

Innovative
Management
Perspectives on
Confronting
Contemporary
Challenges

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CHAPTER TWELVE

DIAGNOSING THE COMPETITIVENESS OF SMES ON INTERNATIONAL MARKETS: CONCEPTION AND TESTING OF AN INNOVATIVE SOFTWARE

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1. Aims and methods of the research

A firm's ability to enter a foreign market entails the activation of a screening process that starts with the selection of those markets held to be interesting in that they are compatible with the specific features of the product on offer, the characteristics of the firm and the expectations of its management.

Starting from this assumption, the study aims to identify a suitable method for analysing foreign markets and establish criteria for monitoring firms' internal skills (with the aid of a software application created *ad hoc*), in order to adopt a suitable internationalisation strategy that also makes use of the internet. The field of inquiry chosen for the application of the proposed method – wine tourism, see the box below – derives from specific research interests (which are connected to projects currently in progress). However, it also reflects current market trends, especially the growth of “destination Puglia” – a region with a long tradition of wine-making, now characterised by a strong shift towards higher quality – as an ideal location for wine tourists. This is confirmed by the American magazine *Wine Enthusiast*, whose list of the “*Ten best wine travel destinations*” for 2013 includes only one Italian region: Puglia.

Wine tourism

Wine tourism, which is currently seeing strong growth, is defined by Hall and Macionis (1998) as “visitation to vineyards, wineries, wine festivals and wine shows for which grape wine tasting and/or experiencing the attributes of the grape wine region are the prime motivating factors for visitors”.

The phenomenon can be considered from various perspectives (Getz, 2000; Sparke, 2007): i) for destinations seeking to attract wine tourism, it entails drawing up and implementing a new wine-related strategy; ii) for operators involved in wine production and distribution (producers, distributors, retailers), it offers an opportunity to reach new market segments; iii) for wine consumers, it corresponds to a new form of tourist consumption.

Indeed, depending on one’s perspective, it is possible to describe wine tourists with reference to the intensity of the wine-related motivation (high-low) associated with their journey and to the degree of “experientiality” that they establish with the “wine” element (Charters, Ali-Knight, 2002).

The first of these considerations concerns a tourist who either: i) does not choose his/her holiday a priori on the basis of elements linked to “wine” as a product, but enjoys them during the stay, due to their presence among the wine-related goods and services on offer in the destination, or ii) chooses the holiday almost exclusively on the basis of specific wine-related goods and services on offer in the destination.

In the second of the above-mentioned dimensions, the degree of experientiality oscillates from an almost negligible level associated with the simple activity of purchasing wine to a maximum level associated with the tourist’s participation in a series of activities designed to help them acquire deeper knowledge of the “wine” universe, enjoy wine-based experiences and share the knowledge acquired and the experience gained.

The analytical approach followed is set out schematically below (Fig. 1).

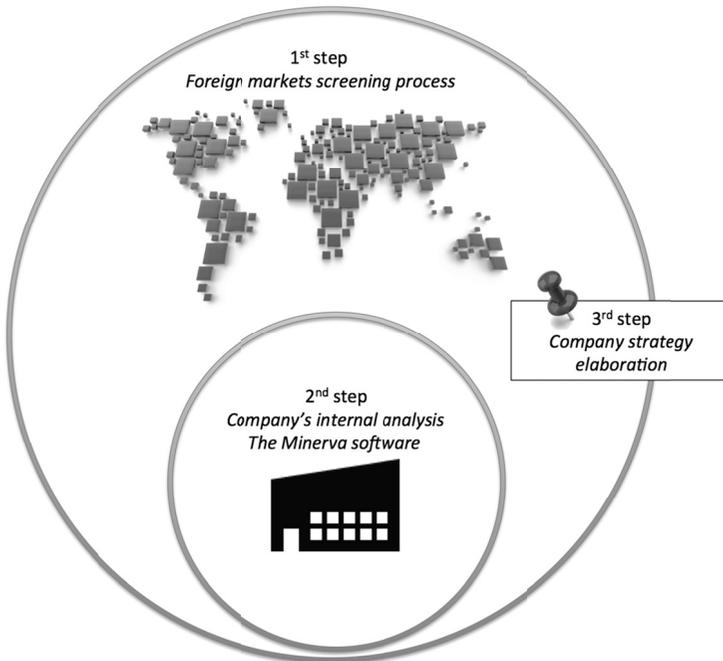


Figure 1 The methodological approach

The first step aimed to identify target countries for a firm’s goods and services, i.e. the potentially useful markets, via two screening phases (see Fig. 2):

