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The Internationalization of Family Businesses in the Food industry.

The experience of Fratelli Saclà in foreign markets

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论文提要

论文的主题是企业国际化。具体而言，论文关于国际化的讨论与两个背景有关，一是家族自营企业，另一个是食品行业。这两个背景对意大利来说是有代表性的。
论文主体由三部分组成。第一章介绍影响家族企业国际化的主要特征。第二章论述食品行业的总体特征，介绍了该行业的主要国际营销策略，并对意大利品牌进行了分析。在第三章中，我们介绍了一个意大利家族企业----萨克拉（Sacla），30 年间，它的产品已经远销世界各地。

有关家族企业国际化的主题又分为两部分。我们先从它的定义开始，当然我们明白学术界对此还没有一个明确的定义。在这篇论文中我们汇报两个定义， 第一个是欧洲委员会订定的， 第二个是 Westhead 和 Cowling 提供的定义。 我们对第二个定义感兴趣的原因是按照这两位学者们家族自营企业的定义包括一个比较别致的条件。 这个条件是董事长或者 首席执行官必须认为他们公司是一类家族自营企业的。虽然在学术界上家族自营企业的定义还不太清楚，但是，显而易见的是，这类企业在欧洲是最常见的，学者们对它的研究兴趣越来越高，分析角度涉及它的方方面面。这类家族企业一般来源于传统产业，与本土文化有千丝万缕的联系，但面对全球化的趋势，他们也必须面对全球消费者，从而保持竞争力。因此，家族企业国际化进程越来越受到经济学界的关注。

我们在第一章中提出的问题是：那些想进入或已经进入新兴市场的家族企业将面临那些挑战？本章中，我们首先介绍了家族企业的特征在其国际化过程中所扮演的角色，这些特征包括：企业规模、人力资本、风险偏好、家族文化的作用以及家族身份认同与企业身份认同的重叠现象。除了这些特征之外， 家族自营企业的最重要问题是职业化， 也就是说：为了胜利领导家族自营企业，要不要雇佣管理人？家庭成员适合不适合公司的领导？在国际化的情况下，学术界对家族自营企业职业化的问题有两个相反的观

点： 第一个是代理理论、第二个是现代管家理论。学者们还不明白什么理论更有意思， 但是，显而易见的是， 对家族自营企业来说家庭成员的机会主义要跟管理人的机会主义平衡。

本章第二部分对现有的企业国际化文献进行了分析。这一部分着重介绍了现有的经济学学者们有关国际化的最重要的基本理论，包括：乌普萨拉模型、邓宁的折衷范式，网络模型等。关于这些理论，都有一些针对性的研究试图检验其是否可以与家族企业的国际化相匹配。按照那些有关家族自营企业国际化的研究， 家族自营企业与乌普萨拉模型提出的逐步国际化过程相匹配，也就是说家族自营企业先从代理出口开始， 然后如果销售额增加的话它们可能提高承诺的水平对外国市场进行直接投资。 并且家族自营企业也一般从那些与它们国家文化的国家相似开始出口。为什么呢？最清楚的原因是一个家族自营企业的特色， 也就是说它们一般试图避免风险。但是那些研究发现的另外一个方面是这特色的影响不是企业出口不出口的决定， 反而家族自营企业担心风险对国际化的范围有影响。 关于网络模型等的理论，对家族自营企业来说， 最重要的方面是不但建立业务关系， 而且用业务关系长见识， 尤其是国外市场的知识。

本章具体介绍了那些最重要的、成熟的理论。本章最后介绍了一个理论叫 CAGE Distance Framework：这用来分析企业国际化过程中的外部因素和外部环境，无论是在国家层面还是在产业层面，它都是非常有用的。用这个架构经理们可以研究国家有什么差异。这个架构的理论把差异分成四个类型:文化上的差异、行政上的差异、地理上的差异、经济上的差异。

第二章从食品产业的总体介绍入手。这是一个覆盖面非常广泛的行业，其生产活动从原料生产到成品配送的各个环节。在众多产销环节中，有两个环节对该行业的总体产出影响最大，即食品安全监管和产品研发。此外，为了了解哪种营销策略最适合这个行业，本文提出了四个驱动性因素：人口增长、消费者、技术和创新。除了这些驱动性因素之外，这个行业的另一个显著特点是它

的受需求驱动的长期价值链。因此，这个链条中最重要的角色是消费者，他们的重要性在经销商和零售商之上。这就是为什么我们研究的问题是：通过中间商或子公司销售产品会更有效吗？在介绍过整个行业的现状之后，本章讨论了食品行业企业必须面对国际化的挑战。这些挑战包括：法律背景的差异、适销产品的研发以及地域文化差异。在国外市场销售食品常常意味着不仅要出售外国食品，而且还是（对当地人来说）全新的食品品种。出于这个原因，我们提出两个要素都应创造和适应文化多样性，并且文化层面的影响将决定一个市场对一个新产品的欢迎程度。在霍夫斯塔德提出了的六个文化尺度中有三个文化尺度对新产品的欢迎非常重要，也就是说：权力距离、不确定性规避、个人主义。通过这三个文化尺度的分析，　不但可以决定一个市场对一个新产品的欢迎程度，　而且决定最合适的本地化成都。然后，在讨论了这些挑战之后，本章介绍了主要的国际营销战略（本地化和标准化），并描述了在该领域经营的企业最常见的国际化途径：民族中心主义。这个理念让消费者对产品有倾向性。按照民主中心主义的倾向，　人们认为一个民族的标准或者一个国家的标准比别的国家的高得很，因而消费者买食品的时候，　它们一般宁可买它们国家的产品。　在民族中心主义的情况下，人们不但认为祖国的产品比外国的高级得很，而且认为它们的菜系世界上最好。　所以他们一般买祖国产品的可能性比较大。这样消费者的购买行为有一些原因，　如：传统、原产地品牌的知名度、食品安全、环保行为。

第二章最后一部分重点介绍了国家品牌和原产地品牌：提出了我们对于“意大利制造”和“100%意大利制造”品牌的一些思考，分析了这些品牌在国际食品行业中的劣势和机遇。虽然从食品行业的方面来看在原产地品牌中“意大利制造”品牌排名第二，但是意大利跟一些国家心理距离还非常大，　所以在那些国家意大利企业不能用“意大利制造”品牌促进它们的产品。　为了让意大利食品胜利进入外国市场，　尤其是那些心理距离很大国家的市场，　我们认为意大利企业需要抚平意大利近视。意大利近视什么意思？　为了描述意大利人和意大利企业非常特有的态度，

我们提出了这个比喻的说法。 意思是意大利人通常认为意大利式最好， 所以只有用意大利式享受意大利食品。当然这样意大利近视跟民族中心主义有关系。

最后一章讲述了一个“意大利制造”家族企业的国际化进程。萨克拉公司现在由家族的第三代领导，是意大利橄榄产业的领头羊，其生产的意大利青酱和意大利面酱蜚声国际。在探讨了这家企业的优势之后，我们想知道：他们在哪一代实现了国际化？他们在海外市场上采用了哪些产品销售策略？他们在海外开设子公司了吗？在那些与意大利的饮食文化有很大差异的国家，他们有哪些机会？

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INTRODUCTION

This thesis focuses on the topic of business internationalization. Since the Seventies, this process has been capturing the attention of scholars, which have been busy in both defining Internationalization and describing the different impact it produces on the firm's structure, activities and management (developing the branch of international management). Internationalization is not a status that a firm achieves in one day, on the contrary, as a matter of fact, it is not a status at all: it is the "process of increasing involvement in international operation"[1]. This thesis is an attempt to portray this process and the elements who play a role in it in two specific contexts, two cross-sections of Internationalization: one is a firm-level context and the other is an industry-level context. Precisely, this thesis will first focus on the Internationalization process in the context of Family Business and, then, it will proceed describing the elements of Internationalization in the Food sector. The choice of discussing Internationalization combined with these two contexts originates from two reasons: first, they are both emblematic of Italy and Italian firms; second, both the Family Business' and the Food sector's context allows the investigation of Internationalization through the lens of culture. Since Family Business is permeated by both the national and the family culture, its Internationalization process is exposed to the influence of the elements originating from this double cultural context; as far as the Food sector is concerned, culture dictates consumption customs and it influences consumers' preferences and, consequently, internationalizing requires considering all the elements of cultural diversity which drive the demand and challenge the offer to adapt.

In the first chapter of this thesis, the aim is to outline a profile of the International Family firm and its Internationalization path. First, we present the Family Business category as the carrier of elements that sprung from its typical *familiness.* In Family Business literature this concept represents the culture which originates from the overlapping and coupling of family identity and business identity. Some of the elements

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[1] WELCH L.S., LUOSTARINEN R.*, Internationalization: Evolution of a concept, Journal of General Management,* 12/1988

originating from *familiness* become distinctive and very influential when the Family firm approaches Internationalization. While in the first part of chapter 1 the focus is the presentation of these characteristics of the Family Business, the second part reports a review of the most relevant literature in the Internationalization field of studies. The review of some of the milestones theories and the most influential models describing Internationalization will proceed in parallel with the presentation of what scholars have clarified about the consistency of Family Business with these theories. The third part of chapter one, instead, will consider the Family Business Internationalization literature only, trying to report the schools of thought which have arisen from the scholars' analysis of the internal and external factors of Family Business Internationalization.

Then the spotlight will shift from the Family Business cross-section to the Food industry one and the second chapter will, first of all, provide a general overview of the industry activities and of its value chain. There are two reasons why it is necessary to offer this first general introduction: on one hand it is useful in order to pinpoint the key roles and the most influential players of the sector (especially in an international perspective), on the other hand we can highlight the industry's drivers, which are very likely to determine or even correspond to the challenges that the sector sets to Internationalization. Presenting these challenges, therefore, will be the following step of the chapter and a particular attention will be directed to culture as the filter of consumers' choice. The main body of the second chapter, however, is the one that will focus on how to boost Internationalization in this sector. Given the drivers and the challenge of the sector, it will describe the potential Internationalization choices, the international marketing strategies and the business orientation which are implemented by firms in the Food sector and we will discuss whether these ones suit the circumstances of this industry. For instance, consumers' ethnocentrism will be object of discussion. In the end, the attention will focus on Made in Italy, with a critical approach aimed at evaluating whether it can really be an asset for Italian firms to exploit in the international marketing of Food products.

The last chapter introduces the Italian Family firm Fratelly Saclà, which operates in the Food industry and is run by the Ercole Family since 1939. In the Nineties, this business started expanding its sales on an international scale and this required that the family developed an international approach both to deal with the international business environment and to satisfy foreign consumers. The first part of the chapter will present the business and the characteristics that turned out to be the most influential factors on its success. Then, a description of Saclà's international presence will be provided, mainly focusing on the strategies that allowed this firm to penetrate foreign markets and were adopted both from an organizational and from a marketing point of view. In the last section of the chapter, we will assess the presence of Saclà in non-acquainted markets and I will possibly introduce a personal suggestion to increase penetration in these markets.

To summarize, the ultimate purpose of this project is to outline the profile of the International Family firm and to provide some guidelines for internationalizing in the Food sector, including consideration on the possibilities of the Made in Italy brand.

CHAPTER I

FAMILY BUSINESS AND INTERNATIONALIZATION: FUNDAMENTALS IN LITERATURE

In this chapter our aim is to describe the factors and characteristics that mainly influence the strategy and performance of Family Business. We will present the interference between the nature and the typical behaviour of Family firms with Internationalization.

This description of this topic starts from disclosing the fundamentals in literature about the nature of a Family Business; it proceeds with presenting the main theoretical approach to Internationalization and the observations that emerged from the scholars' analysis of the Internationalization of Family Businesses. The chapter will conclude with a proposition of what makes a Family Business an International one.

1.1 Definition of Family Business

Now the objective has been introduced, it's necessary to bring to surface those contributions in literature that tried to define the concept of Family Business. First, we should start from one premise: at the moment there is no clear unified definition of Family Business that successfully satisfies the scholars. No scholar has come to one yet, but of course many scholars have tried, and definitions have been formulated defining the nature of this kind of firm, each one focusing on specific aspects. For instance, while some scholars have approached the topic as a generational one (Ward, 1997[2]) or as part of

[2] In his article *"Growing the Family Business: Special Challenges and best Practices"*, John L. Ward proposes the leadership of new generation as a weakness of Family Businesses.

WARD J.L., *Growing the Family Business: Special Challenges and best Practices,* Family Business Review, Volume 10, issue 4, pages 323-337, 1997 business culture [3], others considered the size or the level of professionalization involved in the firm; some definitions focus on the equity shares distribution, others highlight the intention of family firms' owners to guarantee continuity to their propriety and governance. It is important to be aware of this definitional multiplicity because it has an impact on the target of firms we analyse. As it has been claimed by Harms, there are reasons behind this definitional heterogeneity. First, many scholars did not focus explicitly on giving a definition of Family Business, perhaps because their interest was mainly captured by features of these firms (such as succession, role of family, strategy, governance, performance etc.). Therefore, the results of investigation on the specific topic exceeded those on giving a definition of Family firm. Moreover, the authors themselves inevitably refer to a certain context, and this also could be a cause of heterogeneity: each one elaborates a definition which mirrors that context, therefore it mirrors its legal framework, its definition of family and its culture.

However, current literature mainly links Family Business definition to two concepts: ownership and control of the company. We noticed the definitions of different scholars slightly vary, according to (a) the different level of ownership and control they refer to and (b) the business environment and the context they are taking into consideration. It is our decision to promote two of the definitions we collected, on one hand, because these two have links to our context and, on the other hand, because these definitions create one of the most accurate and precise profile of Family Business in literature. In 2009 a study commissioned by the European Commission has come to the following four considerations to describe a Family Business:

1. the majority of voting rights are held by the individual who founded the company or the person who has acquired these rights directly or indirectly;
2. the majority of voting rights are direct or indirect, that is, coming from a family member or a company controlled by the family;
3. at least one representative of the family is involved in the management of the company;

[3] LITZ R.A., *The Family Business: Toward definitional clarity*, Family Business Review, Volume: 8 issue: 2, pages: 71-81, 1995

4. the person who established or acquired the firm is formally involved in the management of the company.

We believe this attempt of defining a Family Business can fit with this thesis, as we are considering the Italian panorama (especially when we will focus on the food sector in Chapter 2). Anyway, we think it is useful to consider also the four considerations that Westhead and Cowling in 1998[4] merged to provide a narrower profile and overall definition of Family Business, which exists:

1. Whether the chief executive, managing director or chairman regarded their company as being a family business (Binder Hamlyn, 1994).
2. Whether the majority of ordinary voting shares in the company were owned by members of the largest family group related by blood or marriage (Cromie et al., 1995).
3. Whether the management team in the company was comprised primarily of members drawn from the single dominant family group who owned the business (Cromie et al., 1995).
4. Whether the company had experienced an intergenerational ownership transition to a second or later generation of family members drawn from a single dominant family group owning the business (Churchill and Hatten, 1987).

The crucial points in this definition, that we believe make it worth a mention, is the reference to succession and the inclusion of the vision of the chairman as distinctive circumstances.

A second premise on Family Business is very important before we proceed, as well. The scholars started paying attention to Family Business decades ago. Despite some scholars in the past have stated that the family capitalism was inclined to disappear, not only it has recently been estimated that more than 90% of the companies in world can be classified as family firms[5], but the number of studies on this kind of firms has risen and risen year after year. Family Businesses are clearly great players in the world economy. Apart from studies, Family Business-centred university courses were born as well, and

[4] WESTHEAD, P., COWLING, M., *Family firm research: The need for a methodological rethink*. Entrepreneurship Theory and Practice, SAGE Journals ,1998

[5] DYER W.G., *The Family: The Missing Variable in Organizational Research,* Entrepreneurship, Theories and Practice, Volume 27, issue 4, pages 401-416, 2003

this also proves the daily increasing need of knowledge and research for their management. Here below is a report from the article "Trends in Family Business research" (Benavides-Velasco, Quintana-Garcia, Guzman-Parra, 2011) which shows a radical increase of papers on Family Business, and above all we can notice the great interest on this type of firms that doubled the articles in the 2000s.

Figure 1: The annual totals of family business articles retrieved from the selected categories of the Social Science Citations Index for the period 1961–2008.

Table 1 Annual totals of papers distributed across selected SSCI's categories

Categories of SSCI	1961–1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Business	2	23	15	18	20	22	26	19	23	26	17	30
Business finance	0	0	0	0	0	1	0	1	0	0	0	0
Business-management	10	0	1	0	0	0	0	0	3	5	0	1
Management	4	2	0	0	1	0	3	1	0	0	2	2
Economics	5	1	0	0	0	1	1	0	1	0	1	0
Economics-business	0	0	0	0	0	0	0	0	0	0	2	0
Economics-business finance	0	0	0	0	0	0	0	0	1	0	0	0
Economics-management	0	0	0	0	0	0	0	0	0	1	0	0
Total	21	26	16	18	21	24	30	21	28	32	22	33

Categories of SSCI	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Total
Business	24	17	25	24	28	34	31	39	33	39	536
Business finance	1	0	0	0	2	0	1	5	3	4	16
Business-management	1	3	4	1	5	2	2	5	5	6	54
Management	2	1	8	1	5	2	6	5	7	9	61
Economics	1	0	2	0	1	1	0	1	1	2	19
Economics-business	0	0	0	0	0	0	0	0	4	2	8
Economics-business finance	0	0	0	0	2	0	1	0	2	1	7
Economics-management	0	0	0	0	0	0	0	0	0	1	2
Total	29	21	39	26	43	39	41	55	54	64	703

Source: *BENAVIDES-VELASCO C.A., QUINTANA-GARCÍA C., GUZMÁN-PARRA V.F., Trends in family business research, Small Business Economics, Vol. 40, No. 1, pp. 41-57, 2013*

This second premise has not to be considered an end in itself. On the contrary, we would like to suggest the existence of a connection between this rise of studies in 2000s and the increasing necessity of investigation in the Family Business Internationalization area of research, which has given some of the most important results exactly in the 2000s (see for instance Fernandez and Nieto in 2005; Zahra in 2003,2004).

In 2014 Henrik Harms reported in his article a review of 297 articles discussing Family Business, which he analysed and clustered. We believe his results provide at a glance a valuable overview of the studies on Family firms, which reports: the increase of research year after year, the main area interested in the Family firms' investigation, the topics of investigation and the main theoretical approach. Therefore, we display them here below in Figure 2, 3, 4 and 5.

Figure 2: Journal Article under Harms' review, clustered per year

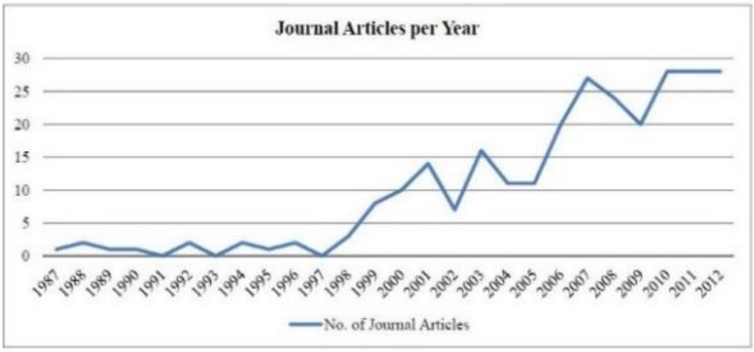


Figure 3: Journal Articles under Harms' review, 4

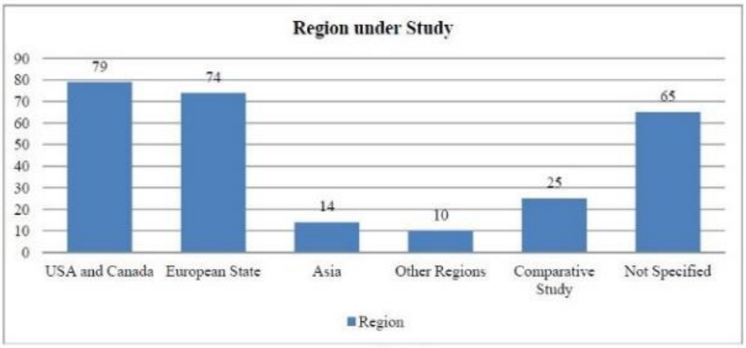
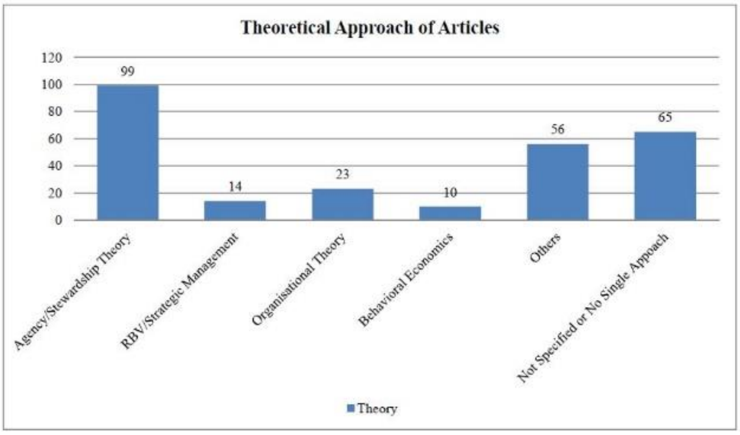
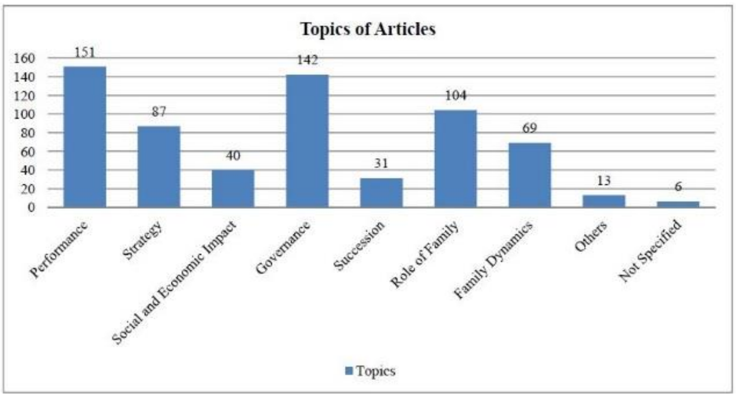


Figure 4: Journal Articles under Harms' review, clustered by theoretical approach



Theoretical Approach of Articles
120
100
80
60
40
20
0
99
14
23
10
56
65
Agency/Stewardship Theory
RBV/Strategic Management
Organisational Theory
Behavioral Economics
Others
Not Specified or No Single Appoach
Theory

Figure 5: Journal Articles under Harms' review, clustered by topic



Source Figures 2-3-4-5: HARMS H., Review of Family Business Definitions: Cluster Approach and Implications of Heterogeneous Application for Family Business Research, International Journal of Financial Studies, Vol. 2, issue 3, pages 1-35, 2014

1.1.1 Size of Family Businesses and the importance of Human Capital in the Internationalization perspective

After providing a definition of a Family Business, we believe it is important to consider two more aspects in order to narrow its profile: its size and the human resources it counts on. In this paragraph we will bring in the spotlight the Italian Family Business population above all.

