Chapter 23

Firm Performance and Business Models Based on Exports: Can This Shy Flirtation Become a True Love Story?

José Pablo Abeal Vázquez
University of A Coruña, Spain

Begoña A. García
University of A Coruña, Spain

Javier Tarrío Saavedra
University of A Coruña, Spain

ABSTRACT

This chapter aims to contrast if internationalization is a key element to explain the performance of a company, especially focusing on small and medium-size entreprises (SMEs), and to identify if a business model (BM) based on exports leads to more successful companies. There is a broad theoretical body and a representative set of methodological approaches in this area of knowledge; however, the conclusions reached are very different and in many cases hardly comparable, being limited to a specific temporal and geographical scope. For the purpose of giving a step further in the investigation of BM based on exports, the SMEs from the Autonomous Community of Galicia (Spain) are analyzed through an exploratory research over the 2002-2013 period. The empirical analysis takes into account a range of firm variables linked to both firm management and fixed factors, such as the type of sector, the location, and the economic situation.

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INTRODUCTION

The link between corporate performance and the firm's ability to export or to take international dimension is a recurrent topic in the economic literature related to business models (BM) and it has been addressed from different approaches over recent decades (Li, 2007). However, it is clear that this is a complex issue in which no consensus has been reached and there are still many research questions to be answered (Glaum & Oesterle, 2007; Kamakura, Ramón-Jerónimo & Vecino, 2012; Majocchi, Dalla & D'Angelo, 2015).

Throughout the last decades the world economy has undergone a vertiginous internationalization process and international trade has grown faster than global GDP. Faced with this situation, the important segment of small and medium-sized enterprises (SMEs) has known a rapid international expansion and many governments have played an active role in developing policies for their companies to increase their geographical scope and serve as a lever for economic growth.

Therefore, the internationalization of enterprises, especially SMEs, has been one of the issues that has been investigated in greater depth in the literature focused on international business in recent decades. This study has been approached from both empirical and theoretical point of view, by taking into account an important range of modeling and approximations to explain the phenomenon of internationalization.

There is a wide variety of objectives (that also intermingle with each other) behind the internationalization of companies outside the domestic markets. These objectives can range from the excessive maturity of the national markets and their saturation to the profitability offered by international projects, or even by the possibility of generating economies of scale that strengthen the competitiveness.

One baseline study in this field of work was carried out by the so-called Uppsala group (Johanson & Vahlne, 1977). They started with the assumption of considering the process of internationalization as gradual and evolutionary. Thus, through a nested set of phases, companies are learning and generating the necessary resources to develop their activities outside their domestic home market. They suggest that companies accumulate experience and knowledge in the international arena as they carry out more operations in it. In this way, they are weaving, at the same time, a dense network of relationships.

The investigations undertaken subsequently are based on very heterogeneous theoretical basis (Glaum & Oesterle, 2007), though many authors consider internationalization as an evolutionary process (Johanson & Vahlne, 1977) in which businesses increase progressively their interest in international operations as a driver of growth (Kamakura et al., 2012). The criterion of geographical and cultural proximity is usually a key factor when the first export destinations are chosen. As the knowledge of international markets increases, businesses take the leap to more direct export methods.

This reality is justified on the hypothesis that companies that have an international presence develop important skills when they undertake their activity in foreign markets and on the hypothesis that the competitive success of a company is what enables it to export. Thus, the international expansion allows the company to compete with other companies, sell to new customers and learn new work methodologies. This reality will serve to improve the competitiveness in a process of continuous growth over time. Nevertheless, an approach based on businesses that are born global or become global is being carved out since the last decade of the 20th century (Oviatt & McDougall, 1994).

It is common to consider a positive relationship between innovation and export intensity. Innovation is a complex concept. If we stick to the technological level, different studies have considered that this is a relevant factor to explain the internationalization of SMEs, and that high technology companies are more internationalized than low technology companies. In fact, a strategy of rapid internationalization

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