

## **International strategies of SMES: mapping strategic clusters.**

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### **ABSTRACT**

The main focus in IB literature on SMEs internationalisation has been on strategic dimensions such as motivations, entry mode choices, and internationalisation trajectories. Emphasis thus has been put on “why” those firms become international, “which path” they follow in their international experience, while limited attention has been paid to the link between internationalisation and small firm strategy (Bell et al. 2004). Literature consequently presents a gap in describing an overall view of business strategies of internationalised firms, in particular in the case of SMES. Moreover, earlier studies are heterogeneous and partially inconclusive, both for the methodology applied and as far as a firm’s strategic and competitive situation is concerned.

This paper focuses on this literature gap, analysing through a sample of 148 Italian SMES, how internationalised SMEs behave strategically abroad, on the grounds of a strategic orientation towards foreign markets and their opportunities. The cluster analysis applied led to four kinds of strategic types, relevant for both academics and managers.

**KEYWORDS:** SMES, internationalisation, strategy.

### **1. Introduction**

Literature on international strategy has been historically focused on the alternative between local responsiveness and global integration (Prahalad, 1976, Levitt, 1983) and their intermediate solutions (Bartlett, Ghoshal, 1989). This literature stream has feeded developments both in the direction of international marketing studies (the debate between adaptation and standardisation Buzzel, 1968, Jain 1989; Cavusgil, et al., 1993) and in the direction of international management and organisation (headquarter-subsidiary relationships, alternative organisational structures, etc, Prahalad, 1976; Bartlett and Ghoshal, 1992). On the other hand another parallel research stream focused on the internationalisation process, mostly analysing its sequential (or nonequential) pattern in terms of entry modes and countries' selection (Johanson and Vahlne, 1977; Rennie, 1993). The global strategy literature has had a strongly deterministic orientation, where strategic choices depend on perception of environmental conditions (Fahy, 2002).

According to the literature review made by Ricart et al. (2004) of 84 papers published in JIBS from 1970 to 2003, only 11 dealt somehow with the overall strategic issues. The review made by Melin (1992) in the field of international business studies highlighted the deterministic and static nature in most contributions. The strategic types identified in 2x2 matrices are a clear example of this deterministic and industry-driven approach (Porter, 1986, Yip, 1992).

There are relatively few studies based on empirical data and aimed at identifying strategic types out from data. Morrison and Roth (1992) examine business-level strategies in global industries and from 306 business units analysis they find out four strategic types. This study, like Johnson (1995) and Birkinshaw, Morrison & Holland (1995), starts from an industry perspective, which according to our opinion may be relevant but also too much limiting the potentialities of discovering strategic types based on the business resources, capabilities and orientation. The literature based on the resource based view and related fields (capabilities, knowledge) on the other hand raised the issue of the importance of the internal endowment of

resources and capabilities, but mostly focused empirical studies on the impact of given resources/capabilities on international performance (Roth, 1995; Yeoh and Roth, 1999; Capron and Holland, 1999). For a survey on these issues see Fahy (2002). In addition to this, most studies are focused on large companies and multinationals, while SMEs international strategy has been a neglected research field. The change in behaviour of SMES has been widely recognised both on the political and academic level, but analyses on strategic orientations of SMes on international markets are missing, or consider internationalisation of SMEs as a reaction to competition (Melin, 1992; Bell et al 2004). Researchers, on the other hand, have examined some dimensions of international strategy, such as entry modes (Brouthers and Nakos, 2002), the dimensions of speed and scope of internationalisation (Ancona et al., 2001; Nayyar & Bantel, 1994; Zucchella et al 2007), entrepreneurial attributes (Bloodgood, et al., 1996; Westhead, et. al, 2001; Dimitratos & Jones, 2005), the kind of internationalisation process (Bell, 1995; Bell, et al., 2001; Lommelen et al. 2001; Zucchella, 2001).

