

Interactive Research Development  
Workshop and Conference

# Internationalization of SMEs New Insights and Future Research Opportunities

## Conference Proceedings



**Freie Universität Bozen  
Libera Università di Bolzano  
Università Lìedia de Bulsan**

Conference Proceedings of the  
Interactive Research Development Workshop and Conference

**Internationalization of SMEs – New Insights and Future Research Opportunities**

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**Editors**

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## 1. PROGRAM ACKNOWLEDGEMENTS

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## 2. INTRODUCTION

As globalization spans all areas of life, not surprisingly internationalization of companies is seen as a strategic imperative by scholars and practitioners alike. Consequently, there is an abundance of research studies and practitioner reports and textbooks that center on internationalization motives, market entry strategies, efficient organization of foreign partners, joint ventures, and subsidiaries.

However, research on the internationalization of SMEs is still relatively under-represented in the literature (e.g., Coviello & McAuley, 1999; Lu & Beamish, 2001; Wright, Westhead, & Ucbasaran, 2007). More than a decade ago, the review paper 'SME internationalization research: past, present, and future' (Ruzzier et al., 2006) was published in the *Journal of Small Business and Enterprise Development*. According to Google Scholar, it has since then been cited more than 800 times. While research on international entrepreneurship, which is at the core of the Ruzzier et al. review, as well as related research on born globals (Knight & Cavusgil, 2004; Cavusgil & Knight, 2015) and international new ventures (e.g., Zander, McDougall-Covin, & Rose, 2015), has intensified over the last decades, there are still many issues that are yet to be addressed. The gap becomes even more obvious with respect to teaching in the field of International Management (IM) and international business (IB). Almost any textbook in the field is predominantly focusing on large MNCs, whether from developed or emerging economies (e.g., Cavusgil, Knight, & Riesenberger, 2017; Peng & Meyer, 2016; Phatak, Bhagat, & Kashlak, 2009). Yet, although large corporations and global brands such as HSBC, Lenovo, McDonalds, Siemens, or Toyota are known to all students, the majority of graduates will work in SMEs that show different approaches regarding their internationalization strategies and processes than what they have been taught at business schools.

What could be the reasons for this neglect despite an apparently intensified interest? From a research perspective a lack of easily accessible secondary data compared to big publicly listed corporations may be one important reason. Moreover, using case studies from huge international enterprises that are well known in research studies and particularly for teaching purposes has important advantages. First, researchers, lecturers and students can draw from many sources and easily access data and information. Secondly, 'recipients' such as readers or learners are often familiar with global brands and can better comprehend complex circumstances of the cases that in one refers to SMEs that are regionally well known, yet not on an international level even if they are global players within their industries. A final reason is that international studies conducted by leading strategy consultants based upon their industry- and country-spanning expertise are targeting big multinational enterprises, too, in order to gain reputation and to acquire new clients, as these are able to settle their high price tags. Hence, SMEs seem to be largely neglected research and consulting subjects with regard to internationalization, especially as they pursue different aims, strategies and organizational forms (e.g., Hollenstein, 2005).

Not only in South-Tyrol, but also in neighboring regions or big European economies such as Germany or Italy, SMEs are the 'backbone' of the economy. With regard to internationalization activities of SMEs one has to distinguish between micro businesses (especially local handicraft enterprises), which are at most doing business in areas close to the respective borders and do not pursue clear growth strategies, and enterprises, in which internationalization and its management is at the center of their firm strategy. These enterprises range from high-tech start-ups which are -to a certain extent- prototypes of born globals (Cannone & Ughetto, 2014), over component suppliers to SMEs with distinct growth strategies in different business sectors.

The latter SMEs are confronted with challenges and problems such as formulating effective internationalization strategies reaching far beyond just copying successful competitors. Even more challenges are associated with efficient implementation of such strategies, for instance, the need for initiate and orchestrate change management processes in the headquarters. Additionally, operative efficiency (organization, management processes, auditing, manufacturing, logistics, and HRM), which is frequently the source for competitive advantages of SMEs, is at risk as structures and processes have to be adapted to international requirements. Many of these aspects are not at all or insufficiently researched or the scientific insights, their reliability, and usability are not known.

Against this background we started a research initiative at the Free University of Bolzano leading to an internally seed-funded research project called “Management of Internationalization of small and medium sized enterprises (SMEs) - Blind spot of research despite major relevance for the economy!” (MISME) which has been started in January 2017 and will last until December 2019. It addresses research questions ranging from motives of SMEs to internationalize, formulation and implementation of internationalization strategies to marketing challenges such as the need to customize products and services to different local markets, human resource management related questions as for instance international talent management, cultural distance, and training needs as well as to issues of financing international activities.

Partly initiated and funded by the MISME project, we successfully submitted a proposal for a Professional Development Workshop to the International Management Division of the Academy of Management, which we conducted at the 77<sup>th</sup> Annual Meeting of the AOM in Atlanta, GA. in August 2017. Building on this PDW, we decided to organize the first conference on “Internationalization of SMEs – New Insights and Future Research Opportunities” at the Free University of Bozen–Bolzano in May 2018, which aimed at discussing fresh ideas and innovative research initiatives in the field of the internationalization of SMEs 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 attitudes towards internationalization. And 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 has been highly appreciated.

The interactive conference was opened by Jean-François Hennart who gave an inspiring keynote speech on SMEs and International Business Theory, which was further commented and supplemented by Timothy Devinney.

Hennart started with what he calls the universal belief that selling abroad is -always- slower, more difficult, and more costly than domestic expansion which is even more relevant for SMEs. The message of his keynote speech was: ‘selling abroad, even for SMEs, does not have to be difficult, risky, costly, and slow’ as it fundamentally depends on the firm’s business model. Some business models make selling abroad cheap, easy, and quick. In the course of his presentation he challenged and questioned basic assumptions of the Uppsala model as well as the mainstream born global literature. Referring to his 2014 article ‘The accidental internationalists: a theory of born globals’ published in *Entrepreneurship Theory and Practice* he showed that product, customer, and delivery system characteristics of the business model are essential to predict the speed and scope of internationalization (Hennart, 2014). According to him it is worthwhile to use classifications of export barriers (Leonidou, 2004) for analyzing internationalization patterns of SMEs. Finally, he outlined a current research project that simultaneously tests the explanatory power of traditional (internet, high tech, founder experience) and firm business model antecedents (uniqueness, transportation costs etc.). As an important implication of future research, he concluded that one should look beyond the product at the business model and ask the question: ‘What are the most important measurable characteristics of a fast internationalization business model?’ Further research fields he perceives as promising are internationalization of family firms and Micro-MNEs.

Thirteen presentations in the areas of Human Resources, Strategy, Entrepreneurship and Finance, as well as Industry 4.0 and Digitalization were held during the conference. The submitted projects varied in their methodology and stage of development. We believe that all authors benefitted from the lively discussions after the presentations and will be able to develop the papers further. We were honored to be able to present a European Journal of International Management best paper award, which was awarded to a paper authored by Maria Cristina Sestu, Antonio Majocchi, and Alfredo D’Angelo and titled



“Entry mode strategies: are SMEs any different?”. The paper captured the very central point of the conference: Internationalization strategies of SMEs may be very different of those of large enterprises.

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 2<sup>nd</sup> interactive conference on Internationalization of SMEs at the Free University of Bozen-Bolzano in the spring of 2019.