As a matter of fact, Family Businesses constitute the basic architecture of the world economic structure. As far as Europe is concerned, we can claim that the prevalent company's structure in all members states is the Family one: this, however, occurs with differences of diffusion and their presence is remarkable in Southern Europe above all[6]. Meanwhile, the population of Family Businesses in each country reveals differences among them, not only in the type of ownership but also in the typical size. For example, while in the Central and Eastern European member states Family Business is synonym of small and medium-sized enterprises, in Northern, Western and Southern member states

[6] www.europeanfamilybusinesses.eu

the heterogeneity of family firms' population is clear as much as it is the presence of large enterprises among them.

The relationship between firm's size and Internationalization has been widely discussed in literature and this topic quite divided the scholars: some of them claim their relationship is positive for Internationalization (based on the resource-based approach, in fact large firms can count on more resources to internationalize) while others state that small firms are the ones with higher degree of Internationalization. Investigating the relation between size and Internationalization, some scholars[7] have even indicated that twenty people is the minimum number of employees a firm needs as a condition to be able to export. We would like to observe that the importance of the number of employees for Internationalization is quite a partial aspect as it is also strictly related to the type of business and the sector it operates in, indeed. Despite the European and Italian definition of SMEs sets the limit to 250 employees (for every kind of sector), the number of employees which a steel industry small firm considers as restricted is probably more than enough for a food sector firm to internationalize. So, we would rather suggest that the size of the business, especially in terms of employees, is less related to the chance of internationalizing itself than it is linked to the firm's scope of internationalization. A research[8] on a sample of Italian small and medium enterprises of the food sector has shown that size is positively linked to the number of foreign markets the firm operates in.

Since it is undeniable that size matters, it is impossible not to wonder what happens in the case of Family firms. It is useful to consider the number of employees these firms can count on. In Italy, there is a complete representation of small, medium and large firms in the Family business panorama, and medium and large firms are quite a number: more than 60% of Italian Family Business generates between 20 and 50 million of euros in revenues[9] and more than 60% of listed companies in Milan Stock Exchange are Family

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[7] WARD W., MITTELSTAEDT J., HARBEN G., *How Small is Too Small? Firm Size as a Barrier to Exporting from United States,* Journal of Small Business Management, Vol. 41, Issue 1, p. 68-84 2003

[8] GALVAGNO M., GARRAFFO F., *On the Effect of Size and Age on the Degree of Internationalisation: An Empirical Analysis of Italian Food SMEs*, Journal of International Business and Economics, June 2016, Vol. 4, No. 1, pp. 29-38

[9] *7° Osservatorio AUB- 2015* in www.aidaf.it

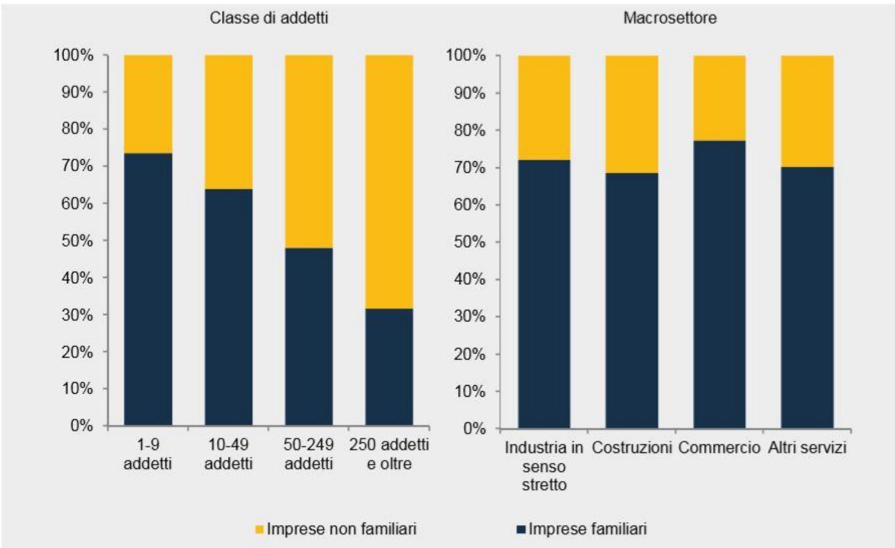
Businesses[10]. In spite of these abundance of medium-large sized family firms, there is still a prevalence of small and medium family firms, especially in terms of number of employees: most of Italian Family Businesses employs less than fifty people. This implies that, when facing Internationalization, in the most of cases Italian Family firms must rely on a very limited number of skilled and specialized employees for this purpose. Moreover, since Internationalization is strategically very crucial for the growth of the business and it is a risky project, it is likely that the family decides to directly manage the process, involving family members rather than professionals. In addition, it is often a new generation member. Aside from being a decision, this could also be a natural flow of the events. Internationalization becomes the field of action for the young entrepreneurs to train and prove their skills. Whatever generation the manager is coming from, the firm (especially small firms) usually does not question whether the family managers possesses a sufficient level of knowledge for this role or not, nor if they lack managerial skills. They are family. What are the reasons? On one hand it is a matter of resources. From the family point of view, hiring an external professional means bearing the cost of it and dealing with a non-family element who could unbalance the equilibrium and produce unexpected agency costs. Selecting family members for the main strategic processes overall is particularly true for SMEs. On the other hand, indeed, the reason lies in SMEs typical attitude of letting the business gravitate around the figure of the entrepreneur or, in the case of small family firms, even around the team of family members. Therefore, it is a matter of business culture. Discussing the size of Family Business bring us also to the introduction of the second influential aspect: Human capital arrangements inside Family Firms. In an insight provided by European Family Business (EFB) and KPMG, the war for talent and recruiting are cited by Family Businesses as their current major concern[11]. It is not surprising. Why? The reason is strictly linked to the increased competition which they have mentioned as their second concern. Being competitive is the ultimate goal for every firm in this global environment and the focus is on how to strengthen competitiveness as much as on who can do it: human resources are a crucial asset to be competitive, they can become a strategic competitive advantage. Family firms have higher rates of employee retention compared to non-family one, mainly because they offer long-term commitment

[10] D'ASCENZO M., *A Gestione Familiare il 60% delle aziende di Piazza Affari* in www.ilsole24ore.com

[11] *European Family Business Barometer* (Sixth Edition) by KPMG ENTERPRISES and EUROPEAN FAMILY BUSINESS, 2017

and they are more willing to invest in training. However, the job market is currently very dynamic, and, despite being attractive players, it is harder to achieve the best fit. In the last decades, as a consequence of global competition, Family firms have noticed the increasingly difference human capital can make in accomplishing the company's results. So, education and training in attempt to gain the essential skills is an imperative for family members, too. Family members have simultaneously grown up inside the firm and inside the family and therefore they have gained a unique mindset (both in terms of family values and entrepreneurial ideas). This mindset is the signature of the Family Business and it is quite difficult for non-family members to acquire it, not to mention competitors. No doubt it can be a great asset for the firm. However, the current global arena made quite clear that it is not enough. In the end, the main challenge in a family business remains to worry about the involvement of highly committed and qualified family members only.

Figure 6: Percentage of Family and non-family Business in Italy according to their number of employees and to their macro sector in 2011



Source: Istat, 2013 Annual Report, Chapter 2

1.1.2 Influential traits of Family Businesses

Before we proceed to discuss Internationalization in the following section, here we list and discuss three characteristics of Family firms we believe are emblematic, and which it is crucial to remember every time the Family Business topic is approached. We can claim, in fact, that these characteristics influence, to a wider or narrower extent, processes, strategy, performance or, in wider terms, the life of a Family Business. These three characteristics are:

A. *Long-term orientation*: the uniqueness of Family Business ownership structure allows them to count on a long-term orientation. The family is focused on the longevity of the business since that also mean longevity of the family's wealth. Investments are usually at least in a ten years horizon. In the long term these firms outperform public businesses: long term financial performance is higher as they place resilience before performance. Family business tend to be frugal (company's money is family's money, so they keep expenses even more under control). Therefore, they tend to invest only in very strong projects, which while in good times may limit their chances of expansion, in bad times it prevents them from extreme losses. Their financial management shows a reverse trend, as they usually carry little debt, which is considered to be synonym of risk.
B. *Risk*-aversion: this characteristic is very much linked to the previous one. Family business are not completely unfavourable to risk, of course. They simply avoid those risks that are damaging the short-term family's finances with high degree of uncertainty of long-term benefits. Therefore, a risk-adverse Family Business expresses more doubts towards those projects that need a very long period before there is a profitable return[12].
C. *Family*-culture: every firm has its own culture, but family business, being the fruit of a family (a social group, with its owns values and assumptions), are born with a strong one, that is not very much strategically pre-definable. A family business culture influences how relationships are built in the workplace, how employees are promoted, how non-family employees are treated, what makes people trustworthy, how employees treat customers and many other behaviours and decisions within the firm. It also implies a certain attitude towards technology and it influences decision-making and how quickly the firm can adjust to changes in the market. Family culture creates certain rules and routine. Since family culture also

[12] This a relative assertion, of course, since all investments, when they generate profit, they do it in a relatively long term.

mirrors how much past or present and future are important for the firm, it can become a real advantage for the business: business partners*,* who really count on the long-term vision of the family as an element of long-term commitment, tend to favour connections with Family Business. Customers often perceive Family business as more friendly, trustworthy and personable, because they tend to carry the genuine values and assumptions of a family.

D. *Overlapping of family identity and business identity:* Family businesses are characterized by what we could name an incessant existential dilemma, that translates in the dichotomy of family and business. How much family members let family interfere in the business and vice versa? How much do family members place family interests before the business interests? Not to mention the *Socio-Emotional Wealth (SEW),* that is to say the stock of all the affect-related non-financial value that a family stems from its ownership position in the firm. Families controlling firms create a stakeholder in which value is not only economic, but also socio-emotional. Therefore, SWE makes the business very valuable for the family and strike a new spark in the business-family dilemma. We will see in the following section, that this characteristic overlapping (familiness) seems to be one of the most influential in the Internationalization process.

1.2 Internationalization

First, it is important to clear what the meaning of Internationalization is and what being an international business means. We could start from stating its opposite definition, that is to say the definition of a domestic business: a business operating within one country, the home country. Therefore, internationalizing means for a company to start operating in more than one country and developing economic transactions that cross home country's borders. If a firm owns shares of one or more foreign companies, that will not count as internationalization, as the single financial aspect is not enough to internationalize: the business must operate abroad in order to be an international one. The goal of internationalization is to increase the firm's economic value (in other terms to minimize its costs and to maximize its revenues); therefore, it is important to choose and develop the most correct internationalization strategy which maximizes the firm's value. Planning the Internationalization strategy consists in choosing the supply geographic locations, the sites for R&D operations, the production sites, the countries where the firm's products will be marketed and the financial markets to source debt and the risk capital. According to Cambridge dictionary, an international business is "a large company that sells goods or services in different countries". This is a good definition, but we would like to pinpoint that the single activity of selling in foreign countries is not the only one that distinguishes a company which internationalizes. There are other ways, aside from selling, that makes operating outside the home country's borders possible, for instance moving production, international outsourcing of operating processes, internationalizing the supply chain or supplying a foreign company. Undertaking one of this activity is enough to internationalize the business. Clearly, not all companies always internationalize the same way and with the same level of commitment and investment. It is the internationalization strategy that defines the degree of Internationalization and which operations must be internationalized. For instance, the forms of entry strategy can be divided in:

- Non-equity, such as export and contractual agreements;
- Equity, that is to say joint ventures and foreign direct investments.

The difference in the choice of one entry strategy is related to the aim of the international operation of the firms (i.e. whether it will produce abroad or simply sell its products). Different types of investment and commitment are the reason why scholars have come to different definitions to label firms which operate abroad, as you can see summarized in Table 1.

Table 1: Internationalization company types

Company Type	International Investment	Strategy	Product
International	No FDI. Export and Import only	Centralized decision-making in the domestic country (headquarter)	Product development in the domestic country (headquarter)

Multinational	FDI in few of the foreign countries where it operates, establishing subsidiaries	Centralized decision-making in the Parent company	Product development is centralized, then trading strategies are developed by subsidiaries, according to foreign market needs
Global	FDI in almost all the foreign countries where it operates	Centralized decision-making in the Parent company	Product development is centralized and completed by the Parent company. Subsidiaries can contribute, but the product is global, it is not tailored on specific regional preferences.
Transnational	FDI in many foreign countries where it operates	Decentralized organizational structure and decision making	Product development is centralized, too. Subsidiaries can develop strategies, but approval must come from the Parent company. No tailoring on regional preferences, the product is universal.
Multidomestic	FDI in many of the foreign countries where it operates	Decentralized organizational structure and decision making	Product development is decentralized, and the product changes to suits regional preferences.

As we can see, a firm can call itself an international business because it exports. We would like to highlight that export is more and more common, even for non-structured and small firms. Is exporting enough for a business to claim to be international? It is, by definition (see *International company* in Table 1), but we can observe that today, after the advent of globalization, exporting is quite essential for business survival and competitiveness. Export can be one way, one mode to internationalize, but we could claim export is not only always completely synonym of being an International business. First, as we have just mentioned, export is often dictated by today's competitive and global business environment, and it has become more and more a common practice. It is still possible, though, that the decision to export remains sporadic, connected with occasional chances (an unexpected order for instance)[13]. In this case exporting doesn't destabilize the firm's routines and operations and is not synonym of deliberate internationalization of the firm. Second, it can be claimed that today exporting is more a necessity to be a healthy business, rather than one to become an international business. That is why the firm's export propensity is not the only variable to define whether a firm is international or not. We should concentrate on its export intensity, in fact. Measuring export intensity involves determining how much the firm's sales depend on foreign markets. A firm can be called an International business when its foreign markets cover more than 50% of its sales. In addition, we can observe that Internationalization (in the way we intend it that is to say a major project to boost the firm expansion) definitely requires great investments and resources, an organizational restructuring and routines reorganization. This is what makes a business an international one. Therefore, being an International business implies a certain intensity of cross-borders economic transactions which require either the development of an Internationalization process and strategy by the firm and a great amount of resources to support them. For these reasons, we believe an International Business must be quite a large and structured company that not only sells abroad but builds business and trade relationships on a global scale, taking a development path that destabilizes its routines, organizational structure and culture and which requires access to a great amount of resources. Back to the issue of Family Business Internationalization, it is unlikely, in fact, that, at least the small and medium sized Family Business can count on such a significant stock of resources. Consequently, there is a negative relationship between international involvement and family ownership, which mainly lies in the Family Business lack of resources. However, despite this aspect, there are factors that can facilitate their internationalization, as we will discuss in the following section. We will proceed examining in section 1.2.1 some of the most influential contributions to Internationalization analysis and theories, reporting the observations on how Family Businesses behave compared with these theories. Then, in section 1.3 we will see how the

[13] FERNANDEZ Z., NIETO M.J., *Internationalization Strategy of Small and Medium-Sized Family Business: some influential factors,* in Family Business Review, 2005

nature and characteristics of Family Businesses interfere in the Internationalization of the firm.

1.2.1 Internationalization theories

Internationalization process include many aspects, such as: the choice of Internationalization scope, mode and location; timing and speed of Internationalization; the global-orientation versus local-orientation (or regional) of the firm. The following theoretical patterns not only are the milestones of Internationalization in literature, but they are also the starting point for us to assess the typical experience of Family Business during Internationalization. We present the theories that also mainly contributed to the analysis of Family Firms' Internationalization: the Uppsala model and the stages of Internationalization, the Network model and the Eclectic paradigm.

1.2.1.1 Uppsala model[14]

Johanson and Vahlne from Uppsala University in 1977 developed a model describing the stages of Internationalization process, better known as the Uppsala model. This advances a pattern followed by firms in order to internationalize, named *establishment chain*. The stages dictated by the establishment chain are: first, starting Internationalization with ad hoc export; then, developing relationship with some intermediaries who act as representative agents in the foreign market; third, when the volume of business grows, the firm replaces the intermediaries with its own structure on the foreign market, investing directly in the market, first with commercial subsidiaries, then with manufacturing subsidiaries as well. This model also states that the Internationalization process usually starts from those markets in proximity with the domestic one, introducing the concept of psychic distance[15], which is still very important to evaluate the difficulties in understanding a foreign market and its environment. The larger the psychic distance is, the larger is the liability of foreignness the firm must offset to be competitive and succeed in the foreign market. Later, a concept of *liability of outsidership* was added, adapting the model to the increasingly global and competitive business environment. The

[14] JOHANSON, VAHLNE, "The Uppsala Internationalization process model revisited: from liability of foreignness to liability of outsidership", Journal of International Business Studies, 2009

[15] Psychic distance is the distance between the home market and a foreign market, resulting from the perception of both cultural and business differences.

scholars claimed the current business environment is filled with *business networks* which originate from the reciprocal commitment that firms build while doing business. When a firm is not positioned in a relevant business network, it's an outsider, and must cope not only with the *liability of foreignness* but also with the *liability of outsidership* (which is even worsened by the foreignness that makes it difficult to become an insider). According to the Johanson and Vahlne "a firm's environment is made up of networks and this has implications for the ways in which we think about learning, building trust, and developing commitment, as well as about identifying and exploiting opportunities". This business networks definitely make a difference in the entry forms and in the path the firm decides to follow. Clearly, building strategic alliances is easier when the firm is already integrated in a relevant business network. This is possible and less difficult when the firm has built a good international position, raising awareness about its trustworthiness and proving not only to be a competitive player but also a reliable business partner (as it will be mentioned later, when discussing the destabilizing factor of Unfamiliarity in Assemblage theory). It seems strategic alliances are a good form of compromise for Family Business, because they represent an intermediate level of risk compared to export and FDI[16]. A research[17] on Italian firms by Mazzola and Sciascia in 2007 investigating the connection between family business ownership structures and Internationalization performance confirmed that in family firms either the development of equity partnership and the one of strategic alliances positively affects the relation between level of internationalization and performance.

Family Businesses are a very good fit for the Uppsala model, attempting to minimize the risks of international expansion and longer-term orientation. The investigation on Family Businesses entry modes and their selection of countries to enter have shown that Family Business usually follow the model. What does it mean? First of all, it means that the Family Firms Internationalization process does start from those countries which are considered the closest to the firm (in terms of psychic distance): committing resources is less risky when the firm has already considerable knowledge to

[16] "Internationalization via strategic alliances in family business", Gallo, Arino, Manez, Cappuyns, 2004

[17] "Proprietà familiare, internazionalizzazione e performance: l'impatto del coinvolgimento familiare e delle relazioni inter-organizzative", Mazzola, Sciascia, in "Dinamiche di sviluppo e internazionalizzazione del family business", De Vecchi, Fraquelli, Il Mulino, 2008

apply in the new market. Family firms look for growth with lower risks, therefore, the country selection often points out markets that are very similar to the domestic one: as Uppsala model theorises for firms, in fact, Family Business start internationalizing in those countries where there are less differences in terms of business (above all operations management) and in terms of consumers' behaviour, too. Internationalization requires a high degree of learning and adaptation to offset the liability of foreignness. Close markets decrease the learning necessity, as the firm already has considerable information to manage these markets, which it gained in the domestic one. However, learning and a good country analysis remain crucial for close markets, too. Especially concerning the business aspect (and above all the management of operations to run the business in the new market), learning is very important in close markets, too: it involves knowing very well the context of the new market. For instance, the firm must check whether there are specific laws about the product, its production and commercialization (the issue of quality certifications or the assessment by guarantee organs and national certifying body are quite regular everywhere) and fulfil the requirements. Moreover, close markets are often synonym of cost-reduction when there are geographic proximity and logistics advantages. This is the reason why context analysis is crucial for country selection: tools like the Country-level CAGE Distance Framework (see section 1.3.2.1) are crucial and became ordinary steps which the firms had better to take before country selection. Uppsala model also refer to experimental knowledge: despite the prior knowledge the firm possesses, there will always be gaps when the firm internationalizes in foreign markets, and these gaps can be filled only with experimental knowledge. Therefore, there is always a certain amount of resources that the firm commits for experimental learning, thus implying a certain risk is inevitable. The paradox of risking to minimize the future risk is very much truer for family firms, which innately apply a long-term logic[18]. To sum up, entering first in close markets for Family Business is favourable because it is less risky. Moreover, it is right to mention a second additional reason why they choose to enter first in close markets: Family Business are driven by the necessity of perpetuating the firm's values and norms. Culturally close markets often share the values of the Family Business, too,

[18] ZAHRA S.A., *International expansion of U.S. manufacturing family businesses: the effect of ownership and involvement*, Journal of Business Venturing, vol. 18, issue 4, 495-512, 2003

making the firm's presence in those market a way to maximise not only profit and expansion, but also to enhance the ethic of the firm.

