct negotiation		X
19	Agent	X	
20	Agent	X	
	Direct negotiation and agent		X
21	Agent		X
	From an agent to another agent		X
22	Agent	X	
	Direct negotiation		X
	Trading company	X	
23	Export society		X
	Joint Venture		X
24	Agent		X
	Licencing	X	
25	Production contract	X	

26	Agent	X	
	Importer/agent	X	
27	Importer	X	
	Direct negotiation	X	
28	Direct negotiation	X	
29	Direct negotiation	X	
30	Production contract	X	
	Direct negotiation	X	
31	Direct negotiation	X	
	Agent and direct negotiation	X	
32	Direct negotiation	X	
33	Agent		X
34	Distributor	X	
	From distributor to other distributor		X
	Direct negotiation and distributor		X
35	Agent		X
	Importer		X
36	Direct negotiation	X	
	Importer	X	
	From importer to direct negotiation	X	
37	Sales force		X
	From sales force to branch	X	
	Agent		X
	From an agent to another agent	X	
	Retailer	X	
	Branch (sales subsidiary)		X
	From agent to Branch	X	
	Acquisition	X	
	From agent to acquisition	X	
	From branch to agent		X
38	Importer	X	
	German Importer	X	
39	Importer	X	
	From importer to production contract		X
	Distributor	X	
	Direct negotiation		X
	Importer	X	
	Agent		X
	Distributor		X
40	Importer	X	
	From importer to Joint venture		X
	From Joint venture to importer	X	
41	Direct negotiation and importer	X	
	Agent	X	
42	Commercial Unit	X	
	Direct negotiation	X	
43	Importer		X
	Agent		X
	Direct negotiation		X
44	Agent	X	
	Distributor	X	
45	Commercial Unit	X	
	Direct negotiation	X	
	Importer		X
	From importer to direct negotiation		X
46	Importer	X	
	From importer to agent		X
	From agent to importer	X	
47	Direct negotiation	X	
	From direct negotiation to importer		X
	Importer	X	

	Agent		X
	From agent to importer		X
48	Agent		X
	Direct negotiation		X
49	Direct negotiation	X	
	From direct negotiation to partnership		X
	Agent	X	
50	Importer	X	
	Direct negotiation	X	
51	Direct negotiation	X	
	From direct negotiation to Joint venture		X
52	Retailer	X	
53	Sales force and Branch office		X
	Direct negotiation	X	
	Sales force		X
54	Retailer	X	
55	Direct negotiation	X	
	Agent	X	
56	Agent	X	
57	Italian agent		X
	From agent to direct negotiation	X	
	Direct negotiation	X	
58	Importer	X	
59	Importer	X	
	Agent	X	
	From agent to importer		X
	From importer to another importer	X	
60	Representative office	X	
	Greenfield investment		X
	Agent	X	
	Importer	X	

With specific reference to mode changes in the same foreign market, the majority of the firms that faced a change opted for a mode with a higher degree of control (22), while only six changes occurred with a lower commitment and lower degree of control.

Changes in entry mode related to a higher degree of control and commitment seem to have a reactive orientation in ten cases and a proactive orientation in twelve cases. Therefore, the findings permit to

identify that changes in mode strategy in existing markets and regarding a higher commitment mode are more likely to be proactive.

Moreover, the results showed that only two changes out of six related to a lower degree of control and commitment had a reactive orientation, while the other four had a proactive orientation.

Finally, thanks to the personal survey, it has been possible to discover the main influential factors for the sample, and Table 3 shows the results.