Our contribution, instead, is aimed at mapping strategic types in the internationally oriented SMEs universe. It addresses a gap in literature with a primary focus on general strategic orientations and their driving factors before analysing the questions of responsiveness/integration, country and mode selection etc . Partially it addresses the issue of a process view of the international strategy, because some variables included in the empirical investigation are of dynamic nature (experience, sequences of countries and modes selected). It fits with a generally intended RBV frame, inclusive of the impact of capabilities, experience and key human resources, which in SMEs tend to coincide with the entrepreneur (entrepreneurial team).

The paper is structured in two major sections: the first one provides a literature review of extant research on strategy dimensions of SMEs and the second one presents the results of an empirical investigation into the strategic behaviour of Italian manufacturing SMEs.

## **2. Literature review**

Strategic Management studies usually identify three main categories of international strategies (Thoumrungroje & Tansuhaj, 2005):

- generic strategies, based on Porter's study (1980) - cost leadership vs differentiation and focus strategy (e.g. Dess et al., 1997)
- marketing standardisation vs adaptation (Albaum & Tse, 2001)
- diversification vs concentration strategy (Aulakh et al., 2000).

While strategy research has well documented the broad range of strategic options open to MNCs, SME strategic orientation and internationalisation has received less attention. This fact might be partially explained by the view in (early) literature that SME behaviour is essentially unplanned and reactive (Bilkey and Tesar, 1977) leading to an opportunistic approach to internationalisation (Westhead et al 2002). Also, international and domestic market development often have been postulated as being divergent more than complementary growth strategies (Bell 2004).

Resource constraints (including managerial competencies) have been identified for this lack of strategic behaviour relative to planning, formulation and implementation of international strategy in SMEs. Nevertheless, recent work in the field of international new ventures shows SMEs dedicated to early and fast internationalisation thus making international diversification the key strategy of their business. The overall recent international entrepreneurship literature postulates a proactive attitude of small firms towards foreign markets opportunities and

provides empirical evidence of the ability of international entrepreneurial organisations (IEOs, Zucchella, Scabini, 2007) to elaborate and implement internationally oriented strategic choices. The resource and competence based view is the theoretical framework on which the study of SMES and of their internationalisation process predominantly lies, and the recent surge of international entrepreneurship studies goes in this vein.

Andersen and Kheam (1998) as well as Dhanaraj & Beamish (2003) have used a resource-based framework to investigate into growth strategies of exporting SMEs

Welch and Welch (1996) emphasize the "strategic foundations" of the firm (including knowledge, skills and experience etc.) and identify planned and unplanned routes to internationalisation. Approaches that are comprehensive of the overall "posture" of a firm towards international activities are advanced by eg Préfontaine and Bourgault (2002), Kalataridis (2004), Avolonitis (2007) and Dimitratos & Plakoyiannaki (2003). They regard multidimensional elements such as innovation, customer orientation, global orientation and entrepreneurial posture in general etc. and are based on "proactive" or "build" more than "reactive" or "defensive" behaviour.

In prior studies, proactiveness has been expressed by motivations: these studies report that *motivation* to exporting expressed by either proactiveness or reactiveness is a consistent predictor of good export performance (Dean et al 2000). Researchers have used this categorization to discern the strategic orientation of the firm (Johnston & Czinkota, 1982, Katsikeas & Piercy, 1993; June & Collins-Dodd, 2000). Johnston & Czinkota (1982) find the proactive exporter performing better in terms of sales volume, following more coherent export marketing strategies and to be more market oriented than are reactive firms. Research into motivations therefore underlines proactiveness as one of the key determinants of international strategies.

Proactiveness is also reflected in *management attitudes and characteristics*, a category of drivers that consistently proved important in extant research. Prior studies suggest that entrepreneurship is a key orientation in SMEs striving for globalisation (Knight, 2000) and that entrepreneurial managers tend to engage more in proactive and visionary behaviour in order to achieve strategic objectives in international markets (Knight, 1997).

There is empirical evidence that managers with former international experience and education, who have lived abroad, with a high level of education and the knowledge of foreign languages determine a strong international orientation and high performance (Cavusgil, 1984; Aaby & Slater, 1988; Madsen & Servais, 1997; Athanassiou & Nigh, 2002; Ibeh, 2003; Zucchella & Scabini, 2007).