Secondly, the Family firms experience adheres to the Upsala model in terms of following the establishment chain the model theorizes. Therefore, the stages of Internationalization are valid for these kinds of firms and direct export is the most common first step for internationalizing a Family Firm. Export seems to be the most common and ideal mode to start internationalizing for Family firms, due to its good match with the centralized decision-making, the risk-aversion and the lack of resources which characterizes Family Business. Foreign Direct Investment and the opening of subsidiaries is not excluded, but it is mainly a consequence of good exporting activities and usually happens later. Despite the existence of great amount of research on entry modes which affirm the coherency between Upsala model and Family firms, there are not many studies on the timing and speed of Family Firms' Internationalization. We mentioned that Internationalization can be a slower process for Family firms, due to the risk-aversion which often minimizes Internationalization scopes and scales. However, it is not clear at what age Family firms starts Internationalization. There are, though, two pushing factors in the Family Business life which boost Internationalization rhythm: the incoming generations and the creation of strategic alliances (Mazzola and Sciascia, 2008). These ones, in fact, allow an increase in the firm's stock of knowledge-based resources and positively influence the firm attitude towards risk and, therefore, Internationalization. Scholars (Gallo and Sveen, 1991; Swinth and Vinton, 1993) also stated that when creating alliances and, especially, international joint ventures, Family Business prefer to partner with foreign family firms. We can conclude stating that Family firms coherently with the Uppsala model:

- start with ad hoc export;
- perform their international operations and activities in close countries (especially in terms of culture);
- result in opening wholly owned subsidiaries.

1.2.1.2 Network model

Another important contribution in literature which is very much worth to report is the Network model, as it is also very valuable for family firms. The Network approach to Internationalization mainly consists in the studies performed by Johanson and Mattson in

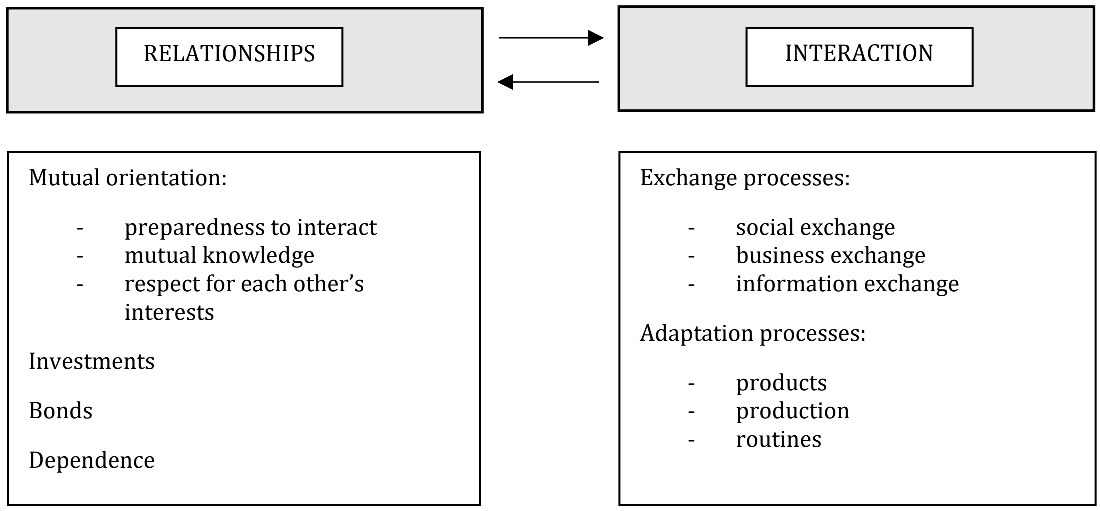
1988, and with later major contributions by Anderson in 1994[19] and Lehtinen and Penttinen in 1999[20]. This approach is based on the postulation that firms can source some of the resources they need to internationalize only through network connections. Business networks are the result of two or more business relationships which are connected, and which together form a collective actor. What can a firm source from its business networks for Internationalization? The answer is resources, contacts and knowledge. According to this approach, indeed, firms can gain market knowledge within the network, even though this model refers to the learning and the development of knowledge as gradual, like the Uppsala model does. Taking a step back, we should mention that the firms' activities which are performed doing business in the market are considered by this approach as relationship-building processes. From the Network Model perspective, every activity is nothing but one more brick in the construction of business relationships. As a matter of fact, doing business is a continuum between establishment and disruption of relationships. Once a relationship is established, firms put in a great deal of effort to develop it in order to get and give the suitable return necessary to the parties, and the return that the firms expect from the relationship. Moreover, relationships are built and maintained (or, on the contrary, broken) to determine a specific position in the network, which is important to gain competitive advantage and, therefore, to "secure the long-term survival and development of the firm"[21]. Parties are aware of each other's interests: relationships are mutual and must be significant for both the firms. How? The relationships can be useful for gaining knowledge, for cost reduction, for strengthening competitiveness against third parties. Their interaction must provide resources that would, either way, be impossible to possess. Figure 6 shows the implications of network relationships and interactions for the firms.

[19] Anderson J.C., Hakansson H., Johanson J. (1994), Dyadic Business Relationships Within a Business Network Context, Journal of Marketing.

[20] Lehtinen, U. & Penttinen, H. (1999). Definition of the internationalization of the firm, in Lehtinen, U. & Seristoe, H. (Eds), Perspectives on Internationalization (3-19), Helsinki School of Economics and Business Administration, Helsinki.

[21] "*Internationalization in industrial system. A Network approach*", Johanson, Mattsson, 1988

Figure 7: Network Relationships and Interactions



Source: JOHANSON J., MATTSSON L.G., Internationalization in industrial system: a network approach, in N. Hood & J. Vahlne (Eds.), Strategies in global competition (pp. 287-314). New York: Croom Helm, 1988

As the figure shows, relationships imply an interaction among parties, which develops on two different types of processes: exchange and adaptation. Adaptation processes, particularly, are necessary when the parties' activities don't fit, so these are changed and adapted to the other parties. These adaptations often carry for the firms the meaning of learning from one another.

If the Network model is influential for all types of firms, it is indeed very relevant for Family Businesses. There is abundance of family, friendship and business networks inside a Family Business and they all contribute to expand the network assets available to the firm. Aside from family, firm and business-level networks, there are nets of relationships at industry-level, country-level and international-level, the last ones being very much significant for Internationalization. All these networks therefore play a role in the development of business, strategies and ideas. When the family is embedded within the networks, it is common that each part of the network is distributed under the control and care of one family member. In addition to the business networks significance, social networks also become very relevant when they can provide information to the business on the external environment in which the business operates. Thanks to these social ties family members can exploit opportunities, develop business and create new businesses. They can leverage knowledge and information that was previously unavailable. Moreover, when considering the social ad business connection where a family is involved, it is undeniable that Family Businesses own a particular advantage: the individual behaviour in the network can be absorbed and softened (or vice versa strengthened) by his family links, and relationships can resist greater disagreements than individuals of non-family firms can. This is another aspect of the so called *familieness*, "the unique set of resources within a family business which arise as part of the interaction between the family, the individuals within family and the business, of which networks are a factor"[22].

1.2.1.3 The Eclectic paradigm

In the end of the Seventies when it was formulated for the first time by John Dunning[23], the Eclectic paradigm was addressed to frame one particular aspect of Internationalization: the international production of a firm. Precisely, it focused on the form of FDI carried out by multinational companies to internationalize production. According to the Eclectic Paradigm, also known as OLI Paradigm, the MNE that wants to produce abroad realizing FDI, should check if it possesses all of these three types of advantages: *Ownership advantages, Location advantages* and *Internalization advantages*[24]. These three conditions are all necessary to realize FDI. When the firm can only leverage Ownership advantages, the firm should consider licensing agreements. When it can also count on Internalization advantages, the firm should export choosing domestic production. Despite the fact that this paradigm was initially taking into consideration the internationalization of production only, it later became significant in a broader perspective, applying to all the firm's value creating activities and considering

[22] IRAVA, W. J., & MOORES, K., *Clarifying the strategic advantage of familiness: unbundling its dimensions and clarifying its paradoxes*, *Journal of Family Business Strategy, 1*(3), 131–144, 2010

[23] DUNNING, J., *Explaining changing patterns of international production. Oxford Bulletin of Economics and Statistics*, 1979

[24] Ownership advantages includes proprietary information and various ownership rights that a company may hold (for instance, branding, copyright, trademark or patent rights). The use and management of skills which are available within the company and those that can be acquired within a foreign market are to be considered ownership advantages, too. Ownership advantages are mainly intangible. Location advantages apply to the availability and costs of resources when the operations of the firm are carried out in one location (country) compared to another. Internalization advantages refer to the competitive advantage that the firm possess in keeping the production within the firms, rather than producing through partnership arrangements.

internationalization in a wider sense. As far as Family Business Internationalization is concerned, it is undeniable that wearing the Eclectic Paradigm lenses, the most interesting question regards ownership advantages. Family firms carry a specific type of ownership, indeed, and therefore intangible resources due to their nature. Some concerns the entrepreneurial attitude of the Family Firm leader, some are related to the Family Business characteristics we discussed in section 1.1.2. For instance, risk aversion lends a specific attitude and experience in risk management. Like Erdener and Shapiro suggested for Chinese Family Firms[25], an important Ownership advantage is also the *relational contracting*, the ability of family firms to do business through personal relationships, networks and negotiation.

Moreover, in 1995 Dunning decided to include in the framework networks and alliances, he was actually reconsidering ownership advantages as divided into those shared with the network and partners and those owned by the firms. Literature which analyses the Family Business Internationalization in terms of Eclectic paradigm framework is not abundant yet, we may suppose the paradigm orientation towards MNE dissuade scholars from investigating in the Family Business area of research with this approach. We believe, though, that the Family firms Internationalization very well fits with the paradigm as far as Internalization and Ownership advantages usually coexists for this type of firms and thus they imply the selection of export and domestic production as Internationalization path.

1.3 Internationalization and Family firms: crucial factors and theories

In the first paragraph of this chapter we observed the difficulties of homogeneity in stating a definition of Family firm. In 1991 Gallo and Sveen[26] published the first article discussing the Internationalization of Family Business. That article, and many others published after that, focused on defining what a family business is, too. As we start the discussion on

[25] ERDENER C., SHAPIRO D., *The Internationalization of Chinese Family Enterprises and Dunning's Eclectic MNE Paradigm*, Management and Organization Review 1:3 411-436 1740-8776, 2005.

[26] GALLO, SVEEN, *Internationalizing the Family Business: Facilitating and Restraining Factors,* Family Business Review, Volume: 4 issue 2, pages: 181-190, 1991

Family Business Internationalization, luckily, we must agree with Marin-Aglada, Campa-Planas, Hernandez-Lara, when in their article[27] they point out that "the emphasis is not on comparisons between family and non-family firms". Therefore, it is important to put aside the dispute about the Family Business definition[28]. It appears indeed we don't particularly need to distinguish from a family and non-family firm. On the contrary, first, we had better to consider Internationalization itself: it is important to focus on all those factors which play a role when a firm internationalizes, and which deeply influence the international performance of the firm. Then, we should try to reveal any potential interference of Family Business characteristics in it, in order to highlight a beneficial combination of the two. For convenience, we divide and name these factors as firm internal and external ones.

1.3.1 Firm internal factors influencing Internationalization

The internal factors mainly are: ownership structures, control and decision making (and the family involvement in it), firm's attitude toward risk, socio-emotional wealth (SWE), staff' behaviour and professionalization. Family Business heterogeneity stress their importance even more. Scholars agree that variances in those factors means difference in the firms' Internationalization strategy, process and performance: in other terms, those are the factors that we must analyse, because they influence the decision-making and strategic choices of a firm. For instance, as far as ownership structures are concerned, a Family Business can be owned by one or more families, one or more family members, one or more families together with other external owners. The firm's ownership structure, and above all the role of external owners (via the board of directors), seems the most significant variable which pushes Family firms towards internationalization.[29] So, whether ownership is in a closed family, diluted inside a family or diluted outside the family, that definitely can impact on prioritizing either the family objectives or the

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[27] MARIN-AGLADA, CAMPA-PLANAS, HERNANDEZ-LARA, *Uncertainty in the Family Business facing the process of internationalization: Literature review and future research agenda*, Intangible Capital, Vol. 10, Nº. Extra 4, 2014

[28] We will proceed keeping in mind that we have already made a choice promoting the Family Business definitions formulated by the EU Commissions and Westhead and Cowling.

[29] PUKALL T.J., CALABRÒ A., *The Internationalization of Family Firms: A Critical Review and Integrative Model*, Family Business Review, Volume: 27 issue: 2, pages: 103-125, 2013

company's financial ones. The same can be stated for control. If it is family dominant or non-family dominant, the type of control produces a firm which performs either more family-driven or more financially-driven. In fact, scholars often talk about *overlapping*: the situation of co-existence of family's interests and company's interests, which are both in the hands of the entrepreneur and which can create a conflict of interests if he put the ones in front of the others. Moreover, from a Socio-Emotional Wealth perspective (when a family also draws non-financial value from the ownership of the firm), the reasons, the time and the mode of Internationalization are related to this overlapping, since they require a balance between financial and socio-emotional performance. Furthermore, the SEW perspective brings to light a motivation to international expansion for the firm that marks a difference from family and non-family firms: family goals and shared values for the future, hence, there might be as well a psychological-driven motive to internationalize, as well (together with economic-driven reasons). Eventually, the international performance can also become difficult to measure for Family firms, as family goals and values for the future also influence strategies and decision-making for Internationalization. The third internal factor is firm's attitude towards risk, which in the case of Family Businesses translates in the emerging of the risk-aversion we mentioned in section 1.1. Internationalization is a project that requires a huge investment and that is very costly either in the short and in the long term. The return of this investment, on the contrary, is not visible in a short period, therefore, the family sees it as a project that might damage the finances of the firm (and the private finances of the family), with an uncertain future return. This makes Internationalization a high-risk project and it has been stated that this is the reason why Family Business' Internationalization starts later and is a slower process compared to non-family business' one[30]. Compared to external investors, Family owners are also less favourable to increase the scale and scope of Internationalization[31]. A factor which particularly caught the interest of scholars is professionalization (or managerialization[32]). Let's take a step back. In a family firm, the

[30] ZAHRA S.A., *op. cit.*

[31] GEORGE G., WIKLUND J., ZAHRA, S.A., *Ownership and the internationalization of small firms*, Journal of Management, Vol. 31 No. 2, pages 210-33, 2005

[32] CERRATO D., PIVA M., *Family management, human capital and Internationalization of small and medium-sized enterprises,* in Dinamiche di sviluppo e internazionalizzazione del family business De Vecchi, Fraquelli, Il Mulino, 2008

entrepreneur usually tends to gather all the decisions in his own figure. In Italy, literature has very much mentioned the concept of the *factotum entrepreneur*, who may not have all the knowledge he needs for different kinds of decisions but draws from his experience as well. In fact, it is quite easy to understand why entrepreneurs tend to be hostile to the involvement of external professional managers once we look at it from this perspective. This is usually even truer when the firm's ownership is the hand of a single family. Therefore, the balance between this hostility towards the involvement of external professionals on one side and the need of the competence of managers on the other side is the focus point for the analysis of Family Business. Considering the high degree of knowledge and learning required by Internationalization, this balance issue is also very important in the analysis of Family Firms' Internationalization. It is highly unlikely that a Family Business does not need to draw from external professionals at all to internationalize. What happens when non-family executives are involved? Does Internationalization benefit more from the involvement of family members or viceversa? What happens when the external executives' attitude dominates?

There are mainly two school of thoughts in literature that examined and explained how Internationalization of Family Business fits with the owners-managers relation: one in compliance with Agency Theory and one with Stewardship Theory.

1.3.1.1 The Agency Theory[33]

This theory and its topics probably originated centuries ago, but when we refer to it in our era we usually refer to the publications by Jensen and Meckling in 1976[34]. Agency theory explains the relationships between principals (such as owners, shareholders) and agents (like the executives of a company). The principal delegates an agent to perform a work, for instance the management of the company (which can include the topic of this thesis, the decision making for the Internationalization of the firm). The entrepreneur of

[33] This thesis is analysing Internationalization of Family Business, but Agency theory is linked to many areas of social sciences and economics. For instance, there are huge references in financial management and corporate governance studies. Agency theory states the existence of Agency costs, whose consideration made this theory even more valuable for business practice.

[34] JENSEN M., MECKLING W.H., *Theory of the firm: Managerial behavior, agency costs and ownership structure,* Journal of Financial Economics, Vol. 3, issue 4, pages 305-360, 1976

a Family Business can hire or nominate executive to internationalize, like CEO and Export managers. According to this theory, this principal-agent relationship creates two issues: first, the goals of the principal and those of the agent might conflict (agency problem); second, risk is assessed and managed differently by principals and agents.

There is a hidden implication of the first issue, that is to say *opportunism*: it' is usually the managers who are believed to frequently exploit their position, the trust and the power they are given to put their goals before the principal's ones. In many cases this might mean he puts them before the shareholders' ones. However, this not always negative and putting the family owners' interests aside can boost Internationalization. In compliance with this theory, a school of thoughts claims the involvement of family members downsizes the Internationalization of Family firms and its outcomes. Managers' opportunism can partially positively influence the process of Internationalization. In fact, it eliminates the conservativism (also financial conservativism) typical of family members (especially of the first-generation ones). So, managers' opportunism becomes a positive one and it removes the family members' opportunism (which exists every time family's interest prevail in the *overlapping* situation we previously described in the chapter).

As we previously mentioned, a second issue of Agency theory is risk. Internationalization is a highly risky process and it can take time for profit to return. So, in the short term, Internationalization seems only to damage family finances[35]. Moreover, the more distant is the new foreign market from the domestic one, the more uncertain and risky Internationalization is. Owners tend to be risk averse, either postponing Internationalization or minimizing its scope.[36] This behaviour is even more common if the family owners lack resources and international experience. This second issue brings the scholars to claim once again that family involvement isn't beneficial for the Internationalization of the firm, since owners' opportunistic behaviour transfer finances to the family regardless the company's objective.

[35] See FERNANDEZ Z., NIETO M.J., (op. cit.)

[36] See GEORGE G., WIKLUND J., ZAHRA, S.A. (op. cit.)

1.3.1.2 The Stewardship Theory[37]

Stewardship Theory is antithetical to Agency Theory and develops an alternative view of the Agency Theory itself. In fact, it states that managers, left alone in the decision making, behave as stewards. This means they act to protect shareholders' interests. The manager's behaviour is not opportunistic, and he puts his personal benefits aside. What happens when family members are involved in the management and they become stewards? This second school of thought believes the involvement of family members in the management can bring positive outcomes to the firm's attempt to internationalize. In fact, considering the common long-term vision which is often embodied by family members, they could support Internationalization when its results are considered as part of their long-term strategy to keep the firm good in health. The stewardship theory is therefore complementary with the long-term vision typical of family members, and their involvement is judged positive by scholars who analyse their involvement in compliance with Stewardship theory.

1.3.1.3 Assemblage Theory

Clearly, whether one school of thoughts or the other is right has not been proved yet, and it is uncertain which theory describes the most appropriate way to structure ownership and management to approach internationalization for a family firm. However, it is certain that great value lays on context as well. Context and contingent factors can encourage one theory, the other one or a combination of the two. Another approach to this area of research caught attention: it's the analysis of Family Business Internationalization from an assemblage perspective. Assemblage theory "views the world as constituted by entities called assemblages, which are made up of heterogeneous components" states Reuber in

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[37] The Stewardship theory was developed by Donaldson and Davis in 1991 ("Stewardship Theory or Agency Theory: CEO governance and Shareholder Return") and developed later by Davis as well in 1997 ("Towards a Stewardship theory of Management")

DONALDSON L., DAVIS J.H., *Stewardship Theory or Agency Theory: CEO governance and Shareholder return*, Australian Journal of Management, Volume 16 issue 1, pages 49-64, 1991

DAVIS J.H., SHOORMAN D., DONALDSON L., *Towards a Stewardship theory Management*, The Academy of Management Review, Volume 22 No. 1, pages 20-47, 1997

2016 in her enlightening publication[38]. From this perspective Family firms can be considered assemblage. Components exist independently of the whole (for instance a family member can be simultaneously a manager of the family firm, while a member of, for instance, the board of a football club). Assemblages are dynamic entities which do not reach an equilibrium, but they are either stabilized or de-stabilized by external or internal processes. And here comes the reason why Assemblage theory can become useful for Internationalization of a Family firm. The Internationalization process is one of these processes that produces either destabilization and stabilization of the Family Business, that is to say it alters its equilibrium. Assemblage theory states that assemblages are characterized by distributed agency. In fact, components are not incorporated into the larger entity, but they have their own interests, positions, stakes and they act independently, similarly to the family firm stakeholders. Therefore, every component is an agent, generating both the positive and negative implications of agency.