**Table 3**  
Factors influencing changes in mode strategy

		Mean	Std. Deviation
<b>Factors related to a reactive strategy change of the entrepreneur, who reacts to something regarding the business and social relationships that he has with other companies and / or individuals</b>	The Chamber of Commerce or other institutions offer an alternative entry mode	2	1.12
	Company (also competitor) proposes to enter into foreign market with an alternative entry mode	2.12	1.075
	The foreign public operator makes opportunities available for alternative modes	2.23	1.198
	A friend/relative offers an alternative way	2.27	1.326
	The company has difficulty in training staff abroad	2.3	1.442
	The foreign labour is too little qualified	2.33	1.469
	One of the company's employees offers an alternative entry mode	2.38	1.25
	A foreign/Italian supplier offers an alternative entry mode	2.53	1.268
	The intermediary sells its products and other more profitable products, but not those of the company	2.62	1.648
	The local producer is not qualified	2.77	1.661
	Foreign / national customers and / or potential customers offer to the company an alternative way to enter	2.92	1.293
	Decreased satisfaction with commercial Italian/foreign intermediaries/ distributors	3.07	1.436
	Distributor and/or licensor become competitors by copying company's product illegally	3.08	1.759
	The partner does not comply with quality standards	3.12	1.617
	The foreign customers show loyalty to agents	3.15	1.388
	Intermediary/agent/distributor offer an alternative entry mode	3.25	1.398
	The partner in the foreign country has a misconduct against the company	3.38	1.595
	Meeting at a trade show with a person who proposes to launch a new more profitable entry mode	3.48	1.321
	The partner in the foreign country offers an alternative way	3.48	1.347
	Customers of foreign country ask for direct contact with the company	4.08	1.211
<b>Factors related to a reactive strategy change of the entrepreneur, who reacts to conditions inside or outside the company, regardless of business and social relationships</b>	There are few contractual restrictions to rescind the previous contract	2.22	1.233
	The foreign market has entered into EU or other organizations	2.25	1.271
	The foreign country has more/less efficient mechanisms of certain institutions than in the past	2.38	1.236
	The disinvestment costs are low	2.47	1.443
	The foreign country has lowered/raised tariff/non-tariff barriers	2.88	1.391
	The foreign country has a social, political, economic environment more/less risky	2.92	1.418
	The business was best/worst: the firm has more/less money to use for international operations	3.03	1.34
	It is not efficient to serve the foreign market from the country of origin	3.07	1.364
	The method previously used reached its goal or ended (e.g. work concluded or contract expired)	3.1	1.548
	The firm has done wrong forecasts of demand for foreign country	3.13	1.268
	Extreme performance (positive or negative) of the procedures currently used	3.17	1.251
	The firm accumulated enough knowledge of foreign markets/international experience that it has been decided to switch towards a more challenging mode	3.22	1.451
	The foreign market is in decline/expansion	3.43	1.332
	The method used is not suitable for firm operations and/or is incompatible with the objectives of business growth	3.58	1.453
	The method used takes too much effort and too many costs to be kept	3.6	1.405
	The method used didn't give the expected results	3.62	1.342

<b>Factors related to a proactive strategy change of the entrepreneur, who uses a business or social relationship to change entry mode strategy</b>	The firm suggested to a friend/relative an alternative entry mode	2.12	1.263
	The firm suggested to Italian/foreign provider an alternative entry mode	2.15	1.162
	The firm offered to Italian/foreign employees an alternative entry mode	2.2	1.176
	The firm identified a potential firm (even competitor) and proposed an alternative entry mode	2.58	1.253
	The firm identified an intermediary/agent/distributor and proposed an alternative entry mode	3.15	1.388
	The firm identified a potential partner to whom proposing an alternative entry mode	3.32	1.214
	The firm established a relationship with a major customer/potential customer and proposed him an alternative entry mode	3.33	1.323
<b>Factors related to a proactive change of the entrepreneur, who uses his special insight or ability to change entry mode strategy, regardless of business and social relationships</b>	Willingness to go back to concentrate/multiply the production in a few/many geographical areas	2.42	1.331
	Desire not to invest anymore and take risk	2.52	1.408
	Different attitude than the old management to the international business	2.65	1.388
	Desire to go back to give more/less emphasis to the internal market	2.68	1.359
	Willingness to delegate international activities to specialized operators in intermediation in a major/minor way	2.7	1.369
	Desire to enter into other markets thanks to a "massive" presence in this market	2.88	1.415
	Willingness to overcome the entry barriers	3.02	1.408
	Desire to have a higher flexibility in investment	3.07	1.313
	Desire to establish direct marketing policies	3.12	1.354
	Desire to achieve a long-term policy without being forced to focus on short-term results	3.2	1.375
	Perception that a change was necessary if you wanted to achieve a growth target	3.28	1.354
	Desire to gain experience, knowledge of the competitive situation and of the demand's characteristics of the foreign market	3.32	1.334
	Desire to avoid the possible loss of know-how	3.32	1.524
	Desire to give more/less importance to the foreign market in the future	3.42	1.381
	Desire to have more/less control of the activities in the foreign market	3.5	1.295
	Entrepreneur's perception of the need to change	3.92	1.225