Reuber and Fisher (1997) demonstrated that internationally experienced top-managers move a small firm more quickly to internationalisation than counterparts without those characteristics. Furthermore the founder's ability to see and exploit opportunities contributes to successful internationalisation (Zahra & George, 2002).

International vision/global orientation has proved to be important in explaining international development and intensity (Rennie, 1993, Oviatt & Mc Dougall, 1995, Knight 1997). When comparing quickly versus slowly internationalising firms, earlier studies especially in the born global field found the global orientation of the management to be a driver and an important factor for success (Knight, 1997, Moen 2002, Rennie 1993). Competence in international operations enables firms to select better export markets, formulate suitable marketing strategy, and effectively implement the chosen strategy (Douglas & Craig, 1989, Terpstra 1987).

In line with the RBV, these elements might be conceived as a unique bundle of resources, that are controlled by a firm and that enable it to device and implement strategies aimed at realizing competitive advantage (Barney, 1991, Wernerfelt, 1984).

A firm's overall strategic orientation consequently could be considered the underlying element for strategy formulation. It also embraces the idea of the importance of fit between resources and strategy as underlined in strategy research. Edelman et al (2005) eg showed that neither strategy nor resources directly affect venture growth. A positive effect on performance was only observed when strategies and resources appropriately aligned (Pfeffer & Salancik, 1978).

Beyond this more general category of "proactive versus reactive" behaviour, Porters' generic business strategies are of interest to this work. Research in the context of SMEs often yielded mixed results, however, differentiation and focus have mainly emerged as being viable options to SMEs.

**Differentiation** is posited as being the expression of customer orientation and the attempt to fulfil specific needs either through innovation or marketing management (Miller 1988). The underlying assumption is that with better product-market match the company will achieve greater customer satisfaction and more freedom from competition that in the end translates into better performance.

SMEs are able to provide an attractive offering in terms of differentiation, which can be obtained only through the continuous improvement of the product, due to technology and know-how protection, and through the continuous attention to the client's needs.

Earlier studies by Knight (1997) and Moen (1999) give reason to believe that marketing- and product-based differentiation is characterizing highly performing SMEs. Also Baum et al (2001) found differentiation through high quality and innovation to be positively related with sales and growth, whereas findings of Siegel et al (1993) do not exhibit a positive relationship.

Customer orientation – considered the main component of a market orientation (Narver & Slater, 1990; Kholi & Javorsky, 1990) – is a kind of approach to the market that is considered a key of success for many SMEs (Knight, 1997, Moen 2002), thanks to the flexibility and short time of response to market needs allowed by small dimension.

Many successful small firms approached international markets adopting a **niche strategy**, based on strong customer orientation and specialised products (Bell, et al. 2004). The latter explains how small firms, which are traditionally described as running short in tangible and intangible resources, may reach a sustainable competitive positioning in global markets. Focussing on a narrow market segment through the offer of specialized goods or services enables small firms to compete globally, without entering in price competition. Moreover, the smaller the niche, the stronger the need to reach a global scope in order to break even and reach economies of scale. In market niches small firms can deploy the resources and capabilities which characterize their organizations, in particular strong orientation to global customers, wherever they are located, an offer of customized goods, a customized pre and after sale service (Zucchella & Palamara, 2007). Siegel et al (1993) found empirical support for focused strategies leading to more growth, whereas Baum et al (2001) show that low-cost and focus strategies correlate negatively with sales and employment growth.

Regarding market standardisation vs adaptation, the strategic decision ranges from the extreme of a global product to the adaptation carried to the point of individualization and refers not only to product characteristics and packaging, but also involves pricing, distribution and promotion policies (Albaum et al., 1994; Theodosiou and Leonidou, 2003). Empirical

results so far have been mixed as far as the standardization/adaptation discussion is concerned (Leonidou et. al 2002; Theodosiou and Leonidou, 2003, Levitt, 1983).

The locus of competitive advantage, that is to say the specific driver on which a competitive advantage lies, is crucial in order to understand how SMES international strategies develop (Calori et al., 2000). Several studies have approached this issue, analysing the so called antecedents of international strategy (Theodosious and Leonidou, 2003).

