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Title

The importance of cooperative networks in the internationalization of Wine SMEs

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Conference Presentation

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Keywords

cooperative networks, Wine globalisation, SMEs

Research Question

The aim of this paper is to analyze the importance of export cooperation in Spanish wine industry using a homogenous sample of SMEs

Methods

We used a longitudinal panel between 1994 and 2014 comprising a sample of Wine Spanish firms and we implemented a dynamic Heckman-Probit model

Results

The study will show the positive influence of collaborative networks in firms' decision to export and analyses the effect of cooperation mechanisms on export intensity

Abstract

The importance of cooperative networks in the internationalization of Wine SMEs

The intense globalisation process of economic activity has made addressing the internationalisation process a condition for the survival of firms in the wine industry. However, entering international markets is still a challenge for a number of firms. For small and medium-sized enterprises (SMEs), crossing the border involves paying the initial costs of the internationalisation process and then competing and managing an international business in a heterogeneous and more demanding context than the local market. Nevertheless, the limitations of a small size, the scarcity of financial, human and technical resources and the lack of dimension to take advantage of economies of scale can be compensated by managers establishing collaborative networks with other firms (Johanson and Mattsson, 1988). Networks can help firms acquire knowledge of foreign markets, institutions, rules and regulations (Coviello and Munro, 1997; Johanson and Mattsson, 1988), and, therefore, facilitate the internationalisation process.

On the other hand, in recent years the literature on international economy has expanded its focus by introducing firm heterogeneity in international trade models (Melitz, 2003; Chaney, 2008; Bernard et al., 2012; among others). Empirical findings from micro-data on firms show that only some firms export and that those exporters are larger and more productive than non-exporters (Greenaway and Kneller, 2007; Bernard et al., 2012). However, several

empirical studies on firm heterogeneity have highlighted the need to include more of the firms' individual characteristics when analysing firm behaviour than merely their size and productivity (Bernard et al., 2012). From the network theory point of view, an alternative mechanism firms use to overcome resource and skill limitations is cooperation with other firms (Johanson and Mattsson, 1988; Mínguez, 2010). Inter-firm collaboration to enter foreign markets allows firms to take advantage of existing synergies by sharing costs and risks, promotes access to resources and markets (Chetty and Blankenburg, 2000) and is a particularly useful alternative for small wine firms during their internationalisation process (Ibeh, 2005). From a resources and skills point of view, firm networks can facilitate access to a wide variety of resources, such as political influence, reputation, special skills, mutual trust, and so on (Coviello and Munro, 1997; Johanson and Mattsson, 1988; Boehe, 2013). Cooperation helps firms accumulate the required information on export markets, facilitates product adaptation to the target market's needs and demands, and ultimately enhances export performance (Karelakis et al., 2008). Furthermore, cooperation between organizations is especially useful for small firms in wine industry as it helps them to improve product quality and takes advantage of synergies and complementarity of resources and/or increases size in activities or sectors requiring some volume to obtain positive outcomes. In other words, by collaborating with other firms, SMEs can benefit from the same advantages as large firms when exporting by benefiting from economies of scale, minimising risks, removing redundant risks, and so on (Gebhard, 1987). From a transaction costs theory point of view (Coase, 1937; Williamson, 1973), minimising costs leads firms to cooperate in their environment as an alternative mechanism to further their competitiveness and take advantage of economies of scale and learning (Porter and Fuller, 1986; Gebhard, 1987).

In the paper will be present a Spanish case. In the context of the significant restructuring process that the Spanish wine industry experienced in the last decades when Spain joined the European Union and wine SMEs that face a strong process of globalisation and crisis (Serrano et al., 2015), the aim of this paper is to analyze the importance of export cooperation in Spanish wine industry using a homogenous sample of SMEs. Despite the small size of the majority of wine firms in Spain, exports have more than doubled in recent decades and the number of firms with transactions in foreign markets is constantly on the rise (Clar et al., 2015). The paper complements a new line of research that includes firm heterogeneity in trade models. The literature in international trade shown as only the largest and most efficient firms are capable of exporting. However, empirical evidence has confirmed that a large number of SMEs is also involved in internationalisation. To this end, we used a longitudinal panel between 1994 and 2014 comprising a sample of Spanish firms involved in the wine industry and we implemented a dynamic Heckman-Probit model. The first stage studies the positive influence of collaborative networks in firms' decision to export and the second stage analyses the effect of cooperation mechanisms on export intensity.

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