When Internationalization is in process, Family firms undergo destabilization. Literature proposes four destabilizing factors which influence family firms during Internationalization:

1. Triggers, which are either external (for instance an unsolicited order from a foreign country or the chance of a meeting with a potential partner in a foreign country) or emerging inside the family firm. The more triggers are consistent with existing assemblages components (shared beliefs, resource stocks, practices), the more they are destabilizing;
2. Geographic distance can destabilize as it challenges information flows and the firm's monitoring process of the business, because it widens the scope of activities. On the other hand, participating to fairs, international conference and standards organizations is very important to acquire technical expertise, to gain networking opportunities and worldwide recognition, which certainly help Internationalization (see the Network theory we have mentioned);
3. Cultural difference (and all its implications, such as *liability of foreignness*) is destabilizing as it requires training within the family. Since this thesis will focus

[38] REUBER A.R., *An Assemblage-Theoretic Perspective on the Internationalization Process of Family Firms*, Entrepreneurship Theory and Practice, Volume 40 issue 6, pages 1191-1305, 2016

specifically on those family firms operating in the food sector, it is worth to specify that multidomestic industries (like the food one) require greater country-specific learning than global industries do. Family businesses usually replicate when expanding. However, Internationalization requires adaptation (for products, services and marketing practices), especially in multidomestic industries. Adaptation is highly destabilizing for a family firm because it collides with the strong organizational identity typical of Family Business.

4. Unfamiliarity as a Market Actor is strictly related to Internationalization and deeply destabilizes the firm. The importance of being leader or well-known actors in a foreign market is undoubtfully necessary to decrease risk chances and the destabilization of the firm (see in Chapter 3, the way Saclà leadearship in the Uk market paved its way to other markets). Internationalization strategy and decisions should focus not only on foreign markets entry modes, but mainly on building a position and strengthen branding and awareness, since the entry in a new market benefit from the position gained by the firm in the whole international network. One possibility to strengthen the firm's position in to incorporate outsiders and their professionalism. Secondly, there are at least two aspects that certainly help in building an attractive position in the international panorama: innovativeness and trustworthiness. The firm's image will definitely benefit from investing in these two aspects, gaining the status of interesting international partner.

Assemblage theory allows us to observe how Internationalization is a process that de-stabilize and re-stabilize the logics and routines of a family firm (and non-family as well), mainly focusing on aspects that don't only relate with ownership structures and control concepts, but also with the broad concepts of *distance* and of *liability of foreignness*, we have discussed in section 1.2.

1.3.2 External factors influencing Internationalization

The Internationalization process is deeply influenced by elements arising within the firm and depending on the nature of the firm itself, especially in the case of Family Businesses. Simultaneously, it is essential to consider the context. The context produces factors which interfere with Internationalization. It becomes very important for the firm to analyse these external factors before the Internationalization starts, as it is to keep them in mind later, during Internationalization, when they influence every decision and the international performance of the firm. Theories and contributions in literature have mentioned these factors: one of the most important is described here below.

1.3.2.1 CAGE Distance Framework[39]

When Internationalizing, choosing one country rather than another makes a difference. Countries are different: differences and similarities must be taken into account because their effects on cross-boarders economic activities are very considerable. There are countries which are closer (which have less differences and more similarities) while others are more distant. The CAGE distance framework was developed by Professor Pankaj Ghemawhat in 2001. It is based, in fact, on one big premise: distance exists, and it makes a big difference in the Internationalization of a firm. Distance is a multidimensional structure and this framework clusters its components in 4 dimensions:

1. Cultural distance, which refers to "attributes of a society that are sustained by interactions among people, rather than by state";
2. Administrative distance, which refers to "attributes that encompasses law, policies and institutions, typically emerging from a political process";
3. Geographical distance, which refers to "the attributes of countries that can affect cross-borders economic activity, mostly growing out of natural phenomena, although some human intervention may also be involved";
4. Economical distance, which refers to "differences that affect the cross-borders economic activity through economic mechanism".

Table 2: CAGE Distance elements of influence

	Cultural Distance	Administrative Distance	Geographical Distance	Economical Distance
Country pairs (bilateral)	-different language -different ethnicities; lack of	-lack of colonial ties	-physical distance -lack of land boarder	-rich/poor differences

[39] GHEMAWAT P., *Differences across Countries; The CAGE Distance Framework* excerpted from *Redefining Global Strategy: Crossing Boarders in a World where Difference still Matters*, Harvard Business School Press, 2007

	connective ethnic or social network -different religions -lack of trust -different values, norm or dispositions	-lack of shared regional trading bloc -lack of common currency -political hostility	-differences in time zones -difference in climate and disease environments	- differences in cost or quality of: 1.natural resources; 2.financial resources; 3.Human resources; 4.Infrastructures; 5. Information or knowledge.
Countries (unilateral or multilateral)	-Insularity -Traditionalism	-Nonmarket or closed economy -extent of home bias -lack of membership in international organizations	-landlocked geography -lack of internal navigability -geographic size -geographic remoteness -weak transportations or communication links	-economic size -low per-capita income

This framework is highly valuable for managers who are developing international strategies. Thanks to this framework, distance and its elements become visible to managers. Differences among countries can be pinpointed and liability of foreignness become visible as well. Moreover, managers can use the framework to compare markets and local competitors from their company's point of view. It can be very interesting and useful to apply the CAGE Distance framework at industry level as well, to check how distance between countries vary with or is influenced by industry characteristics, as we will see in the following chapter.

1.4 Conclusions

To sum up, we could outline the profile of the International Family Business. It is a firm that is not really inclined to risk, especially when the first generation is the leader one, but it is often willing to invest when the investment guarantees the preservation of the firm, since the company's health is synonym of family's financial health (long-term orientation of the firm). The firm therefore agrees to invest in Internationalization, despite the high-risky process, because of the opportunity of growth it represents. The Internationalization process usually starts with exporting in a market which is close to the domestic one. The new market proximity allows the firm to decrease the risk. The performance of the risky Internationalization process is usually positively connected with the engagement of the second generation of the family, which is less risk-adverse. It is contextual and not completely clear yet whether the Family firm's Internationalization can benefit more from the participation of family members or from delegating the management of this process to non-family managers. A combination of the two is possibly beneficial, too. Anyway, what is clear is that, in the specific case of Family Business, the managers' opportunism and the agency costs (which are typical of processes like internationalization) arising from the appointment of external managers can become positive force to balance the opportunism of the family. Indirect or direct export is usually followed by the establishment of wholly owned foreign subsidiaries and then the firm's Internationalization usually evolves in stages, coherently with the Uppsala model. Moreover, Internationalization is anticipated, boosted and combined with the firm's involvement in an international business network that guarantees resources to the firm and provide it with a position that can enhance the further (international) expansion of the business in the same and in different markets. The long-term orientation of Family business and the Family culture are key factors in building the firm's business network, as they allow the firm to be perceived as a more valuable and trustable partner compared to non-family firms.

CHAPTER II

THE FOOD SECTOR: OVERVIEW AND INTERNATIONAL MARKETING STRATEGIES

Internationalization itself is, as we have already discussed, a very challenging process for the firm. In this chapter the focus is on a specific industry, the Food one, whose characteristics emphasize the difficulties in Internationalization and can cause complications to the firm. Therefore, after an overview of the sector, we will present some of these challenges and the possible strategies to adopt in the Food industry.

2.1 Food industry overview

2.1.1 The activities

First, let us start from observing that this sector is a very broad one and includes different categories, due to the huge diversity of activities that can and must be performed to produce and bring food on the consumer table. This sector, in fact, includes: Farming and Agriculture, for producing the ingredients and fresh produce; Manufacturing for carrying out and facilitating the agricultural activities; Processing for turning the fresh produce into food for consumption and preserving it. Moreover, all the activities that are necessary to sell food are included in this industry, such as marketing ones (packaging, distribution and advertising for instance) and financial ones. In addition, it is important to remember that the food sector include all the activities related to Food Regulation and to Research and Development. These are pivotal activities in the Food industry and meanwhile also represent two of the main challenges for the firms which are about to internationalize in this industry. Food Regulation refers to all the measures adopted by governments, above all, to ensure the quality and safety of food during its journey from the farm to the table[40].

[40] "Food law should cover the total chain beginning with provisions for animal feed, on-farm controls and early processing through to final distribution and use by the consumer." is explained by the Food and Agriculture Organization of UN. www.fao.org

It is, therefore, inside this complex legal framework that all the Food industry firms must operate in order to guarantee consumers the quality of their products. When we refer to Research and Development we basically refer to product development and all the activities carried out to produce healthier food, which fulfil the different needs of consumers with tastier products, while making the firm's actions more profitable.

2.1.2 Drivers of Food Industry

After listing these activities that are part of the Food sector, we describe the external factors that influence this industry. This industry's trends of performance, indeed, are shaped mainly by four drivers:

1. The population growth. The Food industry lays on one of the more essential needs of the human being, categorised as a Physiological one by Maslow. Humans need to eat to survive and it seems obvious than the greatest is the number of human beings on the planet, the more is the food demand. We must consider, though, that the population growth rate, despite being positive, is lowering and the growth trend is slower than in the past. The second influential fact about population growth is that some countries like India and Sub-Saharan African countries lead the growth with the higher rates, while in areas like Europe the death rate is overcoming the birth rate, and this implies the third important aspect about demography: people is aging[41].
2. Consumers. The profile of consumers has changed, especially as a consequence of higher income levels and increased accessibility of information. Population structure is different, and change has occurred in consumers' lifestyle. Consumers also pay more attention to health and ethic. However, the aspect that still capture their greatest attention is convenience. Food has always been considered a commodity. Anyway, cheap prices are not completely the only thing consumers pay attention to, and convenience is more and more connected with the concept of value for money.

[41] "Compared to 2017, the number of persons aged 60 or above is expected to more than double by 2050 and more than triple by 2100, rising from 962 million in 2017 to 2.1 billion in 2050 and 3.1 billion in 2100." Source*: United Nations, Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision, World Population 2017 Wallchart. ST/ESA/SER.A/398.*

3. Technology. We mentioned the huge variety of activities that are part of this sector: technology has changed many of these during the years and it will not stop. From the Agriculture transformation (where, for instance, equipment has improved, soils can be looked after with a more appropriate use of pests and fertilizer and controlled environment agriculture[42] has made steps forward, allowing us to locally produce non-local crops) to supply chain improvement (warehouse automation, food tracking and real time monitoring), technological development totally affects this industry. Technology is not only a driver of this sector, but it can also be a barrier. Accessing technologies and their use is not easy and can become an issue for organizations which operate in this sector and want to be competitive.
4. Innovation. It is important to mention that the Food Industry's model of innovation is predominantly a demand-pull model, that is to say that innovation is triggered by market needs rather than science and technology. As a consequence of the changes in consumers' habits and points of interest, Food industry innovation mainly concerns changes in product varieties, packaging, sales points and logistics. In addition, innovation in this industry is very much focused on another aspect: process and management improvement.

2.1.3 The Food supply chain and value chain

In order to offer an appropriate overview of this industry, it is important to introduce the very intricated network that constitutes the structure of this sector: the food supply chain. The journey of food from fields to table can be very short: I can buy apples from the farmer who produces them. The reader, however, will agree that this is not the most common food purchasing behaviour anymore. Let's start from two questions that will allow us to immediately catch the point: (1) where do we buy food? (2) what is the food we buy like? First, fewer of us will probably head to the farmer. On the contrary when we need food, we head to groceries or supermarkets. Second, we do buy fresh produce, but today our consumption is very much constituted by processed food. These two answers suggest the existence of a big framework which collects raw materials and produce from farms and fields, processes food and brings it to the most common points of sale where consumer can buy it or consume it. This framework is the food supply chain and its activities could

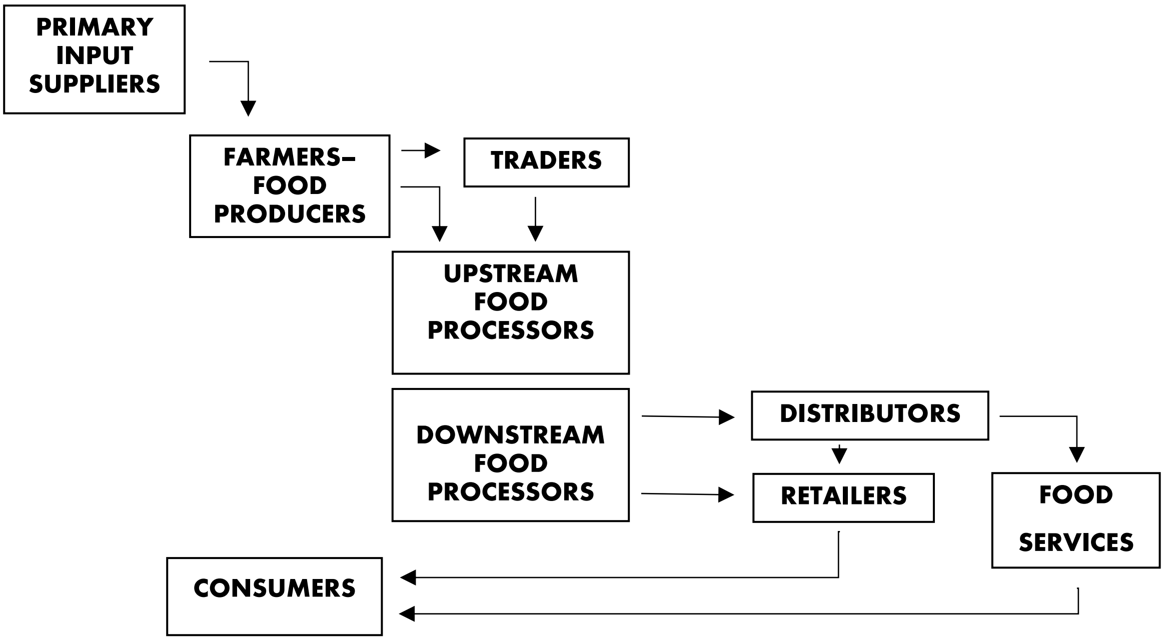
[42] Controlled environment agriculture refers to the growth and production of plants inside a greenhouse.

seem in series. In simple terms, we could think its dynamic is quite a domino-like one which proceeds from (1) Production, (2) Processing, (3) Distribution and (4) Consumption. However, the production of each type of food develops a different supply chain, which can be shorter or longer according to the essential activities for its production and delivery (i.e. the different steps of processing, the number of storage phases due to distribution etc.). Moreover, the supply chain is developed through activities that can be either regional or global, and this makes a difference in terms of complexity of the chain, of course. We believe it is more correct to state that in simple terms the main phases of the supply chain are in series, however, the overall activities and entities involved in the chain are rather a network, a web of interconnected relations. This is even truer when we approach the Food supply chain in terms of value.

The Food value chain is in fact the network of stakeholders involved in growing, processing and selling food and it aims to create value for actors in the chain. These stakeholders are numerous and naming them will provide an idea of how wide the chain can be. They are the suppliers of the food production processes; the producers who operate for food growing; processors involved in processing, manufacturing and marketing products; the distributors (including wholesalers and retailers); consumers; government and NGOs which take care of Food security with appropriate policies and programs; regulators; logistics companies which move and store food goods; but stakeholders are also the financial organizations, which interact with the other actors in the value chain.

Presenting the vastity of the Food sector structure push us towards the observation of a great amount of value-creating activities and business relationships, which can become very much positive and meanwhile challenging in a global perspective, when a firm decide to internationalize. Actors of the Food value chain (firms) can decide to outsource or integrate the value-adding activities which differs from their core business both domestically or internationally. Integration usually refer to a vertical integration of the chain activities. Anyway, the more a firm is embedded in the Food value chain the more is its chance to export: therefore, operating in the food industrial value chain can be a strategy to boost Internationalization, too. Outsiders with the same characteristics of the firms operating within the value chain need very much higher levels of productivity to reach the same benefits and performance results of these firms who participate in the global value chain.

Figure 8: Food value chain actors



Source: Adapted from GIOVANNETTI G., MARVASI E., Food exporters in global value chains:food for thought, Working Papers - Economics, Universita' degli Studi di Firenze, Dipartimento di Scienze per l'Economia e l'Impresa, 2015

The Food value chain embeddedness benefits are particularly true for Food processors. In addition, these firms can gain great value by participating in distribution chains, another factor which facilitates the entrance in foreign markets and improve international performance. The global value chain's influence is now very diffused in this sector and even firms that are not directly involved in it, may depend on the international trade indirectly. The global value chain has extended competition and it has also pushed the Food sector firms towards a reconsideration of what are the more important factors for competition, moving their efforts towards tasks and processes. One example is the importance tasks and processes have in creating quality, since, as far as the food sector competition is concerned, the points of difference focus has shifted from prices to the quality of goods. It’s not a coincidence that we also mentioned Food regulation as one of the drivers of this sector, but it is simply another sign of the importance that food quality has gained in this sector, making a big difference from different points of view. One of these, as we were saying is competition in the global value chain. In fact, it leaded to a more quality and safety-oriented reorganization of the value chain. There is now an increased requirement of safety and quality controls in many levels of the chain and private standards have sprung for products and for the food supply chain processes as well. This is the case, for example, of retailers’ safety requirements. The reorganization of the Food value chain has caused higher level of market concentration[43] in this sector[44]. In the Food value chain, a lot of power lays in retailers’ hands today: the vertical coordination of the value chain is more and more led by these organizations. And the food quality and safety standards they have set are only one example. Increased market concentration is synonym of intense competition: retailers strive to purchase high quality product lines at the lowest price, and this reflects on the whole chain, upstream too.

2.1.4 A consequence of retailers’ power: the growth of Private label value

There is a phenomenon whose trend is an unstoppable growth, and which deeply involve the Food sector: Private labelling. In Europe, food and groceries private labels are expected to cover more than 25% of the whole market in the upcoming 5 years[45]. Despite the remarkable growth, Italian numbers are still one step back compared to the diffusion of private labelling in the rest of Europe. The Private label products are made and provided by industrial brand firms or manufacturing contractors, but they are sold on the mass distribution stores’ shelves with the brand of the distributor. The increase in the consumption of Private label products is a factor that food brands can’t underestimate, either because it embitters the competition but also because it influences the consumers’

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[43] “Market concentration measures the extent to which market shares are concentrated between a small number of firms. It is often taken as a proxy for the intensity of competition.”
Source: http://www.oecd.org/daf/competition/market-concentration.htm

[44] HUMPHREY J., MEMEDOVIC O., *Global value chains in the agrifood sector* (working paper), 2006 and BURCH D., G. LAWRENCE, *Supermarket own brands, supply chains and the transformation of the agri-food system*, International Journal of Sociology of Agriculture and Food, 2005

[45] WIJNAND J.H.M, VAN DER MEULEN B.M.J., POPPE K.J., *Competitiveness of the European Food Industry - An economic and legal assessment,* European Commission, 2007

perception of standards. At the beginning, private label satisfied the consumer for the competitive price it can afford: for instance, the marketing costs that brands must bear are minimized or cut down, since private label counts on the distributor's ones, instead of product specific ones. When the consumer's trolley filled in with private labelled products, it used to be a price-driven purchasing choice. Discounts are still driving the private label sector, indeed. However, the perception is changing and the distributors (favoured by their great and precious amount of up-to-date data on consumers' purchase behaviours and choices) were able to provide more and more quality and satisfying products, intercepting the consumers' need of healthy eating, premium value and lifestyle. Marketing costs are more and more downsized, retailers try to increasingly exploit their economy of scale while investing margins in their private labelled products' quality and image. In Italy, it appears the private label is repositioning on the same level of the well-known industrial brands and private label consumption have increased in the premium segment, substituting global brands. For example, private labels are step by step invading the brands market shares in the organic products sale.

Food sector's firms had better consider the private label phenomenon not only in competitive terms, but also as a chance of Internationalization. It is probably an opportunity that strong and well-known brands don't even consider; however, it is quite a possibility for firms who can't rely on brand-awareness. Actually, it is a chance to boost the sales volume both for well-known and unknown brands, and to develop large scale production. Moreover, strong brands could still think of the private label opportunities as a learning chance in non-acquainted and emerging markets. As a matter of fact, private label diffusion is more typical of developed markets; however, its value is growing in emerging markets, too.

Figure 9: Global and Regional Private label value share growth between 2015 and 2016 in US dollars. (Eu- Europe; NA- North America; LATAM- Latin America; APAC– Asia-Pacific)

Source: Nielsen *(www.nielsen.com)*

2.2 Challenges in the Food Industry Internationalization

As we mentioned Food Regulation and R&D are quite crucial for the firms which perform internationally in this sector. Why? Let's consider once again the CAGE Framework that we introduced in the previous chapter. This framework allows us to make an analysis at country level, but also at industry level. In fact, as far as the Administrative dimension of distance is concerned, in the Food Industry case, it become essential for this dimension to be considered in an industry perspective, too. When operating in Food industry, considering the legal context of the country doesn't limit to the business legislation but is unavoidably linked with the Food Regulation which comes into force (or doesn't) in that country. Moreover, one country is not synonym of one regulation only: there can be a coexistence of more than one law, considering that there are also international institutions and agreements which can dictate further standards (i.e. European Union, World Trade Organization). Overall, we can say that administrative distance is a very important dimension when considering Internationalization, above all in view of the legal implications, and it is favourable to select the country where it is easier to pinpoint the similarities with the home one in a legal point of view. In particular, the administrative distance can become even more crucial when a firm performs in the Food Industry: the legal framework for food safety and quality is very complex and intertwined, especially in developed countries, and increase the stock of knowledge and learning required to the firm which internationalizes.