A review of earlier export strategy studies shows a multitude of aspects – from firm and management characteristics to industry and market characteristics to export marketing strategy and related variables – that are supposed to have an impact on competitive advantage definition. Most frequently, the discussion of competitive advantages considered product or technology, price and/or marketing advantages (Knight, 1997, Moen 2002). The factors related to differential advantage have proved to act as facilitators of the internationalisation process (Miesenboeck, 1988, Aaby & Slater, 1989).

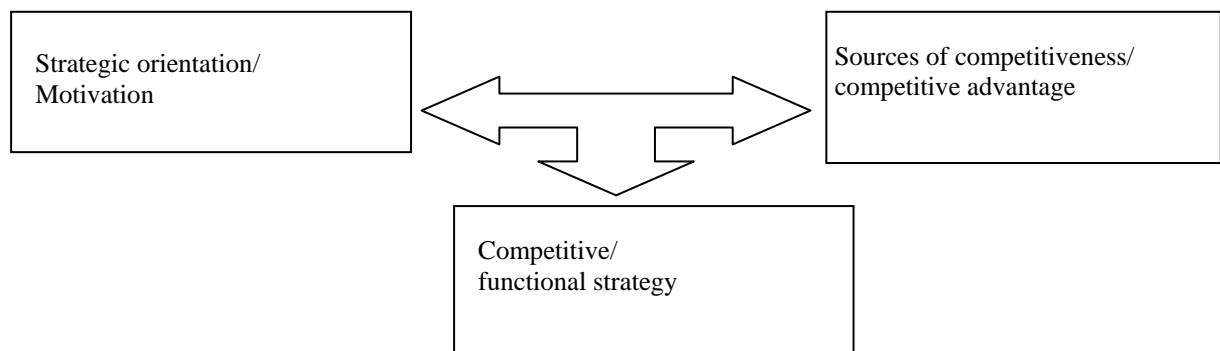
### **Research modelling**

Following literature review and prior empirical research the final framework useful for empirical examination therefore is defined as a set of variables regarding

- 1) strategic orientation, operationalized with motivations for internationalisation and management attitudes and characteristics;
- 2) sources of competitiveness/competitive advantages expressed by statements on product/technology/price and/or marketing advantages;

- 3) the firm's competitive and functional strategy through statements operationalizing niche/differentiation/cost-leadership and questions on degree of standardisation/adaptation in major markets;

**Figure 1: Conceptual framework**



### **3. Data and research methodology**

This paper reports Italian findings related to the strategic behaviour of small and medium enterprises in the manufacturing sector. The sample consists of 148 firms, which are representative of the population of small and medium sized manufacturing enterprises.

In order to explore the internationalisation process and strategies of Italian firms, the research has been carried out on data gathered through structured questionnaires with no open-ended questions. The questionnaire was constructed through a review of the literature of international business, international marketing, and international entrepreneurship, and through discussions and focus groups among researchers in project meetings.

The questionnaire was sent to 850 firms operating within the manufacturing representative of the exporters' population according to the Union of Italian Chambers of Commerce. The response rate is 17% and can be considered an acceptable response rate (Harzing, 1996),

This contribution will first describe the characteristics of the total sample, followed by a cluster analysis aimed at discovering strategic groups of SMEs, according to their strategic orientation towards foreign markets. These clusters – if any - will then be profiled in terms of size, age, export intensity etc. of cluster firms in order to identify common profiles of the respective cluster firms, if existent.

The objective of the paper is to explore 2 key issues:

- is it possible to identify homogenous groups of firms regarding their strategic orientation?
- how do firms' profiles in terms of international strategy and process vary across clusters, if any?

We have used 74 variables that reflect the main strategic determinants following operationalization of

1. the motivations for small firms to export;
2. the main managerial competences involved in the internationalization process;
3. the firms' competitive strategy and their functional strategies in terms of standardization/adaptation practice in main export markets
4. and the importance given to the performance in foreign markets.

