

Padua 2017 Abstract Submission

Title

Determinants of export performance in Italian wine SMEs: the mediating role of risk perception.

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Conference Presentation

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Keywords

Italian Wine SMEs; export performance; risk perception; entrepreneur's intuition; SEM

Research Question

The present study examines the determinants of export performance of a sample of Italian wine firms

Methods

A Structural Equation Model (SEM) is proposed to shed some light into this relatively unexplored area.

Results

Results indicate that the most important factors for determining export performance, as a whole, are those pertaining to firm size.

Abstract

Introduction

Extensive empirical research has been carried out to identify and study the determinant factors responsible for successful export performance. However, only a few studies address single sectors in particular, though it is recognized that single industry studies have increased value in export marketing literature. Therefore, the focus on a specific context, especially when such business contexts have distinctive characteristics, attracts the interest of the scholars.

The wine sector, with a trade worth more than € 28 billion, is characterized by important wine-producer countries (e.g., Italy and France) which have witnessed a decrease in their export share due to increased competition originating from California, Argentina, Australia, Chile, and South Africa (OIV,2016). The wine sector is characterized by the existence of many competing firms and different submarkets that exhibit a number of distinctive characteristics, typical in highly fragmented and differentiated luxury segments. 2016 world wine production is estimated at 259 mhl (OIV,2016), even if 2016 was marked by adverse climate conditions, which affected production in various countries. Italy confirmed its leading position with 48.8 mhl, followed by France (41.9 mhl) and Spain (37.8 mhl). An even higher level of production was recorded in the United States (22.5 mhl). Production dropped sharply in Argentine (8.8 mhl), Chile (10.1 mhl) and Brazil (1.4 mhl), as a consequence of unfavorable climate conditions. There is a slight rise in global consumption estimated at around 240 mhl (OIV,2016). The traditional consumer countries resumed their downward trend (or stagnation), to the advantage of new consumption areas. The period between 2000 and 2015 was characterized by an increasing consumption outside the country in which it is produced. With 31 mhl, the United States confirmed its position as the biggest consumer country in the world. Consumption was relatively stable in Italy (20.5 mhl) and Spain (10 mhl), yet continued to erode in France (27.2 mhl) compared with that of 2014. The level of consumption in China is estimated at 16 mhl: a slight increase (+0.5 mhl) compared with 2014 (OIV,2016). In 2015, the world wine market has an increasing trade of 1.9% in terms of volume (104.3 mhl) and is increasingly globalized: in 2000, 27% of wine consumed was imported, while today this market share is over 43%. Small and medium-size wine enterprises,

such as Italian wine firms, strive to retain the position of their products in a global market. Such firms have operated in a maturing (and competitive) domestic market and have gradually introduced a professional (vs. family) management, but still have the potential to further increase their export competitiveness, as proposed in several studies. Much of the previous research on export performances has provided important insights focusing mainly in cross-sectoral aspects, but further insight can be gained by shifting research attention to wine sectors. The aim of this work is focused on investigating the export performance of 81 wine firms settled in Friuli Venezia Giulia, a North East Italian Region. The research inquiry begins with the conceptual framework underpinning proposed and selected variables: a) firm size and its dimensions, b) entrepreneur characteristics and his c) risk perception; subsequently is proposed a model to test how much each factor affects export performance. The research methodology implemented to test the hypotheses is then described: a Structural Equation Model (SEM) is proposed to shed some light into this relatively unexplored area. Finally, the results and their implications are discussed within the export marketing literature.

Research Methodology

The empirical analysis is articulated in the following three steps: questionnaire design, the sampling and data collection.

The questionnaire was divided into five sections. The first section investigates firm size in terms of economic dimension and production. The second section was dedicated to measure the export performance in terms of sales and explored countries. The third and fourth sections were dedicated to collect information about characteristics of entrepreneur. In the fifth section entrepreneurs were required to answer questions about their risk perception in front of several economic and behavior scenario. The survey was conducted in Friuli Venezia Giulia Region, in the North-Eastern part of Italy and 81 questionnaires were successfully completed, collected face to face and deemed suitable for the data analysis.

Starting from these premises this study proposed a theoretical model that analyzes the relationships between factors. The theoretical framework is summarized in figure 1, showing the proposed causal relationships between: Firm Size (FS), Entrepreneur's characteristics (EC), his Risk Perception (RP) and Export Performance (EP).

Figure 1: the proposed model (presented in PDF)

According to the quoted literature for measurement scale of each factor, we proposed in the model the following hypothesis:

Hypothesis 1 (H1): Firm size (FS) has a significant impact on Export Performance (EP) of wine SMEs.

Hypothesis 2 (H2): Entrepreneur's Characteristics (EC) positively affects entrepreneur's Risk Perception (RP).

Hypothesis 3 (H3): Entrepreneur's Characteristics (EC) has a significant impact on Export Performance (EP) of wine SMEs.

Following these considerations, the following additional assumption is proposed:

Hypothesis 4 (H4): entrepreneur's Risk Perception (RP) has a significant impact on Export Performance (EP) of wine SMEs.

Preliminary Results

Data analysis has been done using Confirmatory Factor Analysis (CFA) to examine the fit, reliability, and validity of the measurement model. Thereafter, SEM was performed for model evaluation and hypotheses testing with statistical software LISREL. The CFA for each measurement model was estimated using maximum likelihood to identify the four latent constructs. The standardized factor loadings of each measurement item (λ), the reliability (Cronbach's α coefficient) and average variance extracted (AVE) of each latent factor are proposed.

Cronbach alpha (α) of each construct is above the general guideline of 0.70, which indicates a high level of reliability or internal consistency in the measurement items (Nunnally, 1994). The AVE for each construct is above or very close to the cut-off point of 0.50, which suggests convergent validity (Hair et al., 2010). The CFA results indicate that the measurement model possesses adequate fit, and its associated measurement items are valid and reliable. Is possible to proceed with the formal implementation of the model and hypotheses testing.

The Structural Equation Model (SEM) was implemented with the Linear Structural Relationship (LISREL), using the LISREL 9.1 software (Joreskog and Sorbom, 2013).

The fit indexes of the proposed model, are introduced in order to verify how well the hypothesized model

reproduces the observed covariance matrix, using the Goodness of Fit Index (GFI) and Adjusted Goodness of Fit Index (AGFI), both proposed by Jöreskog and Sörbom (2001), and the incremental fit indexes: Normed Fit Index (NFI) proposed by Bentler and Bonnet (1980), the Non-normed Fit Index (NNFI), as proposed by Bollen (1990), the Comparative Fit Index (CFI), proposed by Bagozzi (1992), the Root Mean Square Error of Approximation (RMSEA), proposed by Browne and Cudek (1993), and the Chisquare/degree of freedom proposed by Marsh and Hovecar (1985).

The results, despite the sample size, indicated an acceptable fit between the model and the observed data and allowed analyzing the assumptions of some hypothesis. Among the four hypothesis, only two are supported. The relationship between Firm Size and Export Performance is positively significant, supporting H1. The entrepreneur's Risk Perception positively affect Export Performance, supporting H4.

Results indicate that the most important factors for determining export performance, as a whole, are those pertaining to firm size. The next most important antecedent of export performance is factor Risk Perception and his moderating role between Entrepreneur's Characteristics and Export Performance. This finding lends support that this sample of wine firms perform better when the firm size is mainly defined by hectoliters produced and the firm's age. The study of the linkages between Firm Size, his dimensions, Entrepreneur's characteristics and Export Performance represent a relevant field of research, to analyze the determinant factors and the strategic models that can permit wine SMEs to perform more efficiently on the global market.