The second challenge, Research & Development, is as much crucial as it is complicated for this industry. R&D activities are the ones that drives innovation in the sector and this include mainly product development, but also process innovation. Today, the challenges of the Food sector and, therefore the expectations of R&D held in this industry, are concentrated around the imperative of producing healthy and tasty food throughout sustainable processes. This has become an imperative as it is also the focus of interest of consumers, who are more and more careful about environmental and ethical consequences of their consumptions and, therefore, demand steps forward in sustainability to the upper levels of this industry's chain. We can think of the big wave of organic food demand, for example, which challenged farmers to abandon pesticides. The influence consumers have on innovation can also be implicit: social changes and consumption habit differences makes R&D formulate new adaptable solutions. Development can be the result of consumers' push but not all innovations, of course, spring from consumptions. Consumers' trends are not the only factor which makes R&D important: R&D is also concentrated on processes, trying not only to make production more sustainable in several aspects, but also, from a firm point of view, to improve standards and increase output of production, especially for the firms operating on a large scale. Lastly, Food Industry R&D can be driven by commercial necessities of the firm and trading factors, like the one of extending the shelf life of the product, which become even more pressing when Internationalization activities are ongoing.

2.2.1 The Culture factor

Heading back to the CAGE framework, the third challenge for Internationalization in the Food Industry is the distance that firms face in the Cultural dimension. Food Industry is a multidomestic one, where firms compete in each market independently from the other ones where they operate. The strategy in this kind of industry is to tailor products and services to each particular market. Why is the Food Industry a multidomestic one then? Simply because food consumption habits are very much influenced by culture. That is why Food Industry Internationalization should be combined with cross-cultural analysis, that is to say analysing the similarities and differences among consumers in more countries. The fact that food is a reflection of culture, and therefore mirrors cultural diversity as well, requires internationalizing in the Food sector firms to understand the elements that constitute cultural diversity and analysing the ones of other societies. In Table 3 the elements of cultural diversity are presented.

Table 3: Elements of Cultural Diversity

Elements of Cultural diversity	**Definition**	**Examples**
Values	Modes of conduct and states of existence that tend to persist over time.	Individual freedom and independence are two important values in American culture.
Customs	What is considered normal and expected about the way people do things in a specific country.	In Japan it is considered respectful for a business man to hand on the business card with both hands.
Cultural symbols	Elements that represent ideas and concept in a specific culture	Colours and Numbers' symbolism. The number 4 is bad luck in China and Japan where is associated with the word "death".
Language	Native tongue, but also idioms, nuances and slang of a country.	The Vicks brand name is known in Germany as Wicks, as "vicks" is German slang for sexual intimacy.

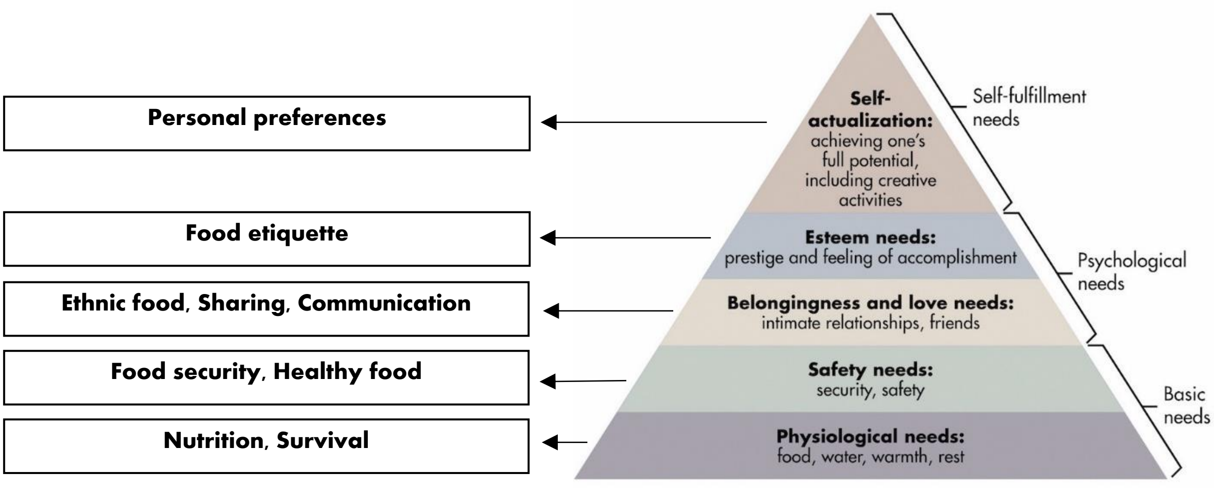
Aside from the social perspective, the individual dimension of consumers should be considered as well. According to Anderson[46] human beings don't simply consume food to fulfil the physiological need of eating and surviving: humans also eat to communicate, be happier, or "affirm religious faith.[47]". In Figure 10, we summarized the relation between Food consumption and the hierarchy of human needs theorized by Maslow. Maslow's hierarchy of needs is in fact very useful to frame the connections between nutrition and human needs[48].

[46] ANDERSON E. N., *Everyone Eats: Understanding Food and Culture*, New York: New York University Press, 2005

[47] An example of how religion can influence food consumption is the fact that Indians don't eat beef as cow are sacred in India and Muslims are not allowed to eat pork

[48] "For example, physiological need for food for survival is at the bottom of the hierarchy. The next level addresses food security. Meeting needs for belonging to a group is at the subsequent level. Food not only fulfills physical needs but also may provide a sense of emotional or social nourishment. The complex rules

Figure 10: Maslow pyramid of needs and Food correlation



Therefore, food is produced, prepared, and consumed "inspired by human culture". Each country is characterized by its own cuisine (sometimes this is not even a national issue, but a regional one): diets, ingredients, methods, flavours can all be very typical. For example, Middle Eastern and Far Eastern cuisines involve the use of spices and herbs in the preparation of food, while for Africans and Afro-Caribbean groups meat is often matched with wheat and rice. Another example of how food reflects culture are celebrations both religious and civil, which are always commemorated with symbolic food (i.e. Thanksgiving turkey in the Us, moon cakes for Autumn Festival in China, lamb for Easter etc.). It has been stated that "markets with substantially different food cultures can provide business opportunities for food exporters in terms of greater ability to differentiate".[49] Therefore, while cultural difference can challenge firms in the Food sector very much, it can also become a trigger of differentiation and innovation.

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of etiquette are used to demonstrate refinements in social norms related to food. Food habits are often used to illustrate social status within political or environmental situations. Self-realization or actualization is achieved when movement has occurred through all levels, at which point personal preference governs food choices." Source: DINDYAL S., *How Personal Factors, Including Culture And Ethnicity, Affect The Choices And Selection Of Food We Make*. The Internet Journal of Third World Medicine, Volume 1 Number 2, 2003

[49] GOUDARZ A., *Internationalization of the Swedish Food Industry: Challenges and Opportunities - The case of Lantmännen Cerealia*, Uppsala: SLU, Dept. of Economics

2.2.1.1 New products and Hofstede's dimensions of Culture

In terms of cross-cultural analysis, the most famous and influential contribution to analyse culture and its consequences on the business environment have been made by Geert Hofstede. His studies are a milestone because his theory can explain practical differences in culture, categorising behaviours and values produced by national culture in the members of its society. His research studied how values in the workplace are influenced by culture. However, today, his results and theory are not only a point of reference for international human resources management, but for international management, cross-cultural communication and cross-cultural marketing, too. Hofstede introduced six dimensions describing culture [50] and thanks to these dimensions a clusterization of countries according to their national culture dimensions was elaborated. Hofstede's studies have generated an enormous legacy and they have been the starting point for further investigation. The one[51] we want to present here brings to surface the connection between the cultural dimensions proposed by Hofstede and the penetration of new products in a market (in other words, how culture can influence the acceptance of

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[50] Power distance is the dimension which represents "the extent to which less powerfull members of institution and organizations accept that power is distributed unequally"; Uncertainty avoidance measures "the extent to which people feel threatened by ambiguous situation and have created belief and institutions that try to avoid these"; the third dimension is represented by the bipolar continuum between Individualism ("the tendency of people to look after themselves and their immediate family only") and Collectivism (on the contrary, the tendency "to belong to groups or collectives and to look after each other in exchange of loyalty"); Hofstede's fourth dimension of culture is the bipolar continuum between Masculinity ("the situation in which the dominant values in society are success, money and things") and Femininity (the situation in which "caring for others and the quality of life" prevail); time orientation describes whether the national culture gives priority to the past and is short-term oriented (showing respect for tradition, viewing social change with suspicion and focusing on achieving quick results) or if it prioritizes the future and is long-term oriented (adapting traditions when the situation changes and focusing on the future and on achieving long-term results); the sixth dimension is Indulgence and indulgent societies are the ones where there is freedom of satisfying each member's individual needs and desires and this freedom is even stimulated by the social context (on the contrary, in restrained societies "behaviour is based on social norms"). Source: *International Organizational Design and Human Resources Management to China*, Custom Publishing McGraw-Hill Education 2016

[51] YENIYURT S., TOWNSEND J., *Does culture explain acceptance of new products in a country? An empirical investigation*, International Marketing Review, Volume 20 issue 4, 2003

new products on the market by consumers). These studies are important because they provide managers with extra parameters to forecast the audience welcome of the new products and they can help addressing potential cultural barriers to the product market penetration with an appropriate strategy (standardization vs adaptation), also in terms of communication strategies. First of all, Yeniyurt and Townsend clarify the premise that the educational structure of a country, as long as its economic and urbanization ones mediate the role culture plays in the penetration of products. In fact, the urbanization rate has a strong influence and positively boost the effect of culture. The economic structure (considered in terms of per capita GDP rates) does, too. On the contrary, the educational system (considered in terms of consumers' literacy and openness) downsizes the consequences of culture on new products' acceptance. Overall, this means that countries with advanced level of education require a lower degree of adaptation and are more open to product standardization. That being said the two scholars found that there are mainly three dimension which is worth considering for predicting the new product penetration: individualism, uncertainty avoidance and power distance. These three dimensions are also the ones that managers need to assess the most in new markets because they can indicate the required degree of adaptation. Where there is high power distance, market penetration is harder and new product introduction creates a sort of alert in the audience: individuals who are recognized as the authority play the crucial role in the product acceptance or refusal by the market. Therefore, it is very important to engage the opinion leaders in the launch and promotion of the product. When individualism rate is high in a country, the product newness and its exclusivity is an element of distinction and sophistication for the individual, therefore market penetration is boosted by this dimension especially when the new product carries a great innovative potential. Last but not least for importance, in cultures characterized by a strong uncertainty avoidance dimension where risk-aversion drives the individuals' choices and purchases, the more the product introduces radical changes (the more it is innovative) the more consumers will be suspicious, and their trust is hard to gain. Once again opinion leaders can help, but may not be enough.

2.3 Intermediaries or Fully-Owned subsidiaries?

When a firm internationalizes by exporting it can either opt for direct export or indirect export. The second option is possible through the involvement of intermediaries, which are independent organizations taking care of the manufacturer's goods export. This is mainly typical in the initial stage of Internationalization. Why? When a firm approaches a foreign market for the first time, intermediaries are often their key to it. They are the ones who have been dealing with foreign consumers for a longer time and, therefore, they have considerable knowledge about the consumers' purchase behaviour, consumption preferences and habits. Not to mention that intermediaries can help the foreign firm to overcome the entry barriers (like the legal and cultural ones) and be competitive in the new market. Intermediaries can either be foreign players or export-specialized domestic firms.[52] These organization are actually called intermediaries because they mediate between the manufacturer and the foreign market, or even better the marketing channels of the target foreign market. Intermediaries are a bridge between manufacturers and

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[52] Indirect export intermediaries can be:

- Buyers: independent actors located in the home country of manufacturers, who represent a portfolio of foreign companies interested in buying products from the buyers' home country. Buyers can, therefore, become an intermediary for their country's export companies and each one can create his own selection of local brands;
- Brokers: independent actors who act like agents of either the seller or the buyer. Their goal is to link a domestic company with a foreign customer and they are usually paid by commission;
- Export management companies: companies which are specialized in international sales and operate as the export department of their clients (different non-competing manufacturers), with whom there is a formal agreement. EMCs operate on behalf of their clients and they manage sales, advertising and promotion on their behalf in the foreign market (thus, EMCs are supply-driven). EMCs can be either paid by commission or on a fee basis;
- Export trading companies: independent and usually large companies which purchase products from manufacturers and sell them to foreign customers. They don't operate on behalf of manufacturers since they actually buy their products. These companies are able to perform all the logistic and management activities required by the international transaction.

Indirect export also occurs when small firms willing to export join together in a consortium which will take care of all the necessary activities for their products' export. Moreover, indirect export can be carried out through the piggy-back strategy, when two companies sign an agreement (alliance) and "the rider" sells internationally using "the carrier's" distribution services.

foreign customers. The types of services that intermediaries can take care of include: market research and product research; preparation of the export papers; insurance and freight quotation; packaging and labelling for the foreign market; marketing strategy design; warehouse and quality control of the goods; selection and training of distribution; negotiation; advertising and promotion; after-sales services; credit for export transactions.

Turning to export intermediaries of course decrease the level of control that the firm has on Internationalization, however, it also requires less resources commitment than direct export. Exporting through intermediaries usually cuts down transaction costs that can arise for the firm from the research phase in the new market, the negotiation stage and the monitoring of operations and performance. It also minimizes the costs that could arise from trade barriers. Moreover, intermediaries, being a bridge between offer and demand, can assist clients in shaping new offers and product proposition, influencing the supply chain. Once again it is time for the firm to do the math: can the firm count on enough resources and capabilities or is it worth to hire a third party? The main problem the firm has to deal with when taking this kind of decision is: is it willing to lose control? In fact, it is undeniable that there are situations in which the firm wonders whether it is worth to depend on distributors or not; it wonders whether it is time or not to switch to direct export. For example, these observations are likely to be made in a second phase of export, when intermediaries are running out of ideas, revenues are stagnating, and the manufacturer starts blaming the distributor for being unable to drive long-term growth. No doubt that the firm might measure resources and decide it is the right time to open a subsidiary. However, according to Arnold[53], there are some preventive measures that can be taken to prevent this second unsatisfying phase; measures which can be very useful for the firm unable to afford direct export or the opening of a foreign subsidiary. These measures include the selection of distribution, which should come as a proactive move of the firm and shouldn't be its simple reaction to offers of potential distributors. It is very common, in fact, especially during fairs, that enterprises are approached by intermediaries, however, sometimes these tempting parties with some obvious valuable contacts don't turn out as the best fit for our company. On the contrary, it can be very useful to head straight to the final actors and question the main potential clients of a

[53] ARNOLD D., *Seven Rules of International Distribution*, Harvard Business Review, 2000

certain market, to find out which companies they prefer to deal with. Then, engage with those companies. Another forward-looking move can be to build a solid relationship with intermediaries proving your long-term intentions from the very beginning: don't mention a short-term agreement and set both short-term and long-term goals with very appealing rewards; don't interact with intermediaries as they simply are a current mean of entry but try to prove you want to commit in a long-term win-win partnership. Sometimes national exclusive agreements can be the right tool to show your long-term vision of the partnership, your commitment and your trust. In simple terms, this second preventive measure basically implies proving to be a loyal partner as a motivator for the intermediaries' business attitude and investment.

The role distributors play in the Internationalization of a business is crucial in many sectors. Since the Food value chain is quite buyer-oriented, distributors play even a more pivotal role as they are the very close actors to the final demand: the one of retailers and the one of consumers.

2.4 Strategies

Globalization has brought changes and shaped a reorganization of the Food sector, like many others. We are constantly facing the standardization that globalization has introduced: we often recognize similar consumer behaviours, products, processes, food experience all around the world. It seems globalization pushed us towards becoming more alike. However, while it is true that globalization has allowed us to be more interconnected, it has not made the world totally homogeneous yet. This is as clear as its consequences are. Despite the general global standardization and connection that it has produced, locally we still maintain a certain degree of heterogeneity. This mixed circumstance, this coexistence of local identities in a global frame which is pushing towards homogeneity, this complex reality creates challenges for international businesses. In the Food sector, this reality can become even clearer to observe. In simple words, today I can manage to eat Chinese dumplings in Italy and pizza in China, but there is always something that will hardly change: for instance, Asian people eat with chopsticks and Western with fork and knife, in a global era this has not changed yet. This is cultural diversity. When it comes to strategies to internationally market our firms' products, this complex reality place managers in front of a question: can the firm's marketing mix[54] stay the same across countries and markets or should it be adapted? International marketing isn't simply exporting home country's products, but also recognizing foreign customers' needs and socio-cultural differences and changes, developing strategies and marketing mix that can fit in the new markets, eventually encompassing the technology environment of foreign countries. The industry the firm operates in can make a difference in the choice of the strategical approach as well. There are sectors which require a higher level of adaptation, like the Food one, because the level of heterogeneity in the consumption of food around the world is influential. However, the marketing mix covers different aspects of the products commercialization, which can extend over consumption, and require the consideration of not only the sector but the whole market environment. For instance, when considering Price, it is important to consider the quality and cost of living in a broader sense, the purchasing power, issues which can go beyond the Food sector.

Table 4: Elements of the Marketing Mix

PRODUCT	PRICE	PLACE	PROMOTION
Brand Design Product line Packaging Warranty Services	Pricing strategy Basic price Terms of credits Discounts Allowances	Distribution channels (Wholesalers, Retailers, E-commerce, Agents) Logistics (Transport, Warehousing, Inventories)	Sales promotion Marketing Communication Mix (Advertising, Personal selling, Public relations, Direct Marketing, Event sponsorship)

[54] In his book "Basic Marketing. A Managerial Approach" (1960), McCarthy was the first who framed in four elements the marketing mix to communicate value to consumers. The four elements are also known as the four Ps: Product, Price, Place and Promotion. Despite the fact that scholars and professionals have added new elements to the marketing mix (the 4Ps turned into the 6Ps with People and Processes, or even the 7Ps and 4Cs including Physical evidence, Customer value, Customer cost, Customer convenience and Customer communication), the 4Ps introduced by McCarthy still represents the core of marketing strategies.

Anyway, let us now consider the two opposite strategies of standardization and adaptation in a Food sector perspective. These strategy, despite being the one the opposite of the other, are rarely adopted in a pure sense. Marketing mix is rarely completely standardized or adapted. It is more accurate to describe the choice of strategy as an indicator moving on the spectrum between these two extremities. One extreme supposes that markets are homogenous and the other recognizes diversity and, therefore, adapt to fit the local culture and preferences, laws, infrastructure and competition. It's important to mention that differences can be present not only between countries, but inside a single one as well. Therefore, some elements of the marketing mix will strategically be standardized, and others will adapt, the strategy consists also in deciding to what extent adaptation and standardization should occur. Standardization sounds like a very good deal from the firm's point of view: it allows firms to exploit economies of scale reducing costs, to save money from the product R&D and promotion, and to decrease the difficulties and the efforts required by managing and controlling these operations abroad. Moreover, a stronger brand identity is delivered thanks to the consistency produced by standardization. Meanwhile adaptation may not be so advantageous from the firm's perspective: it is very time consuming, since strategy definition and implementation can take a long time, and, above all, it requires more resources and increases initial costs of internationalization (not to mention that the total costs of adaptation implementation may offset the benefits produced by this strategy). A further analysis of the pros and cons of these two strategies highlight that standardization minimizes and endangers innovation. It is important to be careful on which level standardization strategy is adopted (production, distribution, promotion), because it can actually influence all the upstream of the chain. In addition, standardization can cause market stagnation. On the other hand, adaptation might harm the brand strength. Adaptation is usually adopted by firms that can count on a considerable and long export experience. Aside from experience, another variable that can influence the choice of strategy is the size of the firms. Large firms often choose standardization for product, distribution and promotion. On the contrary, as we have previously said, price is a component of the marketing mix which usually necessitates adaptation to the market standards. Overall, there is one certainty for the choice of the strategy: managers must be aware that there is not a universal successful export marketing strategy, every firm should evaluate the proper one considering its own knowledge, capacities and availability of internal resources. However, it is worth pointing out that adaptation considers individuals as culture beings, shaped by the culture they live in: the consequences of dissatisfying or, worse, offending a group of consumers can be extremely expensive for the firm and they are difficult to heal. Cultural negligence is not acceptable anymore when a firm operates in a global panorama. Strategies can be moderated: extreme adaptation is hard to accomplish and probably too expensive, too. There is no certainty of success and profits, but if the firm tailors its offer by (1) adapting certain elements of the marketing mix instead of all the elements (perhaps the elements which the firm is more capable of, or has more knowledge about), (2) choosing the most effective ones and, why not, (1) choosing limited time adaptation occurring in the most beneficial moments, then localization strategies can bring the firm considerable advantages with the proper cost.

Figure 11: An example of Packaging adaptation operated by Ferrero for the brand Nutella in China during the Chinese New Year celebrations

2.4.1 Between Replication and Adaptation: the Mirroring-back model [55] of Internationalization

Given the previous premises about the Food sector, above all about its drivers and the influence of the socio-cultural environment on the demand, we can state that Internationalization practice for firms in this sector more than in others can't involve pure

[55] PONTIGGIA A., VESCOVI T., "Mirroring back" in *Panni stesi a Pechino*, Egea, 2015

imitation of models and strict rules. When high degree of psychic distance comes on stage, adaptation is the answer, despite firms should not purely draw upon this strategy, but, as we mentioned, they should move on the continuum between adaptation and standardization, instead. Moving on this spectrum of opportunities to adopt and develop the proper and the best strategy requires one capability above all: managers must be able to control on one hand the learning process based on the experience in new markets and, on the other hand, the creative one. How can they do it? For example, leading an organizational transformation from an activity-oriented design to a knowledge-oriented one which will make the firm abandon a task-oriented logic, in order to focus on the knowledge flow and connection. It is important that this flow occurs towards the home country units: this is how a firm can verify if its current routines match the international path the firm is following and the market segments the firm is targeting in new markets. Effective international performances require a combination of learning by doing in the new market with elaboration of new processes thanks to the possibility and ability of transmitting this learning. Successful Internationalization and the implementation of effective marketing strategies on foreign markets are not possible if the firm leaves out of its considerations an international mindset building, both at the organization-level and at the staff-level. Therefore, at the organization level, in order to implement the combination that we previously mentioned, the firm should promote transverse connections among units, improving internal communication and trying to flatten and smoothen organizational structure, and building a project-oriented logic. The firm should always question how much its organizational set-up supports the flow of knowledge and learning among domestic units and international subsidiaries or partners. Speaking of which, there are two clarifications about this combinatorial model to add and the first one concerns the international partners, indeed. In fact, the knowledge flow must be fostered not only inside the organization (among units and departments) but also outside, between the firm and its partners, the international ones above all. And here we bring up again the importance of networks for business internationalization. As we discussed in the first chapter, the relationships the firm builds inside an international business networks are based on two processes and one of these is the exchange process, that can occur in form of information exchange and knowledge exchange. The other process in the relationship is the gradual adaptation between the parties, which is necessary for the relationship to exist and survive. This mutual adaptation is source of learning and knowledge, too.