As outlined above, internal resources in terms of capabilities have major impact on strategy process and implementation (see literature review) We therefore included motivations, management characteristics and the importance given to performance, since they are supposed to be reflected not only in defining but also in implementing strategy.

The variables were examined here using a set of questions all based on a five-point Likert scale. The nature of data drove us to apply a cluster analysis in order to verify the possible presence of groups of firms sharing similar characteristics. Cluster analysis is a valid

statistical method to detect similarity by employing distances computed on the basis of the available variables.

### **Key characteristics of the total sample:**

The 148 firms correspond to the EU definition of SMEs (regarding number of employees). The sample consists of 22 percent of micro-enterprises (less than 10 employees), 44 % of small (less than 50 employees) and 34 % of medium sized businesses. They are all manufacturing firms and belong to the leading industries of the country, namely machinery and mechanics, food and beverages, apparel and textiles.

Most of the firms have been born in the '70s and '80s (43%), with only a fifth of the sample that has been founded in and after the '90s. The dominant governance profile is characterized by the family owned independent business: 85 % of the enterprises are independent, and 64 % of them are family businesses. These two thirds of firms with a family background are perfectly in line with the Italian situation. One remarkable issue is represented by the fact that about 9 % of these firms have been family businesses in the past but they are not anymore. This evidence portrays a system of traditional firms which is gradually experiencing a transition toward new models of governance with potential relevant implications for their strategic management, including internationalisation issues. A generation of Italian entrepreneurs who founded their businesses in the years of the country's economic expansion is now retiring or close to retirement and the firm governance transfer cannot always be handled inside the founders' families.

For the analysed SMEs internationalisation represents a major growth opportunity: in 2000 the average export ratio reported reached one third of total sales, increasing up to 41% in 2005. These figures confirm performance and growth on the long run, but they also show firms to be highly dependent on foreign markets. The fact that about 1/3 of the firms realize

more than half of their total sales abroad underlines the importance of success as does the estimated export ratio for 2008. The positive trend in internationalisation is supposed to further intensify resulting in average 48% of foreign sales over total sales.

The dynamism of internationalisation reflected in rapidly growing export ratios holds also for pace, scope and – less marked - paths of internationalisation. While it took 15 years on average to start internationalisation, “time to the second market” on average is 3 years. This time span is even shorter for the third market entry that is realized on average in 1,9 years. About two third of the companies enter the second and third market within one year.

When firms at the beginning of internationalisation selected primarily culturally close markets such as Germany, France and Switzerland, in 2005 the US and the UK make part of the top priority markets.

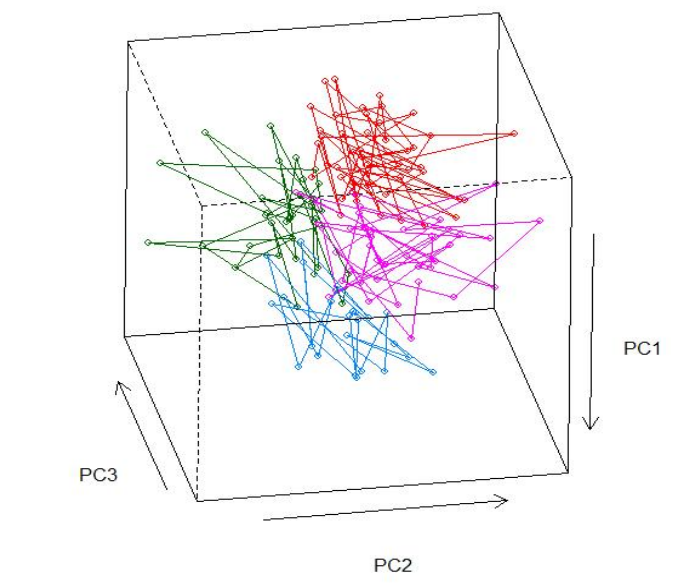
The average number of export markets in 2005 is 18, with a median of 12, both of them having considerably increased over 5 years, and, consistent with the description above, more than two thirds of companies increase their country-presence in this five-year period. The presence in so many countries, at a first glance, could be interpreted as being the often mentioned opportunistic export behaviour, an expression of “skimming” rather than penetration. On the other hand it also could be indicative of a predominant niche orientation.