Bozen-Bolzano, May 2018

Marjaana Gunkel & Michael Nippa

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### 3. PROGRAM OVERVIEW

Wednesday, May 2, 2018

Room F6 – University Club

12.00	am	REGISTRATION
12.45	pm	WELCOME
1.00	pm	<p>Keynote Speech, SMEs and International Business Theory  <b>Jean-Francois Hennart</b>, Tilburg University, Netherlands            Facilitator &amp; Commentator  <b>Timothy Devinney</b>, Leeds University, UK</p>
2.15	pm	COFFEE BREAK
2.30	pm	<p><b>TRACK: HUMAN RESOURCES</b>            The Relationship Between Internationalization and Performance in Young Firms:            The Moderating Role of Human Resource Slack  <b>Christine Friederici*</b>/ <b>Christian Schwens</b>            Heinrich-Heine-Universität Düsseldorf, Germany</p> <p>Candidate Experience Management as an Advantage for Internationalizing Small            and Medium Enterprises  <b>Bjoern Schaefer*</b>, <b>Paul Goldmann</b>, <b>Florian Chittic</b>            Katholische Universität Eichstätt-Ingolstadt, Germany</p> <p>Career Development of Talent in Different Cultural Contexts  <b>Franziska Eberz*</b>, <b>Katharina Gilli</b>            Free University of Bozen – Bolzano, Italy</p> <p>Global Leadership Success - SME Leader's Intelligences as a Driver for            Internationalization Success  <b>Erik Lankut*<sup>1</sup></b>, <b>Marjaana Gunkel<sup>2</sup></b>, <b>Ilán Alon<sup>1</sup></b>, <b>Vasyl Taras<sup>3</sup></b>, <b>Ziaul Haque Munim<sup>1</sup></b>  <sup>1</sup>University of Agder, Norway. <sup>2</sup>Free University of Bozen–Bolzano, Italy. <sup>3</sup>University of            North Carolina and Greensboro, USA</p>
4.30	pm	COFFEE BREAK
5.00	pm	<p><b>TRACK: STRATEGY</b>            Assessing the Performance of SMEs Internationalization Process - A Review of            Contemporary Research Between 2002 and 2017  <b>Philippe Lamb*<sup>1</sup></b>, <b>Oussama. Darouichi<sup>1</sup></b>, <b>Vijaya Narapareddy<sup>2</sup></b>  <sup>1</sup>Université de Neuchatel, Switzerland. <sup>2</sup>University of Denver, USA</p> <p>Entry Mode Strategies: Are SMEs Any Different?  <b>Maria Cristina Sestu*<sup>1</sup></b>, <b>Antonio Majocchi<sup>1</sup></b>, <b>Alfredo D'Angelo<sup>2</sup></b>  <sup>1</sup>Università di Pavia, Italy. <sup>2</sup>Università Cattolica del Sacro Cuore, Italy</p>
6.00	pm	END
7.00	pm	EVENING EVENT (CONFERENCE DINNER INCLUDED)

Thursday, May 3, 2018

Room F6 – University Club

9.00 am **TRACK: ENTREPRENEURSHIP & FINANCE**

Entrepreneurial vs. Non-Entrepreneurial Internationalization: An Illustrative Case of Italian SME

**Tiia Vissak<sup>\*1</sup>, Barbara Francioni<sup>2</sup>, Niina Nummela<sup>3</sup>**

<sup>1</sup>University of Tartu, Estonia. <sup>2</sup>Università degli Studi di Urbino Carlo Bo, Italy. <sup>3</sup>University of Turku, Finland

Resource Mobilization in International New Ventures: A Thematic Analysis, Review and Research Agenda

**Abiodun Adegbile\*, Albrecht Söllner**

Europa- Universität Viadrina Frankfurt (Oder), Germany

How to Determine the Cost of Equity Capital in Small and Medium Sized Private Companies?

**Bernd Britzelmaier\***

Hochschule Pforzheim, Germany

Internationalization of Startups Financing With Blockchain – Empirical Analysis of ICOs or Token Sales

**Dmitri Boreiko\***

Free University of Bozen-Bolzano

## 11.00 am COFFEE BREAK

11.30 am **TRACK: INDUSTRY 4.0 / DIGITIZATION**

The International Expansion of Digital Firms in the Internet of Things Era: First Evidences from Italian SMEs

**Valerio Veglio\***

Free University of Bozen-Bolzano

Investigations on the Influence of Industry 4.0 on the International Competitiveness of SMEs

**Rubina Romanello\*, Maria Chiarvesio**

Università di Udine, Italy

Platform Home Sharing as Micro Business - Declassifying the Sharing Economy

**Jacob Barr\***

Jeju National University, Korea

## 1.00 pm FAREWELL RECEPTION AND LIGHT LUNCH

## 2.00 pm END OF THE CONFERENCE

\* = presenter

#### 4. ABSTRACTS OF ACCEPTED CONTRIBUTIONS

##### 4.1 Track: Human Resources

Time: Wednesday, May 2, 2018, 2.30 pm – 4.30 pm

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##### **The relationship between internationalization and performance in young firms: the moderating role of human resource slack**

Christine Friederici, Christian Schwens

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During the past decades research in the field of international entrepreneurship (IE; Jones et al., 2011) has gained momentum, with a considerable amount of studies focusing on the phenomenon of young internationalizing firms (e.g., Fernhaber et al., 2007; Autio et al., 2000). Considering that young firms typically suffer from scarce resources, little experience and small error margins (Bruneel et al., 2010), the performance implications of their crossborder expansion have attracted special research attention (for a recent meta-analysis see Schwens et al., forthcoming). However, opposing theoretical arguments indicate that the literature is far from being conclusive. While some studies argue that internationalization enables young firms to benefit from additional revenue sources (McDougall & Oviatt, 1996), realize economies of scale (Khavul et al., 2010), and explore learning opportunities in foreign markets (Zahra et al., 2000), other studies emphasize the uncertainties and additional resource requirements associated with internationalization (e.g., Sapienza et al., 2006). Opposing arguments are also reflected in inconclusive empirical findings, reporting positive (e.g., Bloodgood et al., 1996), negative (Zhou & Wu, 2014), and non-significant effects (McDougall & Oviatt, 1996) for the internationalization-performance link among young firms. In an effort to help overcome the ambiguity in extant research, studies have begun to examine the boundary conditions of the internationalization-performance association in IE, notably pointing to the critical role of knowledge-based resources inside the firm (e.g., Schwens et al., forthcoming; Bloodgood et al., 1996). However, our understanding is incomplete in terms of at least two important aspects. First, while firm-internal knowledge is in large part bound to a firm's employees, it remains unclear how different types of knowledge – typically associated with different types of employees – are influential for the internationalization-performance relationship in young firms. Second, although knowledge based resources are likely to be valuable, they also represent a cost to the firm. However, existing studies focus on the absolute rather than the excess level of knowledge-based resources. Consequently, we do not know if young internationalizing firms should ensure the availability of certain types of knowledge within the firm by holding costly human resource (HR) slack – i.e., employ “more workers than needed to attend to routine operations” (Lecuona & Reitzig, 2014, p. 955). Our study examines the moderating influence of HR slack on the relationship between internationalization and performance among young firms. Specifically, we argue that the magnitude to which internationalization leads to improved performance depends on the associated types of knowledge inherent in different types of HR slack. Consistent with Lecuona & Reitzig (2014) we draw on the knowledge-based view (KBV; Grant, 1996) and distinguish among (1) tacit and specific (2) tacit and general, and (3) codified HR slack. Thus, the knowledge associated with different types of excess workers can be (a) tacit or codified (Polanyi, 1966) and (b) specific or general (Helfat, 1994). While tasks performed by managers typically require knowledge that is difficult to transfer and bound to a specific work context, skilled blue collars mainly contribute knowledge that is difficult to codify but can be used in diverse settings. In comparison, the tasks of unskilled blue collars require primarily knowledge that is easy to codify, regardless of its specificity (Lecuona & Reitzig, 2014). While we assume that tacit and specific HR slack improves the benefits and reduces the costs of a young firm's internationalization resulting in improved performance, we expect tacit and general HR slack as well as codified HR slack to have the opposite effect. We offer two contributions to extant research. First, we contribute to the IE literature by theoretically establishing and empirically validating how different forms of HR slack moderate the impact of internationalization on performance in young firms. As workers hold knowledge, we expand previous studies (e.g., Schwens et al., forthcoming) by offering a more detailed perspective on the relevance of knowledge-based resources for the internationalization-performance link in IE. Second, our study is the first to examine HR slack in the unique context of young internationalizing firms. Consequently, we contribute to the literature on HR slack (e.g., Mishina et al., 2004) by tailoring our arguments to the specific characteristics of young internationalizing firms.

### Methodology

To test our hypotheses, we draw on a sample of young manufacturing firms from France, Italy and Spain derived from the EU-EFIGE/Bruegel-UniCredit dataset (Altomonte & Aquilante, 2012). With firm performance being the dependent variable, we choose a hierarchical linear regression model including interaction terms to validate our theoretical predictions. Consistent with prior studies, we use return on assets (ROA) as a measure of firm profitability to operationalize firm performance and percentage of foreign sales to total sales to measure the degree of internationalization. To operationalize the different types of HR slack we divide the number of relevant employees (i.e., managers, skilled blue collars or unskilled blue collars) by total sales and subtract the mean ratio of firms operating in the same industry and country (Lecuona & Reitzig, 2014; Mishina et al., 2004). To address potential concerns regarding endogeneity, we test our model using lagged performance.