Adapting to the international partners is one of the processes that allows the firm to rearrange its set up and its operational logic, therefore, it becomes another opportunity for lending the firm an international attitude. The second clarification about the combinatorial model is time efficiency. The firm's promptness and rapidity are essential in combining learning by doing with organizational arrangements as much as the combination itself is. Reaction time to learning and the rapidity in selecting the best available skills at hand are not only very important for effective international marketing performances, but also become real sources of competitive advantage. In fact, since the current market scenery's rhythm is quite fast (technological progress proceeds smoothly and trends switch quickly from one to the following other), the consumer's demand needs should be rapidly foreseen (or created), intercepted and satisfied by firms. The firm promptness is essential for this purpose as it is its organizational and manufacturing flexibility and agility. The firm must be reactive to read the market and proactive in the implementation of the offer. Overall this time efficiency in creating innovation is a great advantage in both foreign markets and in the domestic one. Moreover, it is the point of difference which can allow a firm to succeed in emerging market, too. If with a resource-based approach, we have claimed more than once that MNEs can have the edge over small and medium sized companies, then in terms of responsiveness, flexibility and reaction time to learning, a smaller size for the firm can be an advantage. Above all, medium-large enterprises are the ones which can either count on major productive resources and on a flatter organizational structure which, combined, accelerate innovation and new market proposals creation. If we think in terms of product development, all in all, the first firm in creating a new product leverages the same advantage of the first mover in a market, at least in the initial phase.

It is clear that the moment a firm enters in a new market, it is inclined to standardize as it is the easiest path to follow (especially if the firm has already operated in foreign markets and it believes to be able to replicate its models). Replication is strategically easier to plan and adopt as it can exploit previous experience of the firm an, in addition, it usually requires a smaller stock of resources. However, since internationalizing is often synonym of entering non-acquainted markets, it is possible that standardization increases the creation of entry barriers, rather than tearing them down. This is when, the firm is basically forced by the context (either legal, cultural or economic) to range between replication and adaptation and above all it is forced to explore the context to develop such a strategy. According to the Mirroring-back model introduced by Vescovi and Pontiggia, the internationalization path in non-acquainted markets lead the firm to the first step of exploration. The learning and the knowledge gained by exploration and by performing internationally not only push the firm towards adaptation, but they also create the phenomenon of mirroring back: we previously referred to it in this section as the combination of both learning and re-organizing the business set-up. In order to follow the internationalization logic, the reorganization should mirror the learning and facilitate the knowledge sharing inside and outside the organization. Moreover, the mirroring back phenomenon drives firms towards a multifaceted innovation, which doesn't limit to internationalization but touches the business model in the domestic market, too. This is probably the most interesting consideration about mirroring back: if the firm is capable to properly leverage learning, then contextual knowledge and mirroring back will be a relentless and positive wind blowing favourably in the business' sails.

2.4.2 Ethnocentrism

Before concluding the considerations on the international marketing strategies which can be suitable in a foreign market, there is a broader aspect we want to mention because it is often a starting and influential point: what is the international marketing orientation of the business? What is the prevalent one in the sector? The marketing orientation[56] can lead to unexpected and implicit consequences on the results of firms' strategies. In fact, the orientation can be either congruent with the marketing strategy or it might not be consistent, carrying the risk of offsetting the efforts of the marketing strategy. Not only is the firm's marketing orientation important, but also consumers' one towards the firm's sector and product. This consideration is particularly important for the Food sector, as it is often characterized by an ethnocentric orientation both from the firms' and from the consumers' point of view. Consumer ethnocentrism is the attitudes of consumers towards purchasing foreign versus domestic products. It is based on the assumption that one's own group or country can exceed others, be the centre of everything and represent the standard for comparing and evaluating everything outside the group or the country.

[56] By marketing orientation, we mean the strategical direction that a firm takes for its international management, including, for example, its international marketing strategies. The EPRG Framework describes 4 alternatives of orientation: Ethnocentrism, Polycentrism, Regiocentrism and Geocentrism.

Considering the consumers' perspective, ethnocentrism means a preference for domestic food, and domestic food brands. Consumers usually adopt ethnocentric approach in the purchasing of food due to many reasons:

- Tradition;
- Familiarity;
- Food safety (shelf life, control procedures, regulations are stricter for domestic food);
- Environmental and Social involvement (for example domestic food hasn't travelled as much as imported food, its purchasing support the activities of local businesses);
- Brand association (it is instant and positive with domestic brands, while it can be even negative with foreign brands).

It appears ethnocentrism also relates to other phenomena which influence consumers' purchase: the country of origin effect and cultural distance. Apparently, foreign brands and products are judged by ethnocentric consumers in a different way according to their origin (meaning that some foreign products are negatively perceived while other foreigner ones are not); in addition, ethnocentric consumers seem to be more willing to purchase products from culturally close countries [57]. Consumers ethnocentrism is therefore an element which must be assessed, especially in the Food sector: the company should be aware of the level of consumer ethnocentrism in the new market and should identify the less ethnocentric segments of consumers (and consider targeting them). In this sense ethnocentrism is a frame that can deeply affect the marketing strategies in foreign markets. In fact, it represents a further barrier of entry in a foreign market and it is probably the main reason pushing for marketing adaptation of the marketing mix of the firm who is trying to conquer the foreign consumers.

At the same time, ethnocentric orientation can also characterize the other player: the firm and its strategy (and therefore the domestic market and marketing strategy represent the standard which must be replicated). We further discuss this aspect in the

[57] WATSON, J., WRIGHT, K., *Consumer ethnocentrism and attitudes toward domestic and foreign products,* European Journal of Marketing, Volume 34, issue 9-10, pages 1149–1166, 2000

following paragraph, while presenting an insight on "Made in Italy" food and the possible misconceptions which hover around it.

2.5 Made in Italy: is it really such a strong brand?

The Food sector in Italy is characterized not only by high levels of consumers ethnocentrism in the domestic market (which reflects in the Italian shopping attitude of choosing Italian food over purchasing foreign products and a general preference for keeping food traditional) but also by a relevant degree of ethnocentrism at the firm level of this sector. Both these aspects find their causes in the Italians' pride in their cuisine, food art and tradition. However, these can lead to a certain blindness not only Italian consumers, but also Italian food firms: particularly Family firms, which may add to national pride the love for family traditions and for their family business products proposal. This is not the circumstance to discuss whether this pride is licit or not: what we want to examine is if the concept of "Made in Italy" actually takes root in foreign countries and how it is perceived by consumers in the food sector. Who has not heard or read about the "Made in Italy" brand yet? Many claims that it is one of the strongest brands ever.

2.5.1 Country of Origin and Country Brand

First, let us try to describe this brand. As a matter of fact, "Made in Italy" is the Country of Origin brand; as every other "Made in…" in the world, it states where the main characteristics and the essence of the product were generated: the country of origin. Let us make clear that country of origin and country of production are not always synonym: their congruence is an added value for the product, but the country of origin of a product is not defined by the whole production location. On the contrary, these brands are above all synonym and labelling of the reputation of one country's expertise among consumers. In addition, there are three more elements which determine the brand's country of origin: authenticity, quality standards and differentiation. These four elements are the essential ones consumers must look for in a "Made in…"-labelled product according to Future

Brand[58]. Future Brand's survey ranked Italy's Country of Origin brand 5th while in the 2017 Made-In Index by Statista[59], which listed the COO brands after assessing how "Made In …" products are perceived by worldwide consumers, "Made in Italy" ranked 7th on forty-nine brands. The survey covered the consumers' perception towards the following product attributes: quality, security standards, value for money, uniqueness, design, advanced technology, authenticity, sustainability, fair production, status symbol. We had better mention another type of brand, which even if it doesn't definitely influence the COO effect on consumers, it is quite a worthwhile element to consider in international marketing: Country Brand. Country Brand refers to the perception of a country by consumers. In order to rank Country Brands, what Future Brand assessed in its survey about countries are the following factors:

- awareness: whether consumers know the country exists or not, how top of mind the country is for them;

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[58] Future Brand is a global marketing and communication consulting agency focusing on brand management, which periodically publish insights and surveys on Country of Origin brands and Country brands. According to this agency's publications, authenticity, quality standards, expertise and differentiation are the four drivers which will increasingly define the success of a brand in the upcoming future. Authenticity, above all, is the element which is gaining more and more influence in the brand perception; consumers are no longer likely to embrace brand whose attribute, promises, manufacturing ethics are ambiguous and not authentic. Authenticity refers to the unique standard of production which are linked to national or regional people, history or geographical circumstance. Quality standards are the ones that show the brand transparency and commitment to outstanding manufacturing and craftmanship: the higher these standards are on average in the country of origin, the higher the brand keeps its standards and therefore gains benefit from its COO. Country of Origin produces differentiation when country's culture and heritage shape the brand's approach which creates difference between the brand itself and its foreign competitors. In the end, expertise means a brand is the best in its category because the category itself have been defined or even created by the COO. For example, this is the element of COO Italian fashion brands can rely on, since expertise in the fashion industry has been synonym of Italy for a long time. Future Brand's research also assessed expertise of different countries among sectors, and of course Italy confirmed its good rank in the Food sector (2nd country), in the Fashion industry (2nd country), in the Luxury industry (3rd country) and in the Automotive one (4th country).

[59] During Statista's research, the main question consumers were asked is "How do you feel about products labelled "Made in.."? Source: www.statista.com/statistics/677973/made-in-country-index-country-ranking/

- familiarity: how much people know about the country;

- association: what qualities people associate to the country in terms of its value system, quality of life, heritage and culture, tourism and business potential;

- preference: whether consumers esteem the country;

- consideration: whether people have considered to visit the country, to do business in or with the country, to buy products from this country;

- decision: the extent people actually establish relationship with the country;

- advocacy: whether people recommend the country to any other individual.

In the last Future Brand's Country Brand Index, the 2014-2015 one, Italy ranks 18th: it is interesting and important for Italians that Italy ranks first only in the experience dimensions of association, that is to say heritage, culture and tourism. This is even more important to keep in mind for Italians doing business, who should remember that while Italy reaches the top in these dimensions linked to the country's past and history, the country's status dimensions like current quality of life, value system and business potential don't create such positive association in the audience at all. Therefore, Italians had better not overestimate the overall potential image of the country, because only some aspects can become worth to exploit as resources to market Italian products: Italy's current value system, and above all its standard of living and business potential move the country far down in the ranking. While marketing Italian products we should keep in mind the Country Brand position to rely on Italy's awareness, or to take advantage of its more effective association dimensions. However, despite a strong Country Brand can always be enforced to strengthen a local one, the power of Country of Origin effect is not guaranteed by a powerful Country Brand. It appears, instead, that Country of Origin effect is much more influenced by a great number of successful brands which can be linked by consumers to that country. On the other hand, it is Country of Origin which can help strengthen the Country Brand ranking. There is another very influential aspect which emerges from Future Brand's assessment of COO: it is a stronger asset for the firm when the brand can count not only on the origin of its story in the country, but also when the brand's manufacturing and corporate residency still take place in the country, too.

2.5.2 What is “Made in Italy”?

In the current global context, it should be quite an indisputable fact that Country of Origin brands do not communicate the country of production, but they would rather state the added value produced by the creation of a certain kind of product idea in a particular country. Country of Origin is very much linked to product category, too, as the COO effect on consumers can be different according to the perception of the country’s expertise in that sector. Today the production of a “Made in Italy” product may not be totally completed in Italy, indeed, due to global competition and price war above all, some stages of the production may occur abroad. In fact, the “Made in Italy” label and caption can be placed on every product whose at least last transformation or substantial manufacturing have occurred in Italy[60]. It is controversial, because it does not appear such a very strict selection, but the reason behind the choice of this quite inclusive condition is still strictly related to the essence of the “Made in Italy”. The substantial manufacturing is enough to add the touch which the world perceives as distinctive: high production competences, know-how, creativity, hedonism and design sophistication. Moreover, the door was kept open for those multinationals which partially delocalized their production but still were undisputed ambassadors of “Made in Italy”, like many fashion brands. Because of this quite inclusive definition, some Italian manufacturers and craftsmen have made a critical remark: the “Made in Italy” brand, then, may not place enough emphasis and convey the value of the uniqueness of their completely national production, the quality of their home-grown raw materials and the distinctiveness of their local manufacturing and traditional processes. Therefore, the “100% Made in Italy” brand has arisen, too[61]. The certificate is released by the Institute for the Protection of Italian Manufacturers, the national

[60] Several laws have been issued in Italy in order to regulate the proper use of the “Made in Italy” label. The attempt is always to adhere to the Union Custom Code’s determination of the origin of a product, which states: *“When two or more countries are involved in the production of a good, the origin of the good must be determined in accordance with Article 24 of Council Regulation No* 2913/92*”. Articles 24 CC states: "Goods whose production involved more than one country shall be deemed to originate in the country where they underwent their last, substantial, economically justified processing or working in an undertaking equipped for that purpose and resulting in the manufacture of a new product or representing an important stage of manufacture".* Source: https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/rules-origin/nonpreferential-origin/introduction_en

[61] www.itpi.it

organisation who has been taking care of the defence and promotion of the “Made in Italy” brand. The “100% Made in Italy”-labelled product must meet the following requirement:

-it must be completely designed and manufactured in Italy and the firm must allow the traceability of the processing techniques (the product idea must be conceived in Italy and Italian semi-finished materials must be used for the manufacturing);

- natural quality materials only are allowed for its manufacturing (traceability of the raw materials’ origin must be possible);

- it must be manufactured through traditional, unique and typical techniques;

- it must be manufactured in compliance with labour, safety and hygiene regulations.

These requirements make clear that the “100% Made in Italy” brand is much more exclusive and distinctive. From the perspective of an Italian consumer, who is well aware of the heritage of the Italian system in terms of craftsmanship pluralism (both at the national and regional level), the enhancement of this uniqueness through the “100% Made in Italy” label can be appreciated and valued. Buying “Made in Italy” and “110% Made in Italy” products, people buy a piece of Italy, a piece of its craftsmanship pluralism and a piece of the sophisticated manufacturing and design. Italians are conscious of this synonymy. However, going back to the starting question about “Made in Italy”, how can this brand, and even more how can the “100% Made in Italy” one, take root internationally? How can they be valued and appreciated from the perspective of a consumer who is not very familiar with the Italian very various and sophisticated manufacturing tradition (or at worst, one who is not aware of Italy yet)? Italian manufacturers must not take awareness for granted ever. The Italian COO brand uniqueness and its points of difference must be communicated, and a great effort is necessary especially outside European and American countries. Psychic distance plays a great role. There are countries where migrations, political and historical connections shorten the psychic distance despite the remarkable geographic one with Italy (for example Australia and Argentina), but in most countries not only Italian rich pluralism, but Italy itself still need an introduction. It seems in the Food sector Italian firms still struggle to educate non-acquainted markets, like the Chinese one, the Thai one and the Indian one: these markets are the drivers of the future consumption and both Italy and “Made in Italy” are still strangers for many consumers of the Far East. While there are reasons to claim that psychic distance is a great barrier to overcome, we must open our eyes and realise that the same psychic distance challenges Germany and France (especially in cultural terms, barriers are similar): however, they already outdo Italian performances, for example in China where in 2016 the French share of food export reached the 6% while Italy settled with its 1.3%[62]. In my opinion, it is time to face that one of the reasons lays in what we could call the Italian myopia: it is very much a characteristic of the Italian Food sector and it refers to the inclination towards no compromise in the food production and consumption. The point is not Food authenticity: product authenticity is unquestionable[63]. The point is consumption: there is a certain arrogance in insisting that Italian products must be enjoyed the Italian way, in promoting the Italian way as the best. Selling Italian food, instead, requires the acceptance of a different way of consumption (which could even become source of innovation). There can be different way to enjoy a product, to use it, even when it is a food product; there are probably ways which are still undiscovered. Foreign markets could be a resource and trigger these new consumption styles. Let us consider balsamic vinegar for example, no doubt that in Italy there are two kinds of people: Italians who like its taste and Italians who don't like it. It is quite unusual that Italians consider the option of combining its flavour with other dressings. However, there are countries where dressing combination is an art and balsamic vinegar becomes one of the many possible ingredients to combine. This doesn't mean that the market should not be educated: the Italian consumption mode must be communicated, since the product itself could still be unknown and foreign

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[62] RICCIARDI R., *Cibo, auto, meccanica: il made in Italy deve recuperare un gap pesante sui mercati chiave del futuro* in:
http://www.repubblica.it/economia/2016/07/18/news/cibo_auto_meccanica_il_made_in_italy_deve_recuperare_un_gap_pesante_sui_mercati-chiave_del_futuro-144323405/

[63] Country sound branding is the phenomenon created by brands which try to sound like originating in the country which enjoys an excellent reputation in their sector, thanks to unequivocal references in the brand name, symbols or logo. Despite at first, in non-acquainted markets, Country sound branding might help in the establishment of the country reputation in a specific sector and it can help strengthening the country image (especially when an institutional intervention in consolidation of the country image lacks), however, it usually creates scepticism and mistrust towards the country-image, damaging authentic brands, too. Last year Scordamaglia, Federalimentare president, claimed the Italian sound branding (also known as Italian sounding) produces around 100-billion-euro loss for Italy in the Food and beverage sector.
Source: http://www.ansa.it/canale_terraegusto/notizie/business/2017/04/13/federalimentare-da-italian-sounding-danni-per-100-mld_b0ba09b4-59b4-4ef3-8866-93d4724ba086.html

consumers might wonder what its use is. However, accepting and embracing new uses, and, why not, even promoting them could become a key to conquer the new consumer. For example, Italian chefs are usually ambassadors of Italian products and, when they work and are well known abroad, they are often hired as testimonials by food firms. However, foreign chef instead could be the pass key, combining their home countries tradition with foreign products. In China, tomatoes, especially uncooked tomatoes, are associated with the sweet flavour: they are often eaten with sugar. This is definitely not the Italian way of eating tomatoes, but it could become the key to introduce Italian tomatoes processed food in the Chinese market. The fact that Italy can count on high quality food production doesn't mean that its products' consumption can't move from the Italian recipes or traditional consumption mode.

There are countries, like Asian ones or Saudi Arabia, Iran and United Arab Emirates, that are driving the demand in those sectors where "Made in Italy" excels like luxury. However, Italian Country of Origin awareness is not enough yet. Awareness and familiarity are the necessary goal to accomplish to spread the culture of "Made in Italy": familiarity with the added value of "Made in Italy", familiarity with Italian regionalism of techniques and materials on one hand, and with its overall pursuit of beauty in design and manufacturing across different sectors and regions on the other hand. Multinational enterprises can be ambassador, but they don't represent the reality of this pluralism which lays in the small and medium enterprises and which roots in the workshops and small shops of Italian Middle Age and Renaissance. A single small enterprise can't afford to spread the word on the whole planet. Therefore, there are two alternative paths we believe could be followed for this purpose. One is building a brand awareness for the umbrella label of "Made in Italy" based on the parallelism between the natural and artificial particularism of Italian landscape (an association which consumers' mind already do with Italy) and the production particularism, in order to simultaneously educate foreign consumers about the uniqueness of each brand under the common core values of every product labelled "Made in Italy". For example, "Made in Italy products" could be gathered all together in stores and any other places of purchase, and their corners could communicate Italian style, they could provide an experiential customer journey with deep references to Italy and Italian manufacturing. Weaker brands, SMEs should join forces and invest in the communication of their common uniqueness, since their brand alone in an uneducated market could be nothing but a drop in the ocean. As affirmed by Vescovi, "firms and institutions must collectively and consistently lead the process of country-image awareness strengthening"[64], particularly when marketing occurs in non-acquainted markets. "Made in Italy" not only should not be taken for granted but boosting its brand awareness should be a joined-forces system intervention. The second path is rather a consideration than a real suggestion. "Made in Italy" has already gone through the time when the price war was unbearable, and the competition of developing countries was hard to control. The reaction of many Italians manufacturers were cost-cutting strategies, like delocalization. However, while cutting costs could end up in damaging the quality, another strategy could be trying to move the targeted segment up, in the higher income consumer level, and link the high quality of Made in Italy to the exclusiveness concept. This option, anyway, is harder to implement in the Food industry.

To sum up, in Figure 12 a SWOT analysis of the "Made in Italy" in the international arena of the Food and beverage sector is presented.