Dynamism in scope and intensity reported so far, is “counterbalanced” by stability in internationalisation modes, which tend to persist on the exporting choice, while are other entry modes are rare. Among the reasons of this finding, together with the classical explanation of the low resources (both financial and managerial) endowment of small and micro firms, we could consider the high number of countries these firms are dealing with.

#### **4. Cluster analysis**

We decided to apply a two-stage procedure by means of a non-hierarchical cluster and k-means cluster. The former, based on the Euclidean distance and on the Ward method, allowed us to hypothesize the suitable number of clusters since no a priori information was available. The latter approach searches for the best configuration of the predefined groups allocating the more similar observations into each cluster. From the several applications of the above explained procedure we came up with four consistent and statistically significant groups\*.

**Figure 2: Cluster representation\*\***



source: our elaboration

\*\* The cluster representation was obtained using 3 principal components

\* Even with an elevated number of variables with regard to the number of observations, we obtain 4 clusters which interpretation is reasonable and consistent.

The four identified clusters are posited as representing distinct strategic orientations, in that they represent “sets of entities sufficiently similar to each other and sufficiently different from entities in other such sets that they are separately delimited and named” (Chrisman, Hofer &

Boulton, 1988, p 415). Each group will be briefly discussed and respective profiles will be presented.

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Cluster 1: “Shelter from the storm” (customer-oriented)

The first cluster is the *customer-oriented* group of firms, that follows a *niche strategy* and is somewhat naturally international. A niche strategy necessitates and enables the small firm’s internationalisation in a large number of target markets (Zucchella and Palamara, 2007, Calori et al 2000, Dalgic and Leeuw, 1994).

The cluster ranks highest on items that define a niche strategy such as “our products serve a specialized need”, “customers perceive our product as a more specialized product” and “our markets are small but we have many target markets”.

The cluster’s profile is supporting the niche-interpretation (see table 1 below): the group is characterized by the highest export ratio across all groups and is consequently largely dependent on internationalisation. Hand in hand with its strategy goes its considerable number of export markets that is still being expanded. The niche is built on the key assets of a strong customer orientation, in terms of customer (and competitor) knowledge, satisfaction and experience.

In line with research regarding the niche strategy and related standardisation/adaptation practice, cluster 1 firms’ offering is standardized, serving a large number of homogeneous global segments. Neither brand, nor packaging and design, nor product features in general are adapted.

The drive towards internationalisation comes from managerial capabilities: within the cluster, international orientation, experience, mindset and commitment ranks highest.

As is posited by the strategic management/resource based view, the fit between strategy and capabilities (Day, 1994) leads to competitive advantage: in this group of firms, managerial

capabilities and customer knowledge, together with the targeting of highly specialised niche markets and a greater propensity to use networks suggest that these firms have a superior fit between capabilities and strategy than their counterparts in the other clusters.

#### Cluster 2: "Should I stay or should I go"

The second strategic cluster could be described as being "stuck in the middle". In this group no definite strategic profile is emerging, no clear picture of strengths and weaknesses, no definition of competitive competences and assets.

The firms seem to *look and/or wait for a vocation* or – right from the beginning – for motivation. The absence of a definite strategic orientation already starts with absence of motivation: neither reactive nor proactive motivations for internationalisation are considered relevant to the companies in this group (this group's orientation might be primarily domestic, as number of markets and export ratio are suggesting).

Along with this lack of a clear "reason-why" or commitment to internationalisation, management competences seem to constrain the strategy definition: Not a single item operationalizing managements' drive and competence to internationalisation is ranked high within this cluster.

Putting these factors and their comparatively low export ratio and the limited number of export markets together, this might be the group of opportunistic exporters with no clear objectives and consequently no clear strategy formulation and resource allocation.