With reference to the factors influencing reactive changes related to business and social relationships, it is interesting to note that they don't seem to be influential in deciding whether to change a proposal made by the Chamber of Commerce or by another company (also competitor) or by a friend /relative. On the contrary the proposal by a customer of a foreign country who asks for a direct contact with the company appears to be extremely influential.

For what concerns factors related to reactive changes regardless of business and social relationships, the results demonstrate that a big incentive to change stems from the problems the company experienced with the previous mode, in that it took too much effort and too many costs to be kept or it didn't give the expected results.

Comparing the two categories of reactive changes, the results show a greater influence of factors not related to previous business and social relationships, since 75% of all factors turned out to be influential factors, while in the case of reactive factors related to business and social relationships only 65% were considered as influential factors.

In relation to factors influencing proactive changes in mode strategy (linked to business and social relationships), as for reactive changes, firms and entrepreneurs seem to decide to change when they establish a relationship with major/potential customers and propose them an alternative entry mode.

Therefore, in the case of factors associated with a business and a social

relationship, companies tend to push towards a change when supported by current and potential customers.

Moreover, among factors related to proactive changes regardless of business and social relationships, the factor that seems to have the most influence in the decision to modify the entry method is the entrepreneur's perception of a need to change, followed by the desire to have more/less control of the activities in the foreign market.

Finally, findings revealed that proactive factors not related to previous relationships are more influential than proactive factors related to previous relationships. Indeed, in the category of proactive factors not related to previous business and social relationships, fifteen out of sixteen factors seem to be influential (93.75%), while in the category of "factors related to a proactive change of the entrepreneur, who uses a business or social relationship to change entry mode" only 57.14% are considered as influential factors.

### **Conclusions**

The research provided a valuable contribution to the knowledge of SMEs internationalization, showing the importance of analyzing when a firm decides to change its entry mode, along a continuum of reactive versus proactive changes.

Regarding the entry mode strategy changes in existing markets, in the cases with a higher degree of commitment there was a majority of proactive changes, and this finding was in line with the case studies' result, according to which the majority of changes are related to a wish of the entrepreneur/manager to exploit knowledge and experience.

Moreover, in the cases with a lower degree of control, the results showed a majority of proactive orientations, revealing a difference in comparison with the case studies analysis.

As a result, when changes were made in the existing markets, regardless of the degree of commitment, the findings showed a big influence of the entrepreneur, whenever he had the perception of the need to change.

Finally, regarding how factors influence changes in SMEs internationalization strategies in terms of

entry modes, the results permitted to corroborate what was found in the case studies analysis, namely a major influence of the entrepreneur in SMEs' decisions about mode changes, in opposition to what was emphasized by Scholars of international business, who used to give a major influence to previous business and social relationships.

### **Limitations of the study and directions for future researches**

This study has some limitations that provide directions for future researches. Firstly, it focused on SMEs located in just a single Italian region. Future studies might test these findings in other regions and in other countries.

The second limitation relates to the selection of a specific sector. A similar study could be done in other industry contexts to extend the theoretical generalisability of these findings.

The third limitation is that the research does not consider other possible strategy changes, other than changes in market and mode strategy. In future studies it could be important to consider a wider range of strategy changes.

A further criticism is concerned with the fact that this study did not take into account other potential factors that can influence changes in entry mode strategies. Such a limitation could be overcome by future studies including these variables.

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