### Results

We find a positive moderating influence of tacit and specific HR slack (in support of H1) and a negative moderating influence of codified HR slack (in support of H3) on the relationship between internationalization and performance. However, we do not find support for a negative moderating influence of tacit and general HR slack (H2). Implications By integrating the notion of HR slack into the IE domain, we emphasize the role of excess human resources as a critical source of knowledge, which may affect the implementation of young firms' international strategies. Thus, our research promotes further considerations concerning the fit between strategic choice and knowledge-based resources in young internationalizing firms. Furthermore, our findings are of significance for practitioners as they show that young internationalizing firms – typically challenged by scarce resources – may benefit from specific types of HR slack and suffer from others.

### REFERENCES AVAILABLE FROM THE AUTHORS

## **Candidate Experience Management as an Advantage for Internationalizing Small and Medium Enterprises**

Bjoern Schaefer, Paul Goldmann, Florian Chittic

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Small and medium enterprises (SME) and their endeavor to internationalize are of increasing interest to the scientific community. Since the GDP and employment of most economies rely heavily on these forms of businesses, the relevance of the topic appears obvious. As important are the specific challenges that these companies face: Given size and revenues, these differ significantly from those of large corporations when it comes to resources and managerial skills (Clifford Jr., 1973). At the same time small and medium enterprises are facing competition from international players while their own potential to act in an increasingly global economy is depending on a large number of factors (Martineau and Pastoriza, 2016). Their ability to gain access to scarce resources, as their funding and networks usually are not as extensive as those of multinational corporations, is limited and they are threatened by outspending strategies of larger competitors. The increasingly important market of human resources, the acquisition of highly qualified personal such as engineers or computer scientists, strongly contributes to the strategic position of an organization. Possessing such rare, knowledgeable talents allows companies to gain a competitive edge in their business environments and staying viable (Grant, 1996), (Song, Almeida, and Wu, 2003), (Crook et al., 2011). Drawing upon (Kuivalainen et al., 2013), we expect this to be even more important in situations in which SMEs intend to internationalize. When taking a closer look, several drawbacks of small and medium enterprises concerning their position in the competitive market for human resources become obvious. Being the employer of choice for high potential employees with relevant knowledge, e.g. for internationalization projects, poses a challenge to SMEs, which they are aware of (Festing, Schäfer, and Scullion, 2013). We divide these challenges into a perceptual, a compensational and a perspective dimension: Generating brand awareness and entering the evoked set of relevant candidates by building a positive employer brand (Ambler/Barrow 1996) poses the first barrier to SMEs' successful acquisition of high potentials (Oikarinen and Saraniemi, 2016). This problem becomes more relevant, when SMEs engage in a country or worldwide search for personal with an expertise not directly related to its field, e.g. internationalization strategy or experts coming from and equipped with knowledge of a foreign target market. The compensational dimension addresses the abovementioned challenge of being outspent (or being perceived as such) by large corporations able to offer higher fixed salaries. Even in the case, that SMEs match the competitive fixed salary, other compensational components may pose a secondary barrier to a successful hire. Due to financial, organizational, and managerial aspects, small and medium enterprises usually cannot offer as diverse incentive systems, large arrays of work life balance measurements or professional development programs compared to MNEs. At the same time, the career perspectives in small and medium enterprises may not be perceived by potential candidates as attractive in comparison to those offered by large corporate groups (Marlo, 2000). As these drawbacks are imminent in the nature of most SMEs, they need to establish alternative ways, optimizing the acquisition of strategic human resources and compensate for the abovementioned limitations. We argue that the implementation of candidate experience management (CMX) may pose as a possible solution, attenuating the perceptual as well as the compensational dimension. The concept of candidate experience management is closely related to the concept of customer experience management as described by (Pine, II and Gilmore, 1999). In practice it is understood as an integrative perspective including several stages of the application process: Starting with candidate awareness and attrition, providing information to potential candidates, the implementation of the application process itself, the selection of final candidates as well as the onboarding process and the impact of the process on employee retention. CMX covers all relevant candidate touchpoints and thereby is more extensive than the integrated applicant reaction model presented by (Chapman and Webster, 2006). In this way CMX resorts to the customer journey concept and adapts it to a candidate application process. This helps to reframe the perception of the hiring process, and leads to a candidate-centric approach intended to create a positive experience from the first point of contact via the application and beyond the onboarding process (Verhoeven, 2016). While the applicant reactions to different stages of a recruiting process have been of long interest in research (McCarthy et al., 2016), an integrative perspective has received little attention in international scholarly journals so far. While the few articles stress the importance of

candidate experience (e.g. Barbedette, 2005 or Carpenter, 2013), the steady interest of practitioners demonstrates the concepts relevance in the working world. A google trend analysis allows for a first insight into the relevance of the construct. The increasing digitalization of human resource management and recruiting processes adds to this development and opens new possibilities as it does not only support the CMX but helps to present one's company as progressive (Brahmana and Brahmana, 2013), (Lam and Hawkes, 2017). To our knowledge no investigation into the role of candidate experience management or related constructs as sources of competitive advantages for small and medium enterprises have so far been made. Therefore our research project focuses on the question of „How does candidate experience management add to the internationalization of SMEs?“ We conduct interviews with SME managers to better understand how and why the companies implement different CXM measures. By implementing a qualitative data analysis approach, we intend to gain deeper insights into how SMEs strengthen their competitive position in the HR market. We also address their experience in implementing CXM to fill positions relevant to successfully internationalize their businesses – either specialists for internationalization or key actors in the process. At this stage of the study we are focusing on SMEs in all different stages of internationalization processes. In a second step, we plan to develop a survey based on the first study to assess the extent to which different measures affect their ability to acquire and retain high potential personal in the context of internationalization. We are considering to administer this questionnaire not only in Germany, but also in the US as well as in South Korea. The first three interviews with representatives from one company already revealed that small and medium enterprises are beginning to optimize their recruiting processes by adapting them to the applicants' preferences, as they clearly identify this as a competitive advantage over their larger competitors. Our research addresses a relevant gap between research and business reality. We investigate the impact of an integrated, candidate-centered application process and its relevance for small and medium enterprises with an intention to internationalize their business. We thereby advance our knowledge of SMEs internationalization strategies as well as assisting business in developing useful strategies in the struggle for rare talents.

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

## Career Development of Talent in Different Cultural Contexts - Implications for the Internationalization of SMEs

Franziska Eberz, Katharina Gilli

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The literature on Global Talent Management (GTM) and Global Career Management has so far largely ignored cultural and gender diversity as factors influencing career decisions. Nevertheless, there is evidence from the practice implying that careers of men and women show different patterns. Moreover, it seems that careers of individuals in different national contexts are influenced by distinct (cultural and institutional) factors. The Kaleidoscope Career Model (Mainiero & Sullivan, 2005) proposes that individual career patterns change over time as individuals, based on their current life-stage, place varying focus on authenticity, balance, and challenge.

These focuses may be further influenced by institutional factors as well as gender. The study of international careers within a multi-national context usually refers to two distinct but related themes, namely international career developments of employees and self-initiated international careers. While the early literature on international careers focused on the benefits organizations and individuals can draw from successful expatriate missions, recent studies concentrated on examining how people adapt to today's fast-changing and increasingly globalized environment when building their careers (Tams & Arthur, 2007; Suutari & Brewster, 2000). Even though the classical expatriate assignment is still a common practice in international businesses, the increase in mobility and the emergence of boundaryless, individual driven careers prompt more and more people to embark on self-initiated international careers. Hence, they expatriate themselves voluntarily to other countries (Carr, Inkson, & Thorn, 2005). Such moves can have various motives such as gaining international experiences, seeking personal development or striving for economic or political improvement.