#### Cluster 3: "Born to run"(growth oriented)

Cluster 3 firms are best described as being the *entrepreneurial-growth oriented* group of firms. This cluster's orientation is being reflected not only in high cluster rankings on all performance- and growth-oriented items across all investigated areas. Performance data from

the clusters' demographic profiles below (see table 1) confirm this view, showing a high and the most quickly growing export ratio across all clusters.

Cluster rankings also show high satisfaction with competitive advantage/positioning. Businesses in this group seem to enjoy both, successful definition and exploitation of competitive advantage. This advantage lies in *innovation and quality-orientation* (most strongly emphasized development of new products and services, new production technology as well as quality orientation, customer satisfaction) again expressing superior internal capabilities and key assets (e.g. Calori et al 2000; Bell et al., 2004).

The entrepreneurial dimension of these firms is explained also with consistently superior values on management characteristics indicating an *entrepreneurial attitude* but also with the fact that growth topics can be related to *opportunity seeking and risk-taking* (number of countries/expansion to new markets) and the drive towards innovation as described above (e.g. Knight, 2000; Zucchella & Scabini, 2007). Thus, this group is best described with an overall proactive attitude more than with an adaptive approach.

As is the case in cluster 1, these companies due to the fit between capabilities and strategy realize a competitive advantage that leads to outperform their competitors in their foreign markets and differentiate them from their counterparts in cluster 2 and 4.

#### Cluster 4: "Strawberry fields forever"(product-oriented)

Cluster 4 companies are characterized by a strong product-orientation.

They show consistently the lowest values along the dimensions investigated. The firms however are relatively intensive internationalisers with consistent growth rates.

Looking at within-cluster values, the topic of communication with all its sub-items and distribution policy is ranked unimportant. Putting together these factors with those ranked highest - quality of service/product and in-time delivery and a certain emphasis on

manufacturing - one might suggest an orientation based on efficient production towards a limited number of customers or a narrow line of specialty. In this cluster “internal specialisation” in terms of specific production and service skills seem to be developed, leading to industry reputation for quality.

**Table 1: Clusters’ key characteristics**

	Cluster 1 Shelter from the storm	Cluster 2 Should I stay or should I go	Cluster 3 Born to run	Cluster 4 Strawberry fields forever
n° of cluster firms %	20	36	29	15
Experience in internationalisation1)	24	18	17	18
Time to first market entry1)	12	16	16	14
Time to second market entry1)	3,2	5,6	1,8	1,4
Time to third market entry1)	1,6	2,8	1,9	2
n° of export markets in 2000-2005-expected 2008	17-20-22	7-11-12	20-27-27	11-15-17
Increase in n° of markets % 2)	19-9-31	46-7-56	30-0-30	31-14-50
Average export ratios % 2)	42-53-61	26-27-36	35-49-59	28-33-41
Growth of export ratio 2)	24-16-44	3-31-34	42-19-68	16-25-46
European sales in 2000 and 2005 (average in %)	42 41	56 48	57 52	63 61
% of cluster firms that increased extra-European sales	50	29	44	28

1) Average in years

2) The first two numbers refer to the years 2000 and 2005, whereas the third number indicates increase from 2000 up to 2008

## 5. Discussion

The clusters are well balanced in terms of age, size, independence and industry sector. The businesses are quite evenly distributed also with regard to the typology of clients, with about 70 % being active in the B2B. Interestingly to note is the difference as regards the change of governance. Whereas in Cluster 1 and Cluster 2 about a quarter of firms realized a

transformation from family to non-family governance, a very marked change of 40 % occurred in Cluster 3, whereas firms in Cluster 4 remained family business in almost all cases. The clusters 1 and 3 firms tend to be slightly bigger than their counterparts as is expressed in average employees' figures, with cluster 4 showing the lowest employees number of about 40 persons on average.

Cluster 1 and cluster 3 show the highest *export ratios* and the most consistent growth rates over the survey period (2000-2008 estimate). With an average export ratio of about 50 % they are highly dependent on export performance, whereas clusters 2 and 4 realize about one third of their sales abroad.