1. Study of “*Wine travellers*”, i.e. identification of the countries of origin of the wine tourists (the top five in terms of flows generated) for each of the “*Ten Best Wine Destinations*” selected by TripAdvisor, in order to identify the top 10 nationalities (cumulative frequency) of wine tourists in the studied destinations;
2. Assessment of the countries’ attractiveness in accordance with the following criteria (Johansson, 1997; Brouthers & Nakos, 2005; He & Wei, 2011):
 - *Country analysis*, analysis of the sectors involved in the wine tourism production chain, i.e. those pertaining to both wine and tourism;
 - *Accessibility analysis*, knowledge of the propensity of wine tourists to interact with the internet, including Social Networks.

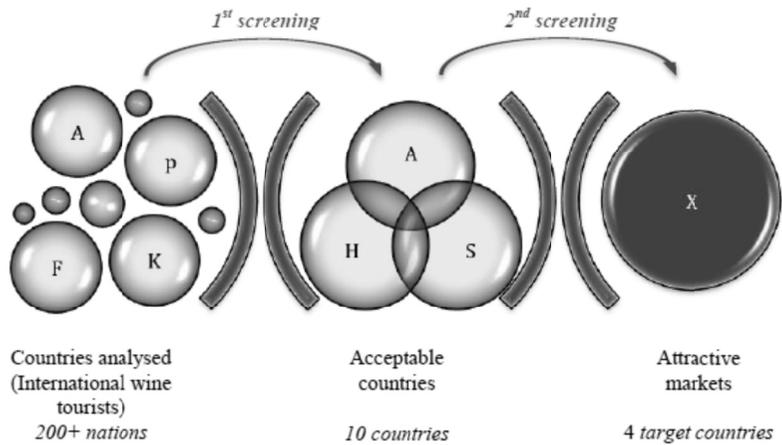


Figure 2 Foreign markets screening process (1st step)

The second step in this study (internal analysis for establishing the strategic approach to web-based internationalisation) entailed testing a software application called *Minerva*, which will be explained in greater detail below, the purpose of which was to measure a firm's skills, resources and abilities in three separate fields:

- *Target market dynamics*, concerning identification of the most significant environmental and market variables for operating effectively in international contexts (*macro analysis*, conducted for example using the PEST model);
- *Approach to internationalisation*, concerning the attention that a firm pays to analysis of sector dynamics and the study of the foreign market in which it intends to operate (*meso analysis*);
- *Systemic orientation*, concerning whether the necessary conditions exist within the firm for the emergence of a system (*micro analysis*).

The joint assessment of the information obtained in the two steps of the above-mentioned procedure constitutes the starting point for the formulation of an expansion strategy (3rd step) that can enable the firm to conquer foreign markets via internet-based communication.

2. Screening foreign markets: theoretical principles and practical application

Success in foreign markets requires careful strategic planning in order to develop an international dimension in line with market opportunities, i.e. the existence in the target countries of compatibility between potential demand and the firm's products (Vrontis, Vignali, 2006). The identification of such opportunities and the consequent choice of which spaces to exploit are thus highly important for firms since they constitute the basis on which the international marketing strategy is formulated (Kotler, 1991).

A firm's expansion in foreign markets often involves difficulties linked to information gathering, which is fundamental for the decision-making process. Indeed, firms frequently experience difficulty in obtaining both primary and secondary data for certain markets, or management is not able to verify their reliability.

The firm's choice of markets may be guided by one of two distinct analytical approaches:

1. Non-structured,
2. Structured.

With the *non-structured approach* the firm's decisions are based on an external stimulus, that is they choose to operate in a foreign market *reactively*, following a *light* strategy. This often happens when the firm follows a competitor in an attempt to replicate its success, or responds to a request from an interested local consumer. In other words, the criterion for choosing to export is often the fruit of an "emergent strategy" (Mintzberg, 1987), due to the difficulties described above. This can be seen in one of the earliest approaches to the selection of foreign markets, the so-called *SLEPT* approach, in which the analysis of the context is based on a country's *social, legal, economic, political and technological* characteristics (Doole and Lowe, 2004, p. 7) with firms assessing and selecting foreign markets in terms of "cultural affinity", thus considering the "country risk". Specifically, the key criterion is the "psychic distance", i.e. the differential in the socio-economic, linguistic, educational and religious characteristics of the firm's country of origin and the country in which it is seeking to sell its products. To this may be added the firm's perception of the new target market and its similarity with markets in which its already operates, so that

the “country risk” is inversely proportional to the firm’s affinity with the country in question: the greater the similarities, the more the risk involved in the economic activity can be contained.