The phenomena of international careers and the global flow of talent – stimulated by both expatriate assignments and self-initiated international moves – cause various challenges for internationally acting organizations as they have to cope with more competition for highly qualified individuals worldwide (Tarique & Schuler, 2010). Generally, firms seek to attract, retain, and develop these young and talented workers through talent management practices (Iles, Preece, & Chuai, 2010). Yet, with an accelerating globalization, international talent becomes increasingly valuable, while at the same time, there is an acute talent shortage on labor markets in both developed and emerging economies (Scullion & Collings, 2011). Consequently, the development and adoption of strategic GTM practices become of crucial importance for organizations (Tarique & Schuler, 2010). In response to calls for research by various scholars (e.g., Böhmer & Schinnenburg, 2016; Sullivan & Baruch, 2009; Suutari, Tornikoski, & Mäkelä, 2012; Tams & Arthur, 2007), we adopted a cross-cultural approach and examine how successful careers of international knowledge workers in three countries, namely India, Italy, and Germany, develop over time. We intend to find out if there are culture based differences in their career patterns. In addition, we investigate the influence of gender on career paths in and between the country samples.

Considering the key features and advantages of a qualitative research approach (e.g., Bryman, 2016; Denscombe, 2010), an inductive qualitative research design was selected. Curriculum vitae (CV) analysis was chosen as the primary method for data collection as it is regarded as an adequate instrument to examine career trajectories and mobility as well as the impact of such mobility on people's career progress (Bawazeer & Gunter, 2016). For the analysis of the qualitative data, we decided to use the content analysis approach (Mayring, 2014). Our final research sample consisted of 74 male and female professionals originating from three diverse cultural contexts, namely India, Germany, and Italy.

Our study contributes to the literature on international careers as it lacks in empirical examination of international careers of knowledge workers, especially culture comparisons are rare. We extend the literature comparing career patterns of international knowledge workers in three different cultural contexts. Within the career literature, only few studies have used CV analysis as primary data collection method. Therefore, the present study also contributes to the existing empirical research on career patterns from a methodological perspective. Our findings reveal significant differences in the career paths of male and female international knowledge workers in distinct institutional environments, especially regarding the two dimensions of mobility and career patterns. Hence, international talent seems to develop differently in distinct cultural contexts. The vast variety of influencing factors affecting



people's career decisions may also have a significant impact on organizations employing international knowledge workers and the way in which they manage their workforce (Böhmer & Schinnenburg, 2010). Internationally acting SMEs must be aware of this complexity of contextual impact factors and should adopt a context-specific approach. They need to align their HRM practices with the many identities and goals to which their employees aspire (Shen et al., 2015). In line with Böhmer and Schinnenburg (2016), we encourage SMEs to implement efficient and tailor-made GTM measures that aim to successfully attract, retain, and develop talent to secure survival in today's increasingly global, dynamic, and competitive world.

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

### Global Leadership Success - SME Leader's Intelligences as a Driver for Internationalization Success

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The management of a small and medium-sized enterprise (SMEs) plays a key role for its internationalization success; especially their leadership skills are an important factor leading to successful operations abroad. Understanding what influences leadership behaviors and global leadership success is an important topic for SMEs in their internationalization process, as internationalization involves working with individuals in different countries with different cultural backgrounds. Certainly, the leader's individual motivation plays a great role (Bartubo, 2005) but also various intelligences have been shown to influence leadership effectiveness (Rockstuhl et al., 2011). Contemporary theories on intelligence, such as Gardner's (1993) and Sternberg's (1999) theories of multiple intelligences, propose that intelligence is not a single general (cognitive) ability, such as IQ but a collection of various types of intelligences. In the context of leadership, Alon and Higgins (2005) suggest that in addition to general intelligence, emotional intelligence and cultural intelligence are important factors influencing global leadership success. Even though the importance of multiple intelligences has been discussed in the literature, studies examining international workgroups has largely focused on cultural intelligence and demonstrated a positive effect on leadership effectiveness (Groves & Feyerherm, 2011; Offermann & Phan, 2002) as well as the task performance (Ang, et al. 2007). Emotional intelligence, on the other hand, has so far mainly been examined in a domestic setting. For example, Kerr et al. (2006) show that emotional intelligence is positively related to leadership effectiveness, whereas Wong and Law (2002) demonstrate a positive relation between a leader's emotional intelligence and follower satisfaction. When it comes to general intelligence, previous research has shown that IQ positively influences leadership effectiveness both in a domestic as well as a cross-border setting (Rockstuhl et al. 2011). As Alon and Higgins (2005) suggest, our study examines general intelligence, emotional intelligence as well as a leader's motivation as antecedents of leadership behaviors within multicultural work teams. We further examine the mediating effect of leadership behaviors on global leadership success. Along the lines of Alon and Higgins (2005), we expect that cultural intelligence moderates the relationship between leadership behaviors and global leadership success in a multicultural team during an internationalization process of a SME.

#### Method

To test our model using structural equations modelling, we utilize an online survey, which is part of a virtual international collaboration project. Our data set comprises of over 7,000 students from 120 universities in 40 countries working in international teams on real-life internationalization projects provided by several SMEs from different countries. During the project the participants evaluate the performance of their peers within their team and, at the end of the project, the solution to the internationalization challenge presented by each team is evaluated by five to seven independent experts. This provides reasonably reliable estimates of a leader's performance and the performance of his/her work team. The survey includes a measure for the emergence of leadership within the team as well as a number of other leadership indicators such as the demonstration of leadership and coordination, intellectual contribution, effort and helpfulness, the ability to motivate work group members, and quality of the final work group performance. Emotional intelligence is measured using the Wong & Law (2002) tool, whereas cultural intelligence is assessed using the Ang et al. (2007) measure. General intelligence is measured in a pre-project test, during which verbal reasoning and memory are measured. Various control variables including nationality, age, and gender among others will be included in the analysis.

#### Contribution

Following the call for research by Rockstuhl et al (2011), we extend the literature examining the influence of various intelligences on leadership effectiveness, in our case global leadership success. We will closely follow and empirically test the theoretical framework provided by Alon and Higgins (2005). Our results contribute to the existing literature on global leadership as well as on internationalization on SMEs. We extend the literature on global leadership by examining the antecedents of leadership behaviors as well as the pathways through which various intelligence

influence global leadership success by testing an existing theoretical model. Our contribution to the literature on the internationalization of SMEs lies in examining how leadership contributes to internationalization success of an SME. Our results will have various practical implications for the management of SMEs, especially when it comes to the hiring and training practices within these organizations. The data for our study has been collected and we are currently in the process of preparing and analyzing it. We will be able to present and discuss the results of our empirical analysis during the workshop.

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## 4.2 Track: Strategy

Time: Wednesday, May 2, 2018, 5.00 pm – 6.00 pm

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### Assessing the performance of SMEs internationalization process - A review of contemporary research between 2002 and 2017

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The internationalization process of SMEs has been a widely debated research topic, at least since the mid-1970s (Ruzzier et al., 2006). By contrast, interest in the question of the outcome of this process is recent but growing rapidly in the scholarly literature (Cao et al., 2016; Kuivalainen et al., 2012; Manolova et Manev, 2004; Schwens et al., 2017). And yet, this is a major issue from a managerial standpoint. Initially, empirical research into the factors that affect how well international SMEs perform focused mainly on high-tech new ventures in line with the International Entrepreneurship approach (Bloodgood et al., 1996; Mort et Weerawardena, 2006; Preece et al., 1999). Later on, researchers began to study different kinds of SME in many industrial contexts (K. Brouthers et al., 2015; K. D. Brouthers et Nakos, 2004; Di Gregorio et al., 2009; Hagen et al., 2012; Hilmerston et Johanson, 2016; Hsu et al., 2013; Musteen et al., 2010; Pangarkar, 2008; Trudgen et Freeman, 2014).

#### Purpose

Due to the growing number of studies addressing the performance issue of iSMEs (internationalized SMEs), there is a pressing need to provide a comprehensive literature review in the field. This literature review paper on the iSMEs performance antecedents and measures aims to explore four key research questions: (1) What are the key issues regarding iSMEs performance? (2) What are the determinants and measures of the iSMEs performance? (3) What are the theoretical and methodological approaches used in the field? (4) How to address the performance issues of iSMEs in the future?

#### Methodology

We conducted an “exhaustive review” (Cooper, 1988; Webster et Watson, 2002), examining empirical and conceptual researches published between 2002 and 2017 that focus on the assessment of the SMEs internationalization process. Following Manolova et Manev (2004), a narrative approach was adopted by providing our own interpretation regarding the impact of the antecedents on the iSMEs performance and the performance measures. As such, two analytical tools were used: tabular comparison of sources and variable grouping (Levy et Ellis, 2006; Webster et Watson, 2002). Findings Based on these 5 inclusion criteria, more than 40 contributions were identified. We organized the contributions into three groups: conceptual papers, quantitative empirical studies and qualitative empirical studies. Then, the contributions are discussed according the key research questions. As a synthesis of the findings presentation and discussion, we propose a general model of iSMEs performance. The performance antecedents and measures are classified with the supportive references analyzed in the review process.