Figure 12: Made in Italy in the Food industry, a SWOT analysis

STRENGTHS	WEAKNESSES
• High-quality production processes • Food regionalism • Geographical indications and traditional specialities (PDO, PGI, TSG) • Positive COO effect in acquainted markets	• Country Brand awareness • Zero COO effect in non-acquainted markets • Costs and Price competitiveness • SMEs predominance • Limited institutional intervention in promotion
OPPORTUNITIES	THREATS
• Foreign consumption habits and modes • Population growth in emerging markets • Positive Tourism association dimension for the Country Brand • Foreign consumption habits and modes • Communication of Made in Italy	• Foreign protectionism • Cultural distance • Limited local supply of ingredients • Italian sounding

[64] PONTIGGIA A., VESCOVI T., Panni stesi a Pechino, Egea, 2015

CHAPTER 3

FRATELLI SACLÀ: THE ERCOLE FAMILY BRINGS ITALIAN FOOD AND FLAVOURS INTERNATIONAL

3.1 Fratelli Saclà: a family business since 1939[65]

Saclà is a famous Italian family business, whose headquarters and production are based in Asti (Piedmont); the company was established in 1939 by the spouses Secondo Ercole and Piera Campanella. Their idea seems quite simple: they bought local countryside vegetables from the farmers during the seasons peak (when there is an excess in production and the price is lower), then they thought of preserving the fresh produce in jars, allowing consumers to enjoy vegetables all around the rest of the year (especially in winter). They started inside their own home, making jars of vegetables in oil, vinegar and brine. In the Forties and Fifties, Saclà labelled many home-made jars that Asti women home made with local fresh produce. The business started with the surplus of local Asti region production (asparagus, fennel, peas…and bell peppers), until Secondo realized that the jar method could bring new life to fruit and to other Italian products as well. Tomatoes from the South of Italy became part of the Sacla' offer, too. Natural preservation was innovated later with a pasteurization innovative process. Saclà products are still able to be naturally preserved up to around two years without any added preservatives.

"It's important to say that our recipes aren't just for preservation, but transformation, giving the content extra flavours"[66] Lorenzo Ercole, son of Secondo and Piera, explains about the value proposition of Saclà business model. Today, Saclà lays in the hand of the

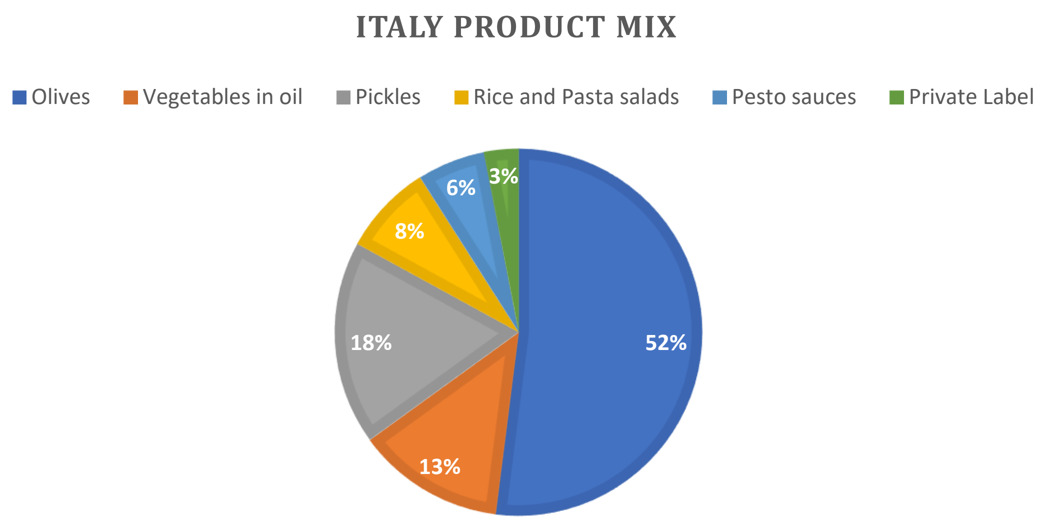
[65] Except for personal observations and some external references which have been specified, every piece of information about the firm, including images, data and observations are from the official Saclà websites or have been kindly provided by Saclà's Corporate Communication division and Export division. Considerations and information about the daily management have been collected through an interview to Saclà's General Manager, the Marketing manager, the Export manager and the Corporate Communication manager.

[66] KNOT B., Con gusto: How Italian food conquered Britain- the story of an island in the middle of the Atlantic that fell in love with pizza, pasta and la dolce vita, Saclà UK Limited, 2016

third generation of the Ercoles, with Chiara, daughter of Lorenzo, being CEO and vice-president of the company while her father is still in charge of the presidency. Lucia Ercole, cousin of Chiara and granddaughter herself of Secondo and Piera, is employed in the business, too. She is taking care of the development and expansion of the brand Casa Saclà. Other family members have engaged in the firm's activities in the past and, while some of them abandon managerial operations, they still all remain shareholders.

Saclà is an admired brand in Italy, the domestic demand now covers 50% of the market for Saclà product. Its brand awareness in the peninsula reaches 95.2% (it's been calculated on a sample of more than 33 million Italians between 20 and 60 years of age). In Italy, the company has become increasingly famous thanks to its olives, especially after a very successful advertising campaign in 1960s[67]. Pitted olives are one of the distinctive products introduced by Saclà. The firm is now market leader not only for olives, but also for pickles and antipasti (vegetables in oil, such as onions, capers, mushrooms, artichokes).

Figure 63: Italy product mix of Saclà in 2018



Source: Fratelli Saclà

[67] The company has been focusing on communication for a long time as the main mean to establish and strengthen the brand. The most successful outcomes for the communication strategy have been brought by the Carosello jingle "Olivolì, Olivolà, Olivolì, Olive Saclà". In the 60s being featured in the Carosello meant stepping inside Italians' homes and the minds of those Italians who, thanks to the economic boom, owned an increasing purchasing power, boosting the consumptions.

3.1.1 Strengths of the business

When wondering the secret of Saclà popularity and success, there are 2 aspects that brings a possible answer.

One is innovation. In fact, Saclà success also comes from the innovative changes that the company step by step has been introducing. Innovative products to boost the domestic development and internationalization of the company are core of the vision of the company itself. One is the innovation in the production, which has gone hand in hand with the special attention paid to the technological and technical update of machines and equipment. Therefore, innovation comes in the offer, with new product lines and up-to-date proposals for consumers, making their experience easier to access and unique to taste. Innovation actually permeates all the elements of the marketing mix, too. Products' packaging for example has been and still is a very important component and an objective of continuous innovation, because the management has understood its importance and influence on sales and branding. Jars are the trademark of the company, and the jar has been essential for the development of the business abroad (see the following section). Saclà has integrated glass jars since the 60s with an easy-to open plastic cap which also guarantees the best preservation: it then evolved in the twist-off plastic cap. While for olives, after jars and cans, it was launched the olive packets, which have become very emblematic of Saclà olives on the stores' shelves. Packaging is the component that allows the company to encounter the costumers needs, explicit and silent ones, including cultural needs. Of course, it also allows to distinguish the different product lines that Saclà has continuously developed. Finally, packaging is also part of a branding strategy, helping to make the identity of the company easily recognizable.

The other aspect that positively influenced Saclà performance on the market is its nature: we are talking about a family firm, where family members have been involved in the management of the company from the very first day until today. The family is totally leading the decision-making process. Very few executive managers have backed up the family and Saclà has always had a very thin and simple organizational set-up, which consequently allows the company's decisions to be taken rapidly. This rapidity is exactly the best benefit the firm draws from being a family firms: rapidity is a true competitive advantage for Saclà, especially since it is associated with the flexibility of its production lines (another crucial element of strength of Saclà)[68]. It allows the firm to be very competitive also in the international perspective. As we mentioned when we described the mirroring back model in the previous chapter (section 2.4.1), time efficiency in integrating the learning achieved by exploration and rapidity in the resulting innovation creation is a condition that allows to maximize the firm competitiveness. Especially when it comes to product development, the first firm introducing the product on the market, despite facing penetration uncertainty, is the one that will benefit the most from that product. Market entry timing is always a crucial variable in entry strategy and being the pioneer will benefit the firm of a significant market share. The fact that the communication flows are very short, and the decision making does not take too long, brought Saclà more than once to be the first player in introducing a product on the market. Multinationals can be a great thorn in the side of small and medium sized enterprises. However, multinationals cannot often count on this rapid dynamism in taking decisions, as they are usually characterized by layers and layers in the organizational structure which slow down the innovation process.

Moreover, speaking of innovation and product development rapidity, its Research and Development department is certainly the firm's key to remain competitive. This division is continually focused on product development and innovation, trying to adjust to the consumers' taste and to anticipate the market trends, but without compromising on the flavour, genuineness and freshness of the product. On the other hand, we can definitely give credit to this firm for the ability to come to compromise to match the foreign consumers' taste and habits, too, updating traditional flavours, without irrevocably breaking the tradition. R&D in Saclà employs chefs and food technologist,

[68] The flexibility of Saclà product lines, once again, is a consequence of the great attention Saclà has always paid to innovation. When he joined the business, at the end of the Fifties, the role of Lorenzo Ercole, one son of the firms' founders, was dedicated to the exploration and the study of the most useful technological knowledge available at that time for the production phase. In fact, the firm was dealing with a larger scale production and needed a technological upgrade to guarantee the hygiene safety and the quality of its outputs. That was just the beginning. The capability of understanding the need of innovation, first, and then the one to select the most adaptable technologies has always marked Saclà. The fact that its long time General Manager is a specialized engineer is not a coincidence, but it is rather another evidence of how relevant the attention to technological progress and innovation has always been for the family to guarantee the business success.

whose goal is creating genuine recipes which meet the taste of foreign and Italian consumers, trying to innovate flavours. Family is involved in this process, too. The CEO Chiara Ercole and family members still have the last word on new recipes. Once the recipe gets the family ok, it is just a matter of few months to find the product on the shelves. In Saclà, creativity and innovation are boosted by an intentional openness and informality in communication, which allows staff and managers to make their contribution to the product development. More than one thousand new "recipes" a year are experimented by Saclà R&D, many of these allowed the company not only to differentiate, but also to create new lines for new profiles of consumers (for instance, vegan people or foreigners with different food habits, like kosher cuisine). On average, depending on the various foreign markets' preferences, the past stir sauces range alone has around 20 options.

Figure 14: an example of Pesto adaptation for the United Arab Emirates' market, the coriander pesto.

Source: www.sacla.ae

Saclà portfolio of certificates and awards for quality and innovation is well furnished and it continually undergoes different controls to guarantee the adherence with quality and health requirements (which also vary a lot from country to country).

In addition, Family becomes an advantage also as far as the firm's values and culture are concerned. Underpinning the idea of family there is the concept of trust, that can be influential for the business, from many and different points of view. From a manager's one, this trust translates in the possibility of taking risks with the family members' support. Managers must prove loyalty and reliability to family members. However, the environment and the culture inside the firm is more informal and family members who are daily colleagues with non-family managers tend to allow and to forgive more often than non-family owners do. Second chances are given, risks are taken and approved when managerial relationship tend to be more and more like family ones, especially if the number of executives is a limited one. So, this Family/Trust concept becomes a positive push towards development and risky expansion, such as Internationalization. There is another perspective from which the Family/Trust concept is also beneficial: in fact, if we consider the customer perception of products developed by Family firms, it appears products of Family firms are associated to genuine, natural products. Food is something that Italians very much relate to family: Italians trust food prepared by mothers and grandmothers. It is difficult to put the same trust in a product on the supermarket shelves. When a family lays behind a business, the customer is inclined to believe the products are worth his trust, that there is commitment behind a brand. Saclà's brand is built on the foundations of a family, which, for almost 80 years of business, has been enhancing the Italian fresh produce and safeguarding the essence of the traditional Italian cuisine (quality products and local recipes), while adding its personal touch to "Made in Italy" with family recipes, its know-how and pioneering ideas driven by the authentic passion of family members. Sharing with costumers that this authentic effort and passion is not just storytelling, but the Ercole's family everyday life, is what strengthen the relationship between the firm and partners. That is why Chiara Ercole is in the front line engaging with customers as well. As a matter of fact, as it emerged from the interview with the firms' managers, customers like buyers and distributors value very much her direct participation, for example in meetings. They probably love to meet the generation which represents the current orientation of the business, but at the same time they value the face to face meeting as a guarantee of the future commitment to the business and their business relationship.

3.1.2 Sharing the shelf with big players

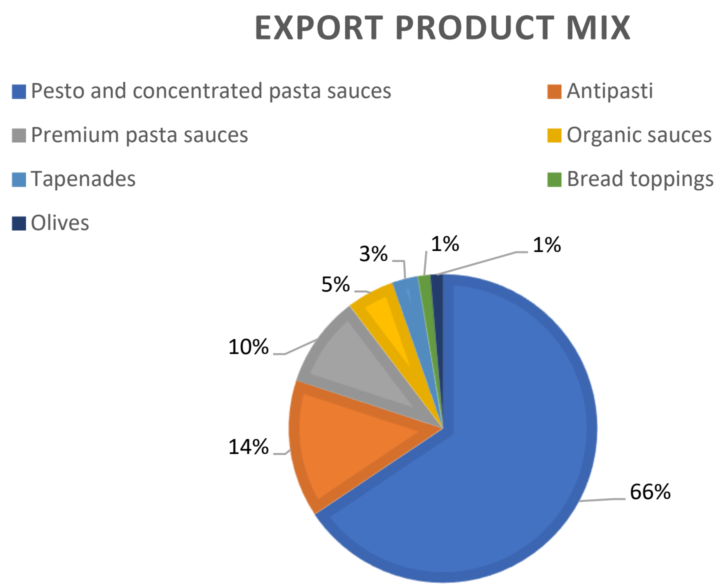
Saclà employs around 200 people (with a 50-50 ratio between those employed in the production and those in management activities), including the staff of its international commercial subsidiaries. Its annual turnover overcomes 120 million euros. This Family Business is therefore a medium-large sized one which, like many other non-large enterprises (small-medium is still the Family Business most typical size in Italy), must compete with big multinationals. This is probably one of the greatest challenges: being competitive against the big players. There are many aspects in which is much easier for a multinational to battle in the market war and be more competitive: the amount of resources, the cost control, tailored taxation and laws or simply a direct dialogue with governments and institutions. First, Multinationals are advantaged when it comes to price war. Then, more resources mean also that more investments are possible: distribution channels, famous testimonials, advertising and expensive marketing strategies are basics of the communication and brand strategy of multinational companies. In terms of awareness and popularity, it is easier to attract the consumer for them. SME products share the shelf with them, but it is hard for them to offset the advantages of MNCs. Once again, R&D is probably the crucial area to be competitive, especially in the food sector. Consumers expect products to be healthy and tasty, with a good price-quality ratio. In this era of daily technological development and scientific knowledge, they don't want to sacrifice either taste or healthiness anymore, they are not inclined to accept excuses or compromise. Everyday quality and sustainability become increasingly important for consumers. Family business cannot only take advantage from the trustworthiness that consumers tend to perceive from a family-run firm. They also have to invest to fulfil their expectation: something that MNCs often confuse for a cheap price, but that is increasingly composed by quality and healthiness as well.

3.2 Fratelli Saclà goes international

3.2.1 The introduction of a new product: Pesto

When discussing family business Internationalization, it has been argued that second and incoming generations are often more international-oriented than the first generation is. It is true in the case of Saclà , too. In fact, we should give credit to Lorenzo and Carlo Ercole for the implementation of the international expansion of the firm. Saclà's approach to foreign customers and markets started when the lead wasn't in the hands of the second generation yet, even though we can't name that involvement as a phase of proper internationalization. In fact, Saclà started quite soon providing its product to the best Italian restaurants in Italy and abroad as well. There were even some occasional export activities. However, it wasn't a structured operation and Saclà used to sell its domestic product lines, without adopting any adaptation yet. Internationalization was actually led by the second generations with the sons of Secondo involved in the internationalization management (while Lorenzo focused on the technical details, Carlo was export manager, and later they both covered the CEO and chairman roles). It has been under their control that Saclà achieved a successful international expansion and opened its international commercial subsidiaries, too. As we mentioned, at first there was no ad hoc export proposal. Jarred vegetables in oil, vinegar and brine together with pinned olives were Saclà business proposition, leader on the Italian market. However, the international success the firm has achieved is due to one brilliant choice: Saclà diversified. Even though the firm could count on a leading role in the domestic markets for antipasti, it looked at the big picture and aimed at generating a new demand on foreign markets which was complementary to the only idea of Italian food that was already very much widespread and accepted: the pasta consumption. Today Saclà is internationally known mainly as Pesto and pasta sauces producer. The production of Pesto seems to have been Piera's idea. Her family had Ligurian origins and it has been her idea to start the pesto production, too. Once again, her idea of Pesto in a jar was very innovative. Pesto is a condiment which is mainly used fresh. Before the Seventies, it was mostly home-made and, particularly before this jarred-Pesto business had started, only Ligurian and tourists visiting Liguria had the chance to taste it: the condiment was quite unusual in the rest of Italian regions, not to mention in the rest of the world. Sometimes tourists may have taken home some fresh Pesto after a trip, but no one had the idea to start a business of jarred-pesto like Piera had. Therefore, Saclà not only started the production of an innovative proposal, but also helped the Pesto diffusion and consumption outside the Ligurian boarders. Pesto was introduced on the domestic market; however, the product has never become the top-of-the-range product in Italy compared to antipasti and vegetables. On the contrary, Pesto became for Saclà the strong point and its international signature, together with other pasta sauces, conceived to conquer foreign markets. Even now, at a glance it is possible to notice that while in Italy Pesto represents the 2% of the product mix, it covers the 66% of the export one. At the beginning, the range of products for export barely included the domestic market successful products of Saclà (olives and pickles), indeed. The firm focused on setting up this particular niche market, pasta sauces, which basically didn't exist abroad yet or was only at its first stage in some European markets. We can affirm that starting from the Nineties, Saclà's development has made this niche bloom in a real product category, which is now quite wide. In the Seventies, the jar production reached the 70 thousand jars, today it is around 18 million jars.

Figure 15: Export product mix of Saclà in 2018

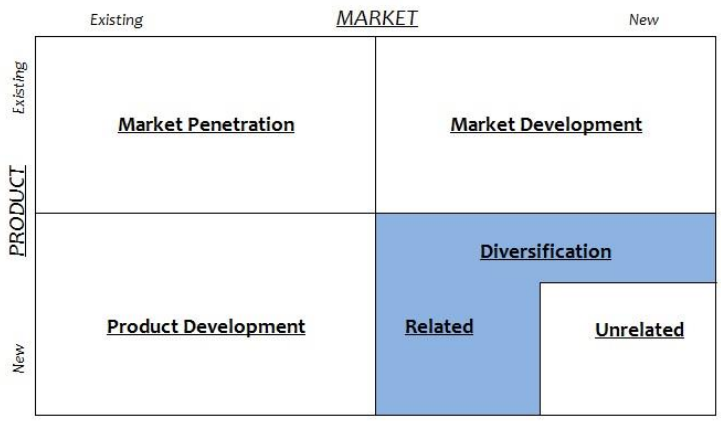


Source: Fratelli Saclà

Of course, despite the product was quite new in Italy, Pesto itself was not unknown. On the other hand, Saclà started exporting abroad, mainly in the Uk, where Pesto was a real stranger. Even though the market was not acquainted yet, the product differentiation strategy chosen by Saclà proved to be value-adding, since it allowed the firm to positively leverage the Country of Origin effect: in foreign consumers' mind there was already an association to Made in Italy, Pasta. Therefore, Saclà was launching its brand in association with a strong positive element of its country of origin. In addition, despite Pesto's non-existent awareness at the time, in the Uk there were other elements that were quite famous and loved: Italy, the beauty of its landscapes, its history, Italian lifestyle, Italians love for conviviality, their passion for food and traditions. These are also the elements that Saclà emphasized and combined in the promotion of their product in the new market, establishing a very important and crucial way of communicating the value of their products and business. In addition, Saclà put great effort in communicating the uniqueness of the product itself, pairing the Pesto sales with the distribution of Pesto books to educate consumers about its ingredients and its points of difference, such as the freshness of basil, which Saclà works within 24 hours from harvest. Saclà still claims that no brand positioning strategy was adopted, they didn't find it was necessary: on the contrary, the uniqueness of its success on foreign markets is linked to the authentic corporate and product story-telling that they could communicate.

Saclà case is certainly not the only example of a company that internationalizes with a different flagship product compared to the home market one[69]. It is valuable strategy for a firm to diversify as it enters a new market: this creates new circumstances and a lot of possibilities to grow. However, this is actually the riskier circumstance, as it is described in the Ansoff's matrix. This matrix has been developed to describe the possible strategies a firm should implement in order to grow its business, considering as variables Product and Market. (Figure 3).

Figure 16: The Ansoff's Matrix – Strategies for Growth: Related Diversification



Source: www.themarketingagenda.com

We must clarify that Saclà diversification didn't result in an industry diversification. Diversification is usually implemented to financially protect the business from potential threats, which will not be able to tear the whole business down when it diversifies across different industries. This type of diversification is called unrelated. However, this is not the case of Saclà, which engaged in a related diversification, and therefore continued to

[69] Diversification is quite common. For example, another very famous and successful Family Business, Samsung Eletronics, is well known for adopting the diversification strategy when entering a new market: the product lines that have been introduced by Samsung vary from textiles to solar cells, from medical equipment to smartphones. Samsung diversification, though, is mainly unrelated.

operate inside its value network and to make the most of its capabilities of vegetables transformation processes and food preservation.