The direct consequence of the need to contain the risks involved in the process of expansion is that firms frequently turn to markets that are close to their own, facilitating international marketing in the planning and implementation phases (Fornari, 1995).

In contrast, the *structured approach* envisages a screening process organised into a number of observation steps that aims to identify the existence of a target country, i.e. a potential market for the firm’s products. This entails following clearly defined objective criteria that guide the firm towards the optimal choice in terms of the product-market-country relationship.

Based on macro data, the structured approach studies the contexts of distribution and consumption in order to obtain information that will be useful in the subsequent process of strategic planning. Obviously, the utility of the screening process is closely dependent on the reliability and depth of the data, which is why finding sources that can effectively support the analysis, selection and final choice of target market is indispensable. In this regard, the parameters used in the selection process are as follows:

1. *attractiveness of the country*, i.e. assessment of its potential:
 - in general terms (so-called *country analysis*), with reference to macro-variables that describe the main economic, demographic, geographical and regional features, adaptable depending on the internationalisation strategy that the firm intends to follow;
 - in specific terms (so-called *industry analysis*), which requires knowledge of the competitive characteristics of the firms operating in the country in question, in order to identify any gaps in the market;

2. *accessibility of the country*, understood as the conditions of access to the market in question, including any limitations in terms of barriers to entry.

The combined reading of the information arising from the analyses of market attractiveness (general and specific) and accessibility makes it possible to construct a selection matrix for the target markets in question (Fig. 3).

<i>Accessibility</i>	<i>High</i>	<i>Countries to select</i> (4)	<i>High priority countries</i> (1)
	<i>Low</i>	<i>Countries to exclude</i> (3)	<i>Countries to conquer</i> (2)
		<i>Low</i>	<i>High</i>

Attractiveness

Figure 2 Country selection matrix

As can be seen from Fig. 3, the attributes identified for each market cause the countries to occupy different squares in the matrix, being classified as “High priority countries” (1st quadrant), presenting excellent opportunities in a market that is readily accessible due to the low barriers to entry, with potential that can be fulfilled in a relatively short time; “Countries to conquer” (2), in which, despite the presence of attractive conditions, the firm will need to carefully assess the effort required to establish and keep a competitive position in the target market (given the high barriers to entry, which dissuade the company from entering the competitive arena in the first place but – assuming it is successful – then defend it from would-be competitors); “Countries to select” (3), readily accessible but characterised by modest market possibilities, exploitable only at times when the firm enjoys a surplus of resources; “Countries to exclude” (4), not included – at least in the period immediately following the analysis – in the list of

possible markets to aim at, since there are no favourable conditions of any kind.

3. Analysis of the target market for Web-Based Wine Tourism organisations

Currently, there are few data available for determining with relative certainty the *best wine tourism destinations*, since no official source has conducted an overall survey of the global context, and such data as does exist is frequently not up-to-date. It should also be pointed out that wine tourism itself is hard to study, since wine is not always the tourist's only motive for travelling. In order to describe the goods and services on offer in the wine tourism sector in the international context, a number of web sites specialising in tourism and/or wine tourism were analysed. This entailed canvassing the opinions of “oenonauts”, people with expert knowledge of wines and terroirs, using the only tool able to provide data in real time, i.e. the internet.

This approach involved analysing a large quantity of information, more or less relevant. A key source, given the size of its pool of reference, the number of opinions listed and the relative reliability of the data provided, was a study by TripAdvisor (*1st screening*, Fig. 3) based on feedback from users on the most popular international wine tourism destinations.

The survey showed that the TripAdvisor wine tourists' favourite destination is Bordeaux in France, the city that gives its name to the famous wine. This is followed by Napa Valley in California, also famous for wine production, and then Tuscany, the best-known Italian region in the world for the quality and variety of its wines. The table below shows the complete list of the top ten destinations chosen by wine tourists (Tab. 1).