#### Value

Our contributions are fourfold: (1) clarification of the main concepts and constructs regarding the iSMEs performance (2) proposition of an integrative conceptual model to guide future empirical investigations. (3) pointing out directions for further research (4) identification the success factors regarding the internationalization process of SMEs

### REFERENCES AVAILABLE FROM THE AUTHORS

### Entry mode strategies: a comparison between SMEs and large firms

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The entry strategy a firm implements to invest in a foreign market is the first crucial step in its international diversification. Indeed, foreign entry strategies are the key to success in the foreign market in terms of performance and survival (Lu & Beamish, 2001). Thus, given their prominence, these strategies have been one of the main core topics of internal business research in the last decades (Brouthers & Hennart, 2007). Regardless of the relevant role of SMEs into the world economy in terms of both GDP and employment, previous studies on foreign entry strategies have mainly focused on large MNCs, overlooking SMEs (Bruneel & De Cock, 2016). Thus, the relevance of the research on foreign entries is augmented by its focus on SMEs, that have been overlooked so far. Moreover, the limited knowledge on SMEs' foreign entries lack of a comparison with the results obtained for large firms. While it is true that SMEs and large firms differ in some instances, it is not clear whether these different characteristics affect also their foreign entry strategies. Thus, is still not clear whether the major theories of foreign entry strategies (Transaction Cost Economics, Institutional theory, Resource Base view, and so on) are valid also for SMEs. To shed new light on this topic is the focus of this paper. To this aim we investigate foreign entries in the Italian market from 2005 until 2015 using a dataset of 719 investments, using the SMEs' definition of the European Union the sample contains 119 SMEs and 528 large firms. Large firms might choose differently their foreign entry strategies because of their economies of scale and specialisation, large availability of financial and human resources (Wagner, 2001). Moreover, the family ownership structure might affect differently the entry and establishment modes of large and SMEs (Bruneel & De Cock, 2016; Laufs & Schwens, 2014), given that most of SMEs are family controlled. Also, the presence of high initial sunk costs to enter a foreign country might limit more SMEs than large firms. Up to now, foreign entry research has mainly focused on large firms (Brouthers & Hennart, 2007), irrespective of the theoretical framework, and far too little attention has been paid to SMEs. In particular, a comprehensive comparison of entry strategies of large firms and SMEs is still lacking. The few studies focusing on SMEs (Brouthers & Nakos, 2004; Nakos & Brouthers, 2002) do not use a control group of large firms to compare the findings. Thus, foreign entry research needs more comparative studies (Erramilli and D'Souza, 1993; Li and Qian, 2008). Comparative studies will extend our understanding of how the same determinants have a different effect (magnitude and sign) on the foreign entry choice of SMEs and large firms. The aim of this research is to investigate whether the effect of a set of determinants widely used in previous research studying large MNCs' foreign entry strategies is the same for SMEs. We focus our empirical analysis on the ownership mode selection (joint venture versus wholly owned subsidiary) and on the establishment mode choice (greenfield versus acquisition), using the classification of Brouthers and Hennart (2007). Some of our findings show that SMEs' and large firms' entry strategies are driven by different factors, highlighting possible future research paths. For instance, our results show that in the manufacturing sector that large firms prefer to establish a wholly owned subsidiary in manufacturing, while this sector is not significant for the sample of SMEs. Furthermore, SMEs to select a wholly owned subsidiary over (joint venture when the local firm is also an SME, while diversified SMEs prefer a (joint venture investment rather than a wholly owned subsidiary. These two effects are not significant for large firms, whose ownership mode is mainly driven by the industry growth of the host market, the psychic distance, and the family control of the local firm. With reference to the establishment mode, our findings confirm, as well as for the ownership mode, the need to further investigate the determinants of SMEs choice. Indeed, our analysis shows different results for the two sample. While SMEs' propensity to make a greenfield investment is negatively affected by the age of the SME, its experience in the Italian market, and if the investment is in the manufacturing sector, for large firms these determinants are not significant. Indeed, their establishment mode choice is affected by other factors as geographic distance and return on assets. Our results show that SMEs' foreign entry strategies are determined by different factors compared to large MNCs. Thus, future studies on foreign entry strategies should focus more on the comparison between SMEs and large firms to identify which are exactly the drivers for the two different groups.

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#### 4.3 Track: Entrepreneurship & Finance

Time: Thursday, May 3, 9.00 am – 11.00 am

##### **Entrepreneurial vs. non-entrepreneurial internationalization: An illustrative case of an Italian SME**

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During the last 20 years a new field of research – International Entrepreneurship (IE) – has emerged at the crossroads of two established disciplines: Entrepreneurship and International Business. It is commonly understood as “the discovery, enactment, evaluation, and exploitation of opportunities—across national borders—to create future goods and services” (Oviatt & McDougall 2005, 540). Although the definition is quite broad and includes multiple types of entrepreneurial behavior, the main focus of IE scholars has been on entrepreneurs who identify and exploit opportunities across national borders (not on comparative studies) and in particular on firms that (a) see the opportunities spread across the globe and (b) try to access these global markets as quickly as possible (Jones et al. 2011). These global start-ups (see Oviatt & McDougall 1994) are sources for potential future growth, but they form a clear minority among internally entrepreneurial firms. A lion’s share of these firms expand at a slower pace, and for many of them international operations – although they may have continued for years – remain of less importance than their domestic market activities. Entrepreneurial internationalization lies at the heart of IE research (Jones et al. 2011), and there the term has been understood very broadly. In a way that is understandable, because internationalization always includes a new entry, either with the existing or new products to a new market, and a new entry is an essential act of entrepreneurship (Lumpkin & Dess 1996). Whether the behavior of internationalizing firms is entrepreneurial, is another question. Being entrepreneurial refers to a combination of bold and opportunity-seeking decision-making with innovativeness, risk taking and proactiveness (Dess et al. 1997). One could argue that the great majority of smaller internationalizing firms do not act entrepreneurially; on the contrary, they are non-entrepreneurial and conservative, and their management style is mainly risk-averse, non-innovative and passive or reactive (cf. Covin & Slevin 1988). Thus, although entrepreneurial internationalization might be experienced by any firm, in any industry or context (Jones & Coviello 2005), it does not always happen. Consequently, how well do the existing theories capture their internationalization process? Since 1970s International Business research has been dominated by three main theories: the OLI framework of John Dunning (1973, 1977), internalization theory (e.g. Buckley & Casson 1976) and the internationalization process of the firm (Johanson & Vahlne 1977). The three theories have investigated the same phenomenon from different perspectives: OLI framework explaining why and where firms expand overseas, internalization theory rationalizing the most efficient organization form to expand, and the internationalization process theory how firms expand to international markets (Santangelo & Meyer 2017). Additionally, during the past 30 years, a considerable number of studies have been published with an attempt to explain the emergence of ‘born globals’ (Knight & Cavusgil 1996) and accelerated process of internationalization (Hurmerinta-Peltomäki 2003). None of these theories seem to provide us an explanation why some SMEs internationalize incrementally over time for a while, but then seem to hit a ‘glass ceiling’, i.e. a maximum level of commitment, which is not overcome. On the other hand, why is it so that the international activities of these firms often seem to be characterized by non-linear internationalization (Vissak & Francioni 2013), i.e. their commitment to internationalization varies over time: it decreases and increases again, often several times? This study addresses the broader research question: how does non-entrepreneurial internationalization happen and why? We argue that besides strategic entrepreneurial internationalization – i.e. purposeful, entrepreneurial action, which is proactive, innovation and sustainable (Autio 2017) – some SMEs internationalize through a more non-entrepreneurial process. These firms do not experience accelerated internationalization through which they increase their commitments on international markets. Instead, their internationalization starts and continues to be opportunistic and sporadic, rather than a continuous process (Bernini et al. 2016). Our study investigates the non-entrepreneurial internationalization process by bringing in insights from both entrepreneurship and international business literatures, but also with an illustrative case study of an Italian exporter of construction products.