The variation in export ratios and growth suggest a different pace and a different scope of internationalisation: once having started internationalisation, Cluster 3 and 4 businesses were the fastest to realize the second entry, but they then seem to decelerate as regards the 3 market. In particular Cluster 3, after its “fast-and-furious” period of market expansion and the highest number of 27 export markets on average, seems to take a pause in market development, whereas firms in the remaining 3 clusters expect to continue their growth trend. Clusters 1 and cluster 2 adopted a more prudent and slower rhythm, but they then halved the time for the third entry. Cluster 4 firms have been by far the fastest in their overall time span in realizing 3 market entries (3,4 years on average), whereas cluster 2 firms have taken 8,4 years to reach the same objective.

As already indicated above, the data in general support the psychic distance as a key factor for initial stages of market selection, showing mainly Germany, France and Switzerland as first entry-markets. Germany and Switzerland make part of the same Hofstede Cluster, and France has historically deeply rooted economic relations with Italy.

Initially, all clusters have followed this general pattern but the data show a differentiated picture with regard to current top market development: for the clusters 2 and 4 top priority markets are still Germany, France and Switzerland, whereas Cluster 1 and Cluster 3 rank the United Kingdom and the United States second, thus breaking the pattern of selecting and concentrating on culturally-close markets. This is underscored by the importance of extra-European sales. Half of the Cluster 1 firms and 44 % of Cluster 3 firms increased sales in extra-European countries, whereas their counterparts in Cluster 2 and 4 developed these export markets less significantly (about 29 %).

One therefore could suggest that the psychic distance pattern does not hold for the niche/customer oriented cluster as well as for the entrepreneurial/growth oriented cluster. In these cases psychic distance obviously becomes less relevant with firms emphasizing customer proximity and orientation, networking, innovation and growth opportunities.

Clusters show different features also with regard to the scope of international activities: as is indicated in table 1 the niche/customer-oriented group of companies and the growth-oriented/entrepreneurial cluster show the highest number of export markets, that might be explained with a niche strategy and a growth and opportunity seeking strategic orientation. Being comparable in age and experience the difference in export ratios and scope of internationalisation suggests influence of strategic orientation of the clusters as well as influence of pace and timing of internationalisation.

## **6. Conclusions**

The aim of our research was to deepen the knowledge of international strategies of SMEs.

We started from a sample of 148 manufacturing firms, trying to uncover strategic types across the SMEs universe. We propose a cluster analysis, an explorative approach that allows structure-discovering analysis out of data.

From the cluster analysis four strategic types emerge, two of them presenting a clear strategic orientation: *Shelter from the storm* cluster adopts a niche strategy, basing its competitive advantage on a strong customer orientation in terms of knowledge, satisfaction and experience. Such a strategy allows SMES to gain high export ratios and a “protected” competitive arena, which is *per se* international.

The other strongly strategic oriented cluster is the so called *born to run*, where a strong international commitment of the entrepreneurs translate into competitive advantage based on innovativeness and growth orientation in general.

On the other hand, our results depict two cluster without a clear strategic orientation.

The third cluster “*should I stay or should I go?*” is best characterised by a general absence of vocation and consequently lacks a clear strategy. This kind of firms reflects the characteristics of the opportunistic/reactive firm defined by literature.

The last cluster, *Strawberry fields forever*, seems to enjoy an intrinsic competitive advantage, based on the capacity to offer a product which has a stable demand and low competition levels.. Internationalisation success seems to be the result of pull mechanisms external to the firm.

In every strategic cluster it is possible to identify strengths and weaknesses of the approach followed by the firms. The outcomes of the clusters analysis are very relevant for managers and entrepreneurs because they permit to position a company in one of these groups and to compare the firm vision and orientation with other clusters. The research is also relevant for policy makers because it reveals that small firms are not isomorphic from the viewpoint of strategic orientation and behaviour and need to be approached with differentiated policies, according to the potential risks and weaknesses underlying each cluster profile.

This research has also limitations: in particular, the data set is provided by Italian companies, and it may be subject to country specific biases in the outcomes of the analysis. The

subsequent step of this research is to extend it to a sample of SMEs of other countries, in order to verify if the strategic types identified hold in wider geographic scale.

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