

PURE OR HYBRID? THE IMPACT OF BUSINESS MODEL DESIGN ON SMES INTERNATIONALIZATION PERFORMANCE

Casprini, Elena; Devigili, Matteo; Pucci, Tommaso; Zanni, Lorenzo

Department of Business and Law Studies, University of Siena, Siena, Italy

ABSTRACT

Internationalization represents a debated area in management studies. Extant research shows that several variables, being them *firm-related* (Chen *et al.* 2016; Jones and Coviello, 2005; D'Angelo *et al.*, 2016; Larimo, 2013), *country-related* (Chen *et al.* 2016), e.g. where to internationalize, and/or *industry-related* (Chen *et al.* 2016; Jones and Coviello, 2005; Grøgaard *et al.*, 2013), influence internationalization performance. Beyond being evidence still very fragmented (Chen *et al.*, 2016), what is most surprising is that a key factor such as business model design has been almost ignored. Business model design has been considered as crucial in explaining a firm's performance (Zott and Amit, 2008). However, when it comes to be considered with respect to internationalization performance little evidence exists (Hennarth *et al.*, 2017).

The aim of this paper is to investigate if *business model design matters for internationalization performance*. Specifically, drawing from a resource-based view of the firm, this paper jointly considers (i) the impact of resources & capabilities, (ii) alternative business model designs and (iii) the moderating role of being a family-owned firm on SMEs internationalization performance. In particular, three hypotheses are developed. First, on the basis of the literature reviewed (Kyläheiko *et al.*, 2011; Ren *et al.* 2015), we suppose that firm resources & capabilities positively influence firm internationalization (Hp. 1). In so doing, we distinguish between *managerial capabilities* and *innovation capabilities*, measuring them through multi-items constructs, and *marketing resources*, as the share of employees working in marketing department. Second, we propose that business model design influences the internationalization performance (Hp. 2). We distinguished between *pure manufacturer* and *pure subcontractor* (Cagliano and Spina, 2002), and *hybrid* business model designs. Third, we look at the moderating role of *family ownership*, measured as a dichotomous variable, on the resources&capabilities – internationalization performance relationship (Hp. 3a) and on the business model design-internationalization performance relationship (Hp. 3b). The dependend variable, internationalization performance, is measured as the share of foreign sales over total assets.

Hypotheses are tested on a unique database consisting of 213 Italian SMEs in the fashion industry. Results from the regression analysis can be summarized as following. First, consistently with previous research, a positive impact of managerial capabilities, innovation capabilities and marketing resources on internationalization performance is found. Second, an inverted U-shaped relationship is

highlighted between business model designs and internationalization performance. Finally, family ownership does not moderate the resources&capabilities – internationalization performance relationship, while it positively moderates the impact of alternative business model designs on internationalization performance. Moreover, post-hoc analyses reveal a 3-way interaction among managerial capabilities, family-ownership and business model design on internationalization performance, suggesting that being a family-owned business positively influences the inverted U-shaped relationship between business model design and internationalization performance.

This paper contributes to extant research on internationalization management in two ways. First, it represents one of the few examples of studies on business model, family firm and internationalization performance (Hennarth *et al.*, 2017), in particular presenting a business model design continuum between pure manufacturing and pure subcontractor business model. In answering to our research question, hybrid business models seem to lead to higher internationalization performance than the two purest designs (i.e. pure manufacturer or pure subcontractor). However, pure manufacturer business models lead to higher internationalization performance when the firm is family-owned. Second, the paper presents interesting results on the interaction between family-ownership, business model design, and capabilities on internationalization performance, thus calling for further research on this area.

The paper is not without limits that represents avenues for further research. First of all, internationalization performance may be measured by several variables, while we only focused on foreign sales. Second, we know that family firms are heterogeneous and this may lead to different internationalization strategies (Arregle *et al.*, 2017; Kontinen and Ojala, 2010; Pukall and Calabrò, 2014). Third, our results derive from Italian fashion industry only. Moreover, our research findings also are the basis for additional, new research paths. For example, which are the capabilities family-owned firms should develop for improving their internationalization performance under specific business model designs? And, does size influence these relationships? We think that the topic would be of interest for international management and family business scholars as well as for all those practitioners who are facing internationalization challenges.

Keywords: business model design; family-owned firms; internationalization performance; capabilities

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