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## How to determine the cost of equity capital in small and medium sized private companies?

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The internationalization of capital markets as well as (cross-border) mergers and acquisitions are just two reasons for the need to determine the cost-of-capital rates of companies (Madura et al, 2017; Koller et al, 2015). Cost-of-capital rates are also needed to calculate imputed interest (Coenenberg et al, 2016; Britzelmaier et al 2008) and to carry out investment appraisal calculations (Brealey et al, 2016) and to implement value-based management (Rappaport, 1986; Stewart, 1999). Cost-of-capital rates consist of cost of debt and cost of equity, usually calculated as weighted average cost of capital (WACC). To determine the cost of debt is a lot easier as the cost of equity since in almost every case the conditions of credit contracts and bonds are based on contracts and hence legally binding (Brealey et al, 2016; Geginat et al 2006). While stock-listed companies are able to use capital market oriented methods to determine their cost of equity such as Capital Asset Pricing Model (CAPM) or Arbitrage Pricing Theory (APT) other companies – such as SMEs – have to follow different approaches (Vélez-Pareja, 2005; Behringer, 2009; Bertrame and Cappelletto, 2013; Britzelmaier et al, 2013, Bertrame et al, 2014). Existing literature on cost of equity capital focuses on calculation methods for large companies, which also still demand further research (Schlegel, 2016). Moreover, practical links literature seems to be rather rare (Gegeinat et al, 2006; Weißenberger and Ulmer, 2004; KPMG, 2012). The aim of this paper is to find out the relevance of cost of equity for SMEs in Baden- Württemberg and to discuss approaches to determine the cost of equity in small and medium sized private companies. Two case studies illustrate how different approaches can be applied in practice. As this paper discusses the cost of equity capital in the context of SMEs, the concept of SMEs needs to be defined and characterized. Despite the economic significance of SMEs, until now, there is no uniform definition of SMEs (Tappe, 2009). In science and business practice several concepts have been established in order to distinguish SMEs from other companies. Basically, those approaches can be divided into quantitative and qualitative definition concepts. Based on recent publications on SMEs a combination of quantitative criteria to demarcate SMEs from microenterprises and qualitative criteria to distinguish them from large-scale companies is derived (Gonschorek 2009; Tappe 2009). Regarding an investment, the cost of capital represents the rate of return on capital employed expected by the corresponding investors. Consequently, an investment at least has to meet this expectation of return in order to attract capital. From the investors' perspective the cost of capital has the characteristics of opportunity costs (Coenenberg et al 2016). By allocating capital to a specific investment, they forego providing capital to alternative investments with comparable risk structure and duration and therefore also relinquish the related returns. With growing risk the expected return and hence the cost of capital increases (Pratt and Grabowski 2010; Stewart 1999). From the company's perspective the cost of capital represents the minimum rate of return expected as adequate compensation by the providers of equity and debt capital (Brealey et al, 2016). Hence, the company cost of capital is divided into cost of equity and cost of debt, representing the expected returns of lenders and investors in isolation (Britzelmaier, 2013). Since the cost of debt can be calculated easily this papers focuses on the cost of equity. Based on literature review and the analysis of a number of studies the paper displays the design and the results of own studies in Baden-Württemberg (Britzelmaier et al 2014; Britzelmaier et al, 2018). The studies' results in this paper focus on the degree of application of cost of capital calculations in SMEs and the methods used to determine the cost of equity. They show the relevance of the topic to SMEs especially to larger ones with an international focus. As a first approach to determine the cost of equity for SMEs the CAPM is used since it seems to be the most frequently used in practice (Copeland et al, 2002; El Hedi Aurori et al 2012; Pratt and Grabowski, 2010; Da et al 2012). Because of the lack of capital-market orientation the standard CAPM method cannot be used and analogy, analyze and qualitative approaches need to be presented and discussed (Peemöller, 2005; Pfister, 2003). To gain an insight view in companies' two case studies were made. The basis for the cases were projects in cooperation with privately held enterprises that exceeded the quantitative thresholds indeed but show the typical qualitative characteristics, namely, the absence of capital market orientation and therefore limited financing possibilities. To calculate their cost of equity the following approaches are applied (Behringer, 2009; Pfister, 2003; Peemöller, 2005; Steinle et al, 2007; Chua et al, 2006; Bufka et al, 2004; Britzelmaier et al, 2014; Damodaran, 2012a; Damodaran, 2012b; Copeland et al, 2002; Pratt and Grabowski, 2010):



- CAPM pure play method
- APM peer-group method (including unlevering and re-levering beta)
- CAPM industry-beta method
- CAPM analyze method
- Qualitative approach

The results are compared and differences discussed. Some recommendations can be given on how to deal with cost of equity in SMEs. It can be argued that capital market derived methods though rooted for calculation of cost of equity capital in listed companies, may not be the one and only approach for SMEs. Subjective approaches of cost of equity capital can be applied instead or additionally saving further assumptions and complexity in already doubtful and assumption flooded finance formulae, the most common of which is the CAPM. Most importantly, cost of equity should consider the business and finance risk of the company and represent the expected return on the invested equity by the entrepreneurs. As illustrated in the case studies, one can recommend using a combination of different approaches to avoid a biased and subjective estimation. The case studies further provide a stepwise approach, which can also be applied and adjusted by other SMEs. Areas for further research are manifold in this domain. Further research could focus on larger samples in order to gain validity. Comparative case studies could reveal interesting aspects of the practical implementation in different firms. The publication of further case studies could help practitioners to cope with the issue.

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## Internationalization of startups financing with blockchain – empirical analysis of ICOs or token sales

Dmitri Boreiko

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Blockchain innovation that seemed in 2008 an IT-confined short-lived phenomenon, in ten years radically has changed the financial industry landscape and its future outlook. Although coined as a revolutionary and disruptive innovation for all industries, the real effect is so far to be seen only in one area – the way start-ups and SMEs attract financial resources with Initial Coin Offerings (ICOs) or token sales in other words. Apart from funding internationalization, fintech industry since the inception was a truly global phenomenon, with developers' teams being distributed around the world, communicating and collaborating through web-based resources and depositaries. However, blockchain pushed it even higher, with all aspects of the business process – financing, sales, investing and others completely being freed from national boundaries. In this paper we use the data from proprietary manually-constructed database on all known token sales that took place from 2013 to September 2017 to study the internationalization of the fintech start-ups' team formation and collaboration, relations with support community and clients and new ways of attracting worldwide investors with ICOs. We provide detailed statistics on all aspects of blockchain financing and study its evolution from the early stages when the annual number of ICOs were below a dozen (2013-2015) up to the recent times when the total funds attracted internationally have reached USD 6bln in 2016. We argue that the blockchain financing is the new advanced stage of equity and reward-based crowdfunding and provided a comparative study of token sales vs. crowdfunding and conventional financing methods such as IPOs and Venture Capital (VC). Not only did blockchain revolutionized and truly internationalized the funding process for SMEs, but, for the first time, it also allowed for complete disintermediation of the market trading of the tokens issued during the ICOs. Any investors from any part of the world is able now to buy and sell the tokens on various online exchanges that have no national boundaries and are able to free the investors from so-called "home bias". In this paper we provide an account of this new phenomenon, looking in particular on the "long-run" performance of the issued tokens and the exchanges' presence effect. Focusing on the entrepreneurial ventures (EVs) and small and medium enterprises (SMEs), rarely is the internal funds are sufficient to finance their investment projects. Since the business profits are highly procyclical, this is especially true during the economic downturns. Indeed, up until recently, the finance-hungry entities had only two possibilities – to borrow from the local bank or to sell part of their companies to outside investors, i.e. venture capitalist (VC) in case of the start-ups and institutional investors or general public in case of the SMEs, although the later was rarely an option for a relatively small company. The rapid technological changes, internationalization and advent of the Fintech in the financial industry, and its inability to adapt rapidly to the ever-changing and more volatile needs of SMEs and EVs, have led to unheard before, new and innovative financing methods by which the capital from financial markets is funnelled to the corporate borrowers, bypassing or altering the conventional financial industry's channels, that were severely adversely affected by the ongoing financial crisis started in 2007. Looking at the various funding mechanisms preceding blockchain financing, be it IPOs, bonds, VC or bank loans, we observe a striking phenomenon of them being localized to a particular geographical area, be it national or some union boundaries, defined by common legislation, cultural linguistic similarities or common past. These limits are less binding for large corporations who can tap foreign capital markets by issuing ADRs in US or Eurobonds in foreign jurisdiction. In alternative, large wealthy Individuals were always able to invest abroad using private banking facilities whereas small investors were left to deal with local bank, or buy national debt or invest in local stock market. Blockchain abruptly has shaken the whole system of borrowing and investing, by allowing anybody anywhere in the world to invest in a start-up formed by the team members residing in several countries, with an office rented, say, in Singapore, with legal entity being registered in Switzerland, and ICOs process run under the Virgin Islands jurisdiction. Using social media, blogs, web-based communications and internet in general, the companies have suddenly obtained the possibility to attract financing from abroad, free from local financial system limitations, without a need to sell larger part of its business to a venture capitalist or substantial resources spent on marketing and promotion of the capital issue and on extortionate fees to intermediaries without whom the process was doomed. Not anymore. Internet, blockchain and distributed ledgers have removed the need for a financial middleman, leading to genuine revolution in the way SMEs obtain financing through ICOs.