3.2.2 The International presence of Saclà

Saclà products are currently on the shelves of supermarkets in 50 countries. This-presence has not the same characteristics in all the countries and the level of commitment changes as well. The main markets for export, which are also the ones where Saclà has been present for a longer time, are the United Kingdom, France, Germany, Benelux and the United States. In these countries, Saclà is now present with a FDI: commercial subsidiaries have opened, while production has never moved and still totally remains in Asti. These subsidiaries run marketing and communication activities specifically tailored to their foreign markets, and they are mainly staffed with foreigners, who can bring knowledge about the local market culture. Moreover, staff in the subsidiaries is a valuable resource to bond with foreign partners and to either build or grow the best business relationship with them. Marketing decision making is quite decentralized, the total control and decisional power in the commercial subsidiaries is in the hands of subsidiaries' directors, who can adopt their ad hoc and tailored marketing strategies. However, their conducts are subjected to audit inspection and the directors must report to the General Manager in Italy. Let us take a step back and identify the process that lead the firm to invest in the opening of commercial subsidiaries. We now bring the British case under the spotlight as an example of Saclà's step forward from indirect export to foreign direct investment. In its first phase of exporting in the Uk, in fact, Saclà mainly sold jarred tomatoes and bell peppers, and there was the necessity to create a professional and trustworthy network of partners, especially buyers. This network was essential to explore the new market and test the waters before launching the new products Saclà was working on in the pasta sauces category. Once it became clear that Saclà intercepted an unexplored market with a great growth potential, Pesto was introduced to the market. However, distributors had the last word on marketing strategies, and despite this could be helpful in terms of consumers' habits knowledge, it did not allow the firm to educate a market that still was predominantly non-acquainted in terms of Italian cuisine and "Made in Italy". Therefore, the opening of commercial subsidiaries is a choice that arose from the necessity of standing out and stopping the distributors' dominance in determining the marketing strategy. At the beginning the subsidiary was staffed with the people that Saclà was already counting on at the time: the firms' British buyers. From that moment on, the focus of Saclà's subsidiary was not only placed on boosting sales, but in promoting the value of Italian cuisine and building an instant association in British consumers' minds between the latter and the Saclà brand. We will see how they engage to reach this goal in section 3.3.

As a matter of fact, Saclà had a long way ahead when it started exporting in the Uk, but we can now state that the decision of opening a subsidiary was very positive: successful results have already been achieved in this market. The British market was the first one Saclà has approached internationally and currently around 60% of Uk market share of Pesto sales is under Saclà's control. Aside from the different Pesto recipes, the firm introduced the "Intenso" line (a selection of very flavoured sauces which enhance some Italian ingredients, like Mascarpone cheese, and olives, Sacla's trademark) and a tomato paste which can also fall outside the pasta making preparation and suit the casseroles and roasted British recipes. The antipasti range is quite limited in the Uk, since the market is more receptive in the pasta category. The proposal for the food service, though, is wider and includes some Italian distinctive products like capers. However, despite pasta sauces are the flagship product in every foreign market for Saclà, in other countries the firm has widened his proposal much more than in the Uk, to suit the different preferences of consumers. One perfect example of Saclà's product proposal tailoring is the one operated for the French market. It is no secret that French cuisine is generous with the use of pâtés as much as bread consumption and bakery tradition in France are established daily habits. Embracing these customs for Saclà has meant realizing a range of tapenade and spreads to match the consumption of baked products. The interesting phenomenon is that meeting the foreign consumers' tastes pushed the firm towards new proposals for the domestic market, too. Spreads and a new bruschetta-oriented line were realized and introduced in Italy, too. Adapting to the French market for Saclà is a continuous process based on the acknowledgment of the necessities of French consumers, sophisticated and gourmand palates who enjoy gourmet proposals. That's why pesto, tomato sauce and antipasti have been enriched with delicacies like figs, truffles, burrata cheese, pistachios, ginger and curcuma. Aside from the classical Italian sauces (Bolognese, arrabbiata, Neapolitan…), the gourmand proposal is a major success in France. Moreover, the feedback from the French market suggested to the headquarters that it is possible that in some market product's traits like freshness, seasonality and taste combined in innovative recipes can overcome for importance the perception of Italian traditions and Made in Italy. French consumers showed that the value of Saclà product doesn't limit to Italian origin and Italian production. I believe, this is an important lesson to keep in mind and to put into practice when thinking about which values are more crucial to stress in branding communication according to the context. As a consequence, for example, on Saclà's French product labels the Italian reference is not the focus point and it is as important as the long history of the business, while the attention is rather captured by the images of the distinctive ingredients of the recipe and by the symbols of quality and organic certification, when it is the case.

France has been an interesting case of adaptation for Saclà. However, the contextual analysis can bring to the surface different lessons according to the country, and every lesson-learned should not be standardized and taken for granted in other countries. As far as pasta sauces are concerned, Saclà is not only leader in the UK, but also in Australia, France, Belgium and Holland. Compared to the French case, Australia and Belgium are two countries with an historical Italian touch, due to the massive waves of Italian immigrants, especially, after World War Two. The Australian and Belgian consumers are not new to the concepts of Italian cuisine and Made in Italy. Any reference to Italy, Made in Italy production and Italian cuisine are more than welcomed and appreciated by the consumers. Saclà products' labels for the Belgian market are translated the minimum and Italian language is one more element which captures the consumer. However, since Italian branding successfully breaches in these markets, the phenomenon of Italian sounding is quite developed and is an abundant source of competitors.

3.2.3 Lessons learned

Over 30 years of experience on the international market has definitely lead Saclà to change. We are neither talking about core values nor about the essence of the brand and of the value proposition, but this change concerns the adjustments that Internationalization has required not only from the production point of view, but also from the decision-making one. We would like to call them the lessons Saclà has learned on the international scene.

3.2.3.1 The right business partner

When we discussed the presence on the British, French, Australian and Belgian market, we venture in describing the experience in markets that today are acquainted ones. However, almost 80 years after the firm's establishment, there are and there were markets where it has been difficult for Saclà to penetrate. A crucial role is played by distributors. We have mentioned in the second chapter the essential part played by intermediaries to gain market knowledge, to build a solid brand reputation and to develop a local network. The right business partner, for example, could be the one that drives you to a solution that is still not contemplated in your headquarters and is necessary to adapt to adapt to the new market[70]. We also said that fairs are usually the best occasion to meet and to evaluate the partnership possibilities. True. Saclà confirms fairs are still the best and the most common stage for distributors to introduce themselves. However, during fairs the modus operandi of many players is to rush at firms' export managers and firms usually fall in the temptation of trusting these proactive actors, underestimating the importance of the direct knowledge about the new market context which is essential for the firm itself. Therefore, it is the firm experience that drives the appropriate selection of the right partner, which could not be the same of the most immediate choice, though. It is thanks to experience that the firm can learn how to get to the fair already well prepared on potential interesting partners. No doubts that experience in choosing the right partner isn't synonym of success on the market at the first attempt. The access to non-acquainted market can even require changing intermediary more than once, like it occurred when Saclà was approaching the Israeli market. It is important not to give up and to have the big picture at hand. Failing with one partner is an opportunity of learning for the next scenario as well. Except for market analysis and distributors' performance analysis, according to Saclà's Export Manager, there are two variables that are useful to evaluate the potential distributor from the very first approach: how long it has been in business for and which are the other brands it is distributing. These two variables can provide an essential picture suggesting whether it could suit our firms' necessities and our brand, or

[70] For instance, we could think about those intermediaries that have experience with e-commerce. Going back to Saclà's experience, its products are sold online on several markets, however, among them there are markets where e-commerce is essential since is part of the consumers' daily purchasing routine, like China. The essential characteristics of the right partner for selling products in China is therefore the capability of placing Saclà's products on the most important online purchasing platform. (Saclà's offer is now present on TMall and JD, two very common Chinese e-commerce platform, indeed.)

not. Currently, Saclà usually involves no more than two distributors per country, one for the food service and one for retail. Except for the countries where it invested in subsidiaries, Saclà now rely very much on intermediaries. However, it is very clear to Saclà that engaging on the market through distributors or subsidiaries implies playing a very different role in terms of control. The presence of subsidiaries allows the firm to design and set up a strategy, whose application and results depend very much on the subsidiary's performance. The subsidiary has margin to adapt the strategy and tailor it to its market, however control is centralized, and its managing director must comply with the headquarters' imperatives. On the contrary, engaging with distributors implies a great loss of control from the strategical point of view and Saclà has learned that it is synonym of surrendering to their strategy.

3.2.3.2 Mirroring back

The very first subsidiary of Saclà, the one in the UK, has been crucial from the very beginning for the headquarter to understand and make the proper adjustments, to set matters right. It has been very helpful not only to improve performances, but also to increase efficiency and time-efficiency when facing operations in all the other markets and also in the domestic one. First of all, the opening of the subsidiary has allowed the firm to understand the absolute and fundamental necessity of the R&D department. A division which is crucial in the Food sector and which needs an organization that boosts efficiency and innovation. The domestic market has benefited of R&D division's growth as well. This lesson goes hand in hand with probably the most important one learned by Saclà: compromise is important, it is very influential to accept it and to understand that it is the only way to adapt to new markets. It is impossible that a business suits every market with its standards. Accepting the compromise that the different culinary traditions and nutrition customs require is the first step to improve results and it is fundamental that this compromise is shared in all the decision-making levels. Last but not least, Saclà's adjustments are linked to certificates, for instance certificates of quality. As we know, not only countries but also retailers can impose control and requirements, and Saclà has learned that putting effort from the very beginning in actively implementing the required measures and standards is time-saving. After all, they are not pieces of paper but it the firms' guarantee to consumers, something that allow the firm to enjoy reputation and distinction.

3.3 Making Made in Italy an opportunity

Communicating Italian origin and production has been a goal for Saclà for quite a long time. Even the brand logo[71], which originally was blue, has changed and in 1974 the restyle introduced colours that can recall the Italian flag and the Italian passion for the good food. In the 2000s, because of the increasing international expansion, the "Italia" writing was added in the logo under the name of the firm. "Qualità Italiana since 1939" (Italian quality since 1939) is written on the covers and on the seals of all kind of product packaging, including the distinctive glass jars. Some extra references have been added occasionally to market the product in specific country were the brand was still building awareness but could count on the wide diffusion of a positive perception around Italian heritage and lifestyle. The consistency of images between the advertising campaign "Just taste it!" in the Uk which occurred in 2003 and the product packaging implemented on the British market is an example of Saclà vehiculating the coherence between Italian lifestyle and the brand values[72]. The campaign displayed images of some Italian picturesque landscapes and included Italians in evocative situations attributable to the Italian lifestyle (like while having a Family lunch, buying groceries in a local food shop, enjoying a snack while reading a newspaper and more). Saclà tries to make a great use of the purchase place as well to strength the connection and the association with its home country in consumers' minds. When the retailers leave room for manoeuvre, Saclà sets up purchasing experience connected with Italian tradition. This has been particularly the case in the markets where Saclà's commercial subsidiaries take care of the distribution. Aside from banner and design scenic placements which recall Italy, Saclà has developed projects which link the brand straight to some icons of Italy and Made in Italy (Figure . For instance, the flash mob organized where Saclà's Pesto is main character (in an English school canteen, in a London grocery store and in a pizza restaurant in the Uk) when opera singers interrupted the daily routine to start singing classical pieces of Italian Opera and

[71] http://www.museodelmarchioitaliano.it/marchi/sacla.php

[72] In 2006 Saclà published a celebrative cook book of Italian cuisine ("The Painter, the Cook and the Art of Saclà"), written by Anna Del Conte and illustrated by Val Archer, which aimed to promote Italian recipes and places not very well known, together with the Saclà brand, through the words and illustrations of two figures of the British cooking and art panorama

Operetta[73]. The video went viral and there was a massive result in suggesting to consumers the association between the brand and Italy and what Italians do the best.

Figure 17: Saclà advertising campaign "Just taste it!" and the consistency with product packaging

Source: Fratello Saclà Corporate Comunicatino division

Figure 18: An example of Saclà in store-placement in Germany where pesto is showcased with another Made in Italy icon, the Fiat 500

Source: Fratello Saclà Corporate Comunicatino division

[73] https://www.youtube.com/watch?v=44UC6muN8KY

3.4 Presence in Non-acquainted markets

Saclà has reached with its products countries which, from a cultural perspective, we would hardly associate not only to Italy, but also to Western lifestyle in general. In some of these countries, though, like the United Arab Emirates, it has been decades that the panorama has already been targeted and consequently overwhelmed by Western brands and retailers, and the market in the country is quite globalized. The high rate of foreigners and expats who sojourn and live in this country has contributed to the diffusion of a Western lifestyle which is now synonym of exclusiveness and quality. Moreover, the one characteristic that influence consumption in this country is that nowadays, expats have outnumbered locals.[74] Therefore, while for locals, the Western lifestyle embodied by the clubs, boutiques and restaurants' offer, is the exotic element that local people want to experience to grab a chance of exclusivity and uniqueness, for expats it is nothing but a sense of feeling at home away from home. In this environment it is clear that Made in Italy can easily take root and that is why a market which could be considered culturally distant, is on the contrary quite educated on the excellence and customs of Italy in the food sector. Therefore, Saclà has been able to implement its effective strategy of matching its own value with the one of Made in Italy. Communicating both Italian origin and Family tradition in magazines advertising, publishing campaigns in association with other Italian brands of the sector and capturing references and reviews of Pesto issued by some of the most popular and established food magazines like (BBC Goodfood) are some examples of how promotion and communication has been undertaken in this partially acquainted market.

This decision of targeting expats recurs in other markets who are the drivers of the Food sector's demand for the future, like China and India. Locals are addressed by Saclà only in small niches. These niches are populated by wealthy food enthusiasts, who engage in the purchase of foreign brands as aspirational brands, to bring home a symbol of Western style, a small piece of Europe, that they probably got acquainted with during a visit. As far as China is concerned, Saclà has been present on the market since the beginning of 2000s, and it is distributed mainly in the urban areas where it can reach the kind of costumer that we previously described. At the moment , Saclà's awareness among

[74] https://www.government.ae/en/information-and-services/social-affairs/preserving-the-emirati-national-identity/population-and-demographic-mix

Chinese consumers is increasing, as a result of more than a decade of presence on the market, during which Saclà through its local partners has focused on collecting the feedback of consumers. Chinese consumers are driven by quite a strong ethnocentric orientation in the Food sector. The cuisine is very regional and traditional (something in common with the Italian one), and it mainly include rice, meat and fresh or steamed vegetables. However, especially in urban areas, not only expats, but Chinese people, too, have started to integrate their diet with Western cuisines, which are which are very much appreciated. Saclà top selling products in China is, of course Pesto, together with olives and sundried tomatoes in oil. However, Saclà has introduced on the Chinese market a range of sauces with meat, which could suit not only the taste, but also the modes of consumption of the Chinese consumers. The launch of this product line has been supported with in store tasting promotions, cooking classes and special events with the aim to display to the Chinese consumers the versatility of this product. In fact, these new sauces can be matched with pasta following the Italian way, but they have been tailored on Chinese consumers in order to allow them to integrate the sauces in the preparation of their meals as ingredients or dressing. This product allows Saclà to both engage in leveraging Made in Italy in product communication, but also to stress the adaptability of its product to the local cuisine.

As we mentioned in chapter 2, though, there are markets where Italy's country brand and Made in Italy are hard to leverage. Countries like China, for instance, where the average consumer has a very indistinct map of Europe in mind; so, it goes along with this that it will be hard for this kind of consumers to pick what is typical of Italy, rather than France or vice versa. There are some associations, of course. However, they are often not the ones we would expect. Let us take pizza for example, a delicacy that we all associate to Italy. In China, pizza is America, due to the first mover and the most influential actor on the scene, that is to say Pizza Hut. If the firm cannot rely on the COO effect, what is the opportunity to take to breach in this kind of markets then?

We have two suggestions to make. First, we believe it could be very helpful to engage with opinion leaders. This is the basis whether your country of origin brand has developed its effect yet in the market you are targeting or not. Especially in those countries with high rate in the power distance cultural dimension, market penetration for new products is harder and educating and attracting the interest of consumers by engaging opinion leaders as brand ambassadors is crucial (as we mentioned in paragraph 2.2.1.1 of the previous chapter)[75]. The second observation we raise is focus on the product and make it the most suitable version for the non-acquainted market that your R&D department can come up with. Even if it means diversification. It is risky but being stubborn on something traditional is not the key, like change is. As far as Saclà is concerned, for example, related diversification could carry less risk and it is something that Saclà has already experienced. In my opinion, leveraging their long-time experience and their flexibility in processing vegetables, Saclà could focus R&D efforts on developing a sweet line of jarred vegetables and fruits, taking advantage of one element that is the established preference for the sweet and sour flavour that is typical of the Chinese taste.

[75] Even in acquainted market like the British one, Saclà had to involve opinion leaders to promote its sauces and to recommend some possible mode to use them and to add them in the preparation of British recipes too. The opinion leaders involved by Saclà included both Italian chefs who run famous restaurants in the Uk (i.e. Giorgio Locatelli) and celebrities of the British cooking panorama. For example, Delia Smith, a famous English cook, television host and writer, whose section in the Sainsbury's house magazine was sponsored by Saclà and who also took part in some culinary events to promote pesto.

CONCLUSIONS

After reviewing the literature in the Internationalization field of study, this thesis confirms the destabilizing action that the process of Internationalization represents for firms. This process not only impacts on the financial resources of the business, but also on the organizational structure, the position of the firm in business networks, the internal information flow and the product development. It might not undermine the value proposition of the firm, but it certainly requires a redefinition of the business model, like the introduction of new key partners or an assessment of the necessary key resources. Therefore, the conclusions we are drawing here in this section are to be considered as premises and potential preventive actions to undertake for any Family business which wants to start internationalizing or for any firm internationalizing in the Food industry: a sort of check list that the business should do before taking the risk and the opportunity of Internationalization. Moreover, a consideration about Italian family firm Internationalization is given, too.

During the elaboration of this project of thesis, one challenge has immediately showed up. The Family Business area of studies is very dense of ideas and analysis and, as we mentioned in this thesis, it is gaining increasingly more scholars' contributions. This is certainly a positive element; however, our interest in Family Business was focused on the aspect of Internationalization and it became quite obvious from the beginning of this project that the Family Business area of studies is difficult to clusterize and there is almost no insight which only covers a limited aspect of these firms. On the contrary, most of the literature in this field is multifaceted and articles simultaneously encompass many topics, resulting in what we can describe as a net of contributions whose main nodes are represented by the most recurring issues and characteristics. We understood that familiness, risk management, generational involvement and long-term business view are the nodes that interfere in the analysis of Family Business Internationalization. Therefore, we claim that a Family Business venturing on Internationalization should be aware of the influence that these intrinsic elements of its nature can produce on Internationalization. The main issue remains human capital and the roles definition. Setting up the best task force team for Internationalization or simply selecting the best fit for managing

Internationalization is of the utmost importance for a successful outcome and the overlapping of family and business can interfere with the decision making. That's why familiarization or professionalization of management still seems to be the most unsolved and yet the most important dilemma of Family Business. Except for stating that the decision might be contextual, we would like to add that it is crucial that this dilemma is included in the entrepreneurs' decisions in a destabilizing situation like Internationalization, as much as the decision of a possible expansion of the working forces. In fact, despite it has been clarified that being a large firm is not mandatory to be able to internationalize, it appears that an increase of activities had better be followed by an integration of human resources with an international mindset.

Last but not least as far as Family Business Internationalization is concerned, the findings of this thesis have confirmed the consistency of Family Business Internationalization with the theory of stages of Internationalization, and we speculate that this is also due to the most common size of this kind of firm still being the small-medium one. Moreover, we claim the importance of the consistency with the Network theory as a right motivation for Family firms to build up international relationships that can improve its reputation and can help the firm to implement adaptation thanks, to the mutual learning. Learning is, in fact, as highlighted in chapter 2 as well, one of the elements that an international business should pay more attention to in order to be competitive on new markets, too. Whether learning is the outcome of experience, of business partnerships or off market exploration, gaining knowledge and be able to adapt the business in compliance with these new pieces of information is the key to success, especially in an international context. Therefore, the entrepreneur leading a Family Business should delineate the strategy to offset the liability of outsidership in international networks and , hence , allow the business to gain the knowledge necessary to overcome the liability of foreignness in new markets. Restructuring the firm set up and developing a flat organizational structure which benefit informality and flow of information could be advantageous to achieve this goal.

Concerning the Food sector, there are three conclusions this thesis allows us to draw. The Internationalization process of a firm in this industry cannot exclude (1) a cultural approach, (2) market exploration and learning, (3) incessant product innovation. The best way to achieve these objectives is to undertake a deep contextual analysis in the targeted market to delineate the elements of cultural diversity that could challenge the acceptance of our product by foreign consumers and to learn by doing, engaging in internationalization choosing the best fit to establish partnership. Simultaneously, the learning about food consumption and purchasing styles together with any operational adjustment must travel to the headquarters and generate adaptation and innovation. Whether adapting is required by administrative barriers or by the preferences of new consumers, the firm internationalizing in the Food sector had better comply with two characteristics to better face the industry's challenge: first, a flat organization which facilitates and accelerate both the information and knowledge flow and decision-making, boosting innovation; second, proactively engage in the search and choice of the best fit as a partner in the new market, who will facilitate market exploration, learning and adaptation. Of course, another consideration must be added: a multidomestic industry like the Food one which requires more adaptation than standardization asks for a great financial investment in marketing strategies to achieve foreign market penetration. As far as Made in Italy is concerned, despite the verification of a valuable COO of origin rank in the Food sector, I came to the conclusion that awareness of this brand could increase if the effort was undertaken with a system approach by firms and institutions, but we also concluded that stepping out from the ethnocentric orientation which characterize this industry could help provide Italian firms with more business opportunities in markets that are distant from the Italian one. Italian firms are probably overestimating the beneficial influence of the Made in Italy brand and simultaneously underestimating the team effort that they had better put in communicating the Italian identity in their sector, especially the Food one. It seems to me that at the moment the promotional actions of Italian products lack both of the government investment in a systemic view, and of the mutual support among Italian brands. That's why I believe, even Italian small and medium Family firms playing in the international arena should consider joining forces and to introduce themselves as a team, as a one packed of expertise value proposition, to new markets.

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