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#### 4.4 Track: Industry 4.0 / Digitization

Time: Thursday, May 3, 11.30 am – 1.00 pm

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##### **The International Expansion of Digital Firms in the Internet of Things era: First Evidences from Italian SMEs**

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Despite the studies on the internationalization process of Small Medium Enterprises (SMEs) are not new in the international business literature, a demand for new approaches to internationalization seems to emerge in today's digital economy. In particular, the rapid development of digital firms operating in the Internet of Things (IoT) domain has been changing business processes as traditionally perceived. Digital IoT SMEs provide innovative high technology solutions (e.g.: intelligent factories, smart buildings, and home devices) through the exploitation of global networks of machines and devices connected through the internet. These firms have unique business processes focused on big data generation and exploitation instead of tangible product manufacturing; business models based on services rather than products (Lee & Lee, 2015); complete different international footprint than traditional ones (World Investment Report, 2017). For instance, a digital firm can develop foreign business with a reduced number of assets, fewer employees (World Investment Report, 2017), and without a physical presence (Eden, 2016; McKinsey Global Institute, 2016). Hence, the traditional models of firms' internationalization, such as the Uppsala (Cavusgil, 1980; Johanson & Vahlne, 1977), Born Global (Bell, et al., 2003; Oviatt & McDougall, 1994), and Born-again Global ones (Kalinic & Forza, 2012) seem not to be entirely appropriate in explaining the internationalization process of such firms representing the third wave of internet development. Apparently, their international behavior seems resemble that of born global firms and/or new international ventures. However, new SMEs do not have to unlearn procedures focused on developing a domestic market presence before the internationalization of their business (Autio, 2000). Whereby, the logic behind the international expansion of digital IoT firms remain unclear up to date. Due to the lack of studies on this issue, the open debate among scholars and decision makers, and the relevance of the topic, this research seeks to understand whether and how digital IoT firms approach the international markets. In particular, this work attempts to find an answer to the following questions: Are digital IoT firms oriented toward the international expansion? If yes, does internationalization for digital IoT firms follow the same path of traditional firms or a new paradigm of internationalization is emerging? If not, what are the reasons for a lack of orientation towards firms' internationalization? Given both the nature of this work and the scarcity of relevant studies in the international business literature, an exploratory analysis based on both questionnaires and in-depth structured interviews has been developed to answer the above-mentioned research questions. In order to select key decision makers with high business knowledge, a preliminary online questionnaire with a Computer Assisted Web Interviewing (CAWI) was sent to a sample of 370 digital IoT SMEs operating in Italy among different industries. The firm in the sample were randomly selected through specific websites, which include a list of digital IoT SMEs firms operating in the IoT domain (e.g. [www.iiotexpo.it](http://www.iiotexpo.it), [www.iiotitaly.net](http://www.iiotitaly.net), [www.net2web.it](http://www.net2web.it)). The first round of emails was sent out in September 2016 with a single follow-up in October, obtaining 22 valid questionnaires, which constituted the guidelines for the in-depth interviews. The questionnaire contains questions on specific aspects of the internationalization process of digital IoT SMEs. The data collected were then triangulated with additional primary and secondary information (e.g. consulting and financial reports, press releases, industry reports, trade journal articles, process documentation and others) to increase the reliability and validity of the research. This study has considered 22 digital IoT Italian SMEs operating among different industries. The final empirical data were collected in 2017 via face-to-face and telephone interviews with key company decision makers (CEOs, chief technology officers, top management representatives, and IoT products/services manager). The average interview's time has been about one hour. The analysis highlights the following exploratory findings: 1) 50% of the Italian digital IoT firms in the sample is active in exploring new foreign business opportunities through the following internationalization strategies: export (36%), joint ventures (36%), licensing (18%), and Foreign Direct Investment (FDI) (10%), mainly, in Germany, Spain, United Kingdom, and United State. In particular, 36% of them approach new international markets to acquire "business benefits", while 27% are looking for markets with "high

perspective of growth", 19% for "risk diversification", and 9% for taking competitive advantages. The main obstacles to the international expansion for this firms' are the lack of financial resources (27%), the difficulty in the "customers' identification" (18%), the difficulty in the identification of the best distribution channel (18%), and both administrative and legal barriers (10%); 2) 73% of digital IoT firms have a percentage of foreign sales in the range 0% - 25%, while 18% of them between 26% - 50% and 9% of them in the range 51% -75%; and 3) before approaching international markets digital IoT SMEs need to be stable and competitive in the domestic market. Subsequently, they could start a slow internationalization process. On the other hand, the remaining 50% of firms in the sample do business only in the domestic market due to the following reasons: lack of resources and competences (30%), low knowledge of the local market (30%), products adaptation problems (20%), lack of financial resources (10%), and low knowledge of the new foreign market that should be explored (10%). However, 100% of the firms studied at same point in the future is expecting to start and/or empower the international expansion in the future in order to be competitive in global markets. This study, despite its qualitative nature, seeks to introduce a new domain of exploration (the so-called IoT paradigm) in the international business literature. In particular, the Italian digital IoT firms studied seem to follow the traditional internationalization models in exploring new foreign opportunities without generating new paradigms of internationalization. Future research should empirically show the internationalization process of this new typology of firms by seeking to answer questions such as: At which point in time internationalization should be included in the expansion plan of the IoT SMEs? Does internationalization require rethinking the overall business strategy, be including from early stage or adapting at any point in time?

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

**Investigations on the influence of industry 4.0 on the international competitiveness of SMEs**

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The importance of situating internationalization research in the digital context of the contemporary world has been recently highlighted, even in relation to mainstream theories (Coviello et al. 2017). Undoubtedly, the digitization and Information and Communication Technologies (ICTs) have created the conditions for small and medium sized enterprises (SMEs) and international new ventures (INVs) to overcome their liabilities of smallness and newness, and to compete with large companies and MNEs in the international marketplace. Within this framework, a new set of innovations relates to the so-called Industry 4.0. Industry 4.0 (I4.0) represents a group of advanced information technologies presenting different features, functions and applications, which may be implemented in different activities within the companies. I4.0 includes big data and analytics, robots and cobots, simulation, horizontal and vertical integration, Industrial Internet of Things (IIoT), cybersecurity, cloud, additive manufacturing and augmented reality. These technologies are supposed to boost the productivity of manufacturing production and the competitiveness of companies, opening the way for a new era of “Manufacturing Renaissance” (Mosconi 2015). Beyond this, the adoption of I4.0 technologies might, in certain industries, strengthen the role of SMEs within the global value chains (GVCs) (Alcàcer et al. 2016). For instance, Laplume et al. (2016) suggested that 3d printing may change the role of MNEs as the primary coordinators of GVCs, underlining that SMEs could gain new competitive advantages by adopting this application e.g. in production. So far, few conceptual articles have proposed reflections on the influence of I4.0 technologies, mainly in terms of the restructuring of GVCs (Rehnberg & Ponte 2017), ownership (O), localization (L) and internationalization (I) advantages (Alcàcer et al. 2016; Strange & Zucchella 2017), and on the international configuration of companies (Rezk et al. 2016). However, most of the studies are still conceptual and consider mainly large companies, such as MNEs. But the spreading of ICTs has led the incremental involvement of a variety of actors with I4.0, including SMEs, which certainly encounter challenges and consequences during the implementation or development of these technologies (Kleindienst & Ramsauer 2016). All this considered, further research should investigate the influence of I4.0 on SMEs and INVs from an IB perspective, particularly there is a gap of empirical research. We developed a multiple case study approach to give a contribution in this direction, by investigating the influence of I4.0 technologies on the competitiveness of SMEs within an international context. Through a purposive sampling design, we selected 16 Italian manufacturing exporting SMEs, from the metals and machinery sector, which had already implemented one or more I4.0 applications. Three companies are INVs (less than 15 years old), while the rest of them are established, incremental exporters. In this sample, some companies are regionally oriented, selling mostly in their home continent, while others export globally, even in distant countries (Asia, America and Australasia). The exploratory qualitative analysis has revealed some preliminary findings, leading to the identification of two groups of companies, and opening some reflections in terms of international business. The first group includes half of the interviewed companies, which have adopted one or more I4.0 technologies with two goals: incrementing the efficiency of their plants in the home country, and offering more services to their customers. For instance, to the first purpose, companies have adopted robots for more than 10 years, and have also invested to realize the vertical integration within the company (with various degrees of implementation). These technologies reduced the operating costs, allowing them to remain competitive with their competitors located in East Europe or in distant emerging markets (e.g. China, India), despite their medium-high positioning. Moreover, other technologies such as e.g. simulation have been used to support the design and engineering phases on the one hand, and to offer post-sales assistance on the other hand. These services were used to strengthen the relationship with the customers. Along this line, pushed by big clients, few of these companies have also been developing horizontal integration systems. Horizontal integration required transparency between the client and its suppliers, but then strengthens the relationship between them and increases the mutual interdependence, in line with Rezk et al. (2016). Consequently, SMEs tend to reduce the number of their customers, focusing their activities regionally in order to better serve the few, important clients with whom they implemented integration (generally, MNEs). The second group of SMEs have developed smart and/or connected products (Porter & Heppelman 2014). In this group, the competitive advantage is mainly related to flexibility, problem solving skills and the products’ quality.

Since the establishment year, the INVs have specifically committed their efforts to create smart and/or connected products, with a customer-oriented logic from the real beginning. Moreover, they started early thinking about developing big data analytics and tend to be more oriented towards a servitization logic (Vendrell-Herrero et al. 2017). In contrast, for the remaining 5 companies, connected products were the result of a natural evolving process of continuous investments into innovation and technology. Here again, the best customers are large MNEs and the competitive advantage stems from building a tight relationship with them over the years. To sum up, consistent with the limited amount of resources available, we have observed a selective investment in I4.0 technologies, with different results in terms of international competitiveness. On the one hand, technologies are the means to obtain higher efficiency that could be spent against international competitors, even from low cost countries, and to redirect some resources from production to service activities. On the other hand, I4.0 can be considered an end to enlarge the market portfolio, as it involves product innovation (and even the business model innovation) through smart products and servitization, in line with the positive relationship between innovation and exporting (Golovko & Valentini 2011).

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## **Platform home sharing as micro business - Declassifying the Sharing Economy**

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Digital platforms have leveraged small business owners to reach customers on an unprecedented international level (Isaacson, 2017). Airbnb, a digital marketplace which matches accommodation providers with consumers, has emerged as the industry leader in platform home sharing with more than 4 million listings reported in 2017. The short-term rental tech unicorn claims that notions of trust, community and increasing social awareness--tenets of the sharing economy--are driving the unprecedented growth of this new and largely unregulated sector worldwide (Codagnone & Martens, 2016; Sundararajan, 2016). This research, however, considers the term 'sharing' to be a misnomer and seeks to classify Airbnb hosts as micro entrepreneurs based on their market behavior in the tourism accommodation sector (Eckhardt & Bardhi, 2015). As such, Airbnb listings may be considered in the purview of small, local businesses, and the hosts themselves as social media marketers and hospitality providers. Therein they occupy a very unique space in the tourism market. The focus of this research is Jeju Island, South Korea due to its status as a premiere tourism destination. Also, unlike in the capital city of Seoul, it is legally permitted to operate home sharing businesses (Yoon, 2016). Tourism is the mainstay of Jeju's economy with over 15 million tourists annually visiting this island of 660,000 residents (Adedoyin, 2017). This local-to-tourist ratio provides a healthy business environment for entrepreneurially-minded individuals to start letting residential properties as vacation rentals.

### **Objectives**

The purpose of this study was to empirically define the presence of platform home sharing on Jeju Island and to analyze consumers' revealed preferences in this market to see if platform home sharing is driven by economic or social-experiential considerations (Bray, 2006). Thereafter, the research analyzed the most predictive determinants of demand in order to establish criteria for effective small tourism accommodation business models.

### **Method**

A significant challenge surrounding research of Airbnb is how to obtain market data. Generally, the privately-owned platform does not release its data in analytical form or open its application programming interface (API) for researchers to make requests. Therefore, in order to obtain a reliable dataset, innovative web scraping and data mining techniques were instrumental in this research. Afterwards, multivariate regression analyses were employed to estimate the most important determinants of demand in platform home sharing businesses in the local context (Chen, 2003; Chung et al., 2004; Perez et al., 2005). To this end, classification and regression trees were useful in accounting for the nonlinearity of the data and were able to further explore the relationships between property listing characteristics and the number of reviews (a proxy for property rental rates) as the dependent variable (Loh, 2008; Sutton, 2004).

### **Results**

The results show platform home sharing on Jeju Island is widespread across the entire island and that consumers are most strongly motivated by lower costs and entire properties, rather than shared spaces. Among the 31 types of property listings, "houses" priced below 105 Euro per night were more likely to be rented than any other type. Shared rooms were revealed as least preferred among the guests with less than 10% of the total listings. Entire homes, however, occupied more than 50% of the entire population in terms of listings and 60% of the number of reviews. Location is a common factor associated with demand models and this is further supported in this research as areas with higher concentration coordinated with popular tourist sites. Furthermore, the host speaking additional languages to Korean (especially English and Russian) was perceived as an asset in terms of the number of reviews. Further inferential analysis on hosts who list multiple properties as well as sensitivity analyses on the efficacy of satisfaction as a determinant of demand were performed. Hosts who list multiple properties did not directly receive a higher average number of reviews; they did, however receive a lower overall level of satisfaction. This drop-in performance is indicative of the emerging market status of these micro entrepreneurs, whose business and hospitality management skills are



still developing. Notwithstanding, it is widely accepted that satisfaction levels on Airbnb are positively skewed and any variance from 5/5 stars merits consideration (Zervas, 2015; Zervas, Proserpio, & Byers, 2017). Yet given the importance of reputation and management in peer-to-peer markets, level of satisfaction for a listing is still a useful metric for analysis.

#### Discussion and Conclusion

The results of this research indicate that the new market of platform home sharing on Jeju Island is driven by traditional economic forces of maximizing satisfaction and minimizing cost, and not the alternative social and or experiential collaborative consumption motivations commonly associated with the sharing economy. Moreover, home sharing entrepreneurs are successfully operating in a field dominated by large hotels, resorts, and a number of small pensions accessible only to Korean-speaking tourists. As the presence of platform home sharing on Jeju island continues to grow to nearly 7,000 active listings, policy makers, hoteliers, and emerging micro entrepreneurs stand to benefit from understanding the combination of attributes and pricing levels resulting in the highest number of reviews (Bellin, 2017). In the future, home sharing may expand to a diverse micro entrepreneurship ecosystem, selling not only accommodation but also local tourism experiences and activities. In this regard, the home could become a multifunctional tourism experience provider, under the pretense of the ubiquitous sharing economy, but in practice as a thriving two-sided market.

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## 5. EDITORS

### Katharina Gilli

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Mag. 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.

Katharina Gilli is a Research Associate at the Free University of Bozen-Bolzano, her research is focused on International Talent Management and Strategy.

### 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.

### 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. He has spent research sabbatical leaves at the Marshall School of Business (USC), at the Australian Graduate School of Management (UNSW), and at the Lee Kong Chian School of Business (SMU). 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, innovation management, social acceptance of technologies, organizational design, leadership and motivation. Michael Nippa is Principal Investigator of the unibz-funded research project "Improving the management of internationalization of small and medium-sized enterprises (MISME)" closely related to the conference.

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