RANKING	PLACE
1	<i>Bordeaux, France</i>
2	<i>Napa Valley, California</i>
3	<i>Tuscany, Italy</i>
4	<i>Champagne-Ardenne, France</i>
5	<i>Barossa Valley, Australia</i>
6	<i>La Rioja, Spain</i>
7	<i>Sonoma Valley, California</i>
8	<i>Valle Central, Chile</i>
9	<i>Stellenbosch, South Africa</i>
10	<i>Marlborough, New Zealand</i>

Table 1 Top world wine tourism destinations according to the Trip Advisor community

The foregoing procedure represents the beginning of a process requiring a specific study of the wine tourism sector in each destination/country, in order to verify the provenance of the wine tourists (2nd screening, Fig. 2). Table 2 summarises the aggregate data for the first five nationalities of origin of foreign tourists visiting each destination listed in Tab. 1. The frequency in the third column refers to the number of destinations visited by wine tourists from the country of reference (for example, wine tourists from the United Kingdom have visited six destinations).

	COUNTRY	FREQUENCY
<i>I</i>	<i>United Kingdom</i>	<i>6</i>
<i>II</i>	<i>Germany</i>	<i>5</i>
<i>III</i>	<i>United States</i>	<i>5</i>
<i>IV</i>	<i>France</i>	<i>3</i>
<i>V</i>	<i>Australia</i>	<i>2</i>
<i>VI</i>	<i>Japan</i>	<i>2</i>
<i>VII</i>	<i>Netherlands</i>	<i>2</i>
<i>VIII</i>	Argentina, Austria, Belgium, Bolivia, Brazil, Canada, China, New Zealand, Peru, Singapore, South Korea	1

Table 2 International wine tourists main countries of origin

Overall, the study considered wine tourists from 18 countries of origin: top of the list is the United Kingdom (with a frequency of six), followed by Germany and the United States (both with a frequency of five). In other words, the countries just listed can be said to be characterised by outbound tourism with a high propensity for journeys motivated by wine, since travellers from these countries were found to have visited six (United Kingdom) and five (Germany and the United States) of the ten top wine tourism destinations investigated (France, California, Italy, Australia, Spain, Chile, South Africa, New Zealand). Visiting areas that are geographically distant from one's country of origin and located in parts of the world that are very different and distant from each other is a sign of strong motivation behind the journey (based on the obvious consideration that in tourism for pleasure a destination's distance is positively correlated with the strength of the desire to visit it; Crompton, 1979). Even France is in a good position, with a frequency of three. After France come Australia, Japan and the Netherlands, all with a frequency of two.

In this way, it was possible to identify seven potential markets, excluding the other eleven countries, for which the frequency (one in all cases) was so low as to preclude an objective choice. Consistent with the aims of this study, a further three potentially fruitful markets were selected from the most frequent nationalities of international wine tourists in Italy (Unioncamere-Isnart, 2010), i.e. the Netherlands (14.6%), Germany (9.4%), Austria (6.2%), France (5.9%), the United Kingdom (5.3%), the USA (4.4%), Spain (3.8%), Japan (2.8%) and Switzerland (1.7%). The only three countries in this list that were not selected in the previous step are Austria, Spain and Switzerland.

Thus, analysis of markets held to be potentially suitable for the aims of this study yielded the ten following countries, listed in alphabetical order:

- a. Australia,
- b. Austria,
- c. France,
- d. Germany,
- e. Japan,
- f. the Netherlands,
- g. the United Kingdom,
- h. Spain,
- i. the United States,
- j. Switzerland.

Having drawn up the list of the countries that meet the criteria for the first screening, the next step was to assess the potential market.

3.1 Attractiveness and accessibility analysis

Determining the countries' "relative attractiveness" requires a second level of screening designed to assess foreign markets in terms of potential demand. To this end, a model was created in order to rank the countries on the basis of the variables held to be most descriptive of the markets.

The attributes chosen for assessing the countries' attractiveness can be divided into categories and described in accordance with the summary given above and set out in greater detail here:

1. Country analysis

- a. analysis of the main macroeconomic indicators (income per capita, inflation rate, propensity to consumption, GDP growth rate) needed for understanding the national economic framework and the population's consumption capacity (cfr. Tab. 3, point 1.a);
- b. study of the country's degree of the openness on the basis of data on international commerce and foreign investment, with particular focus on exchange with Italy (cfr. Tab. 3, point 1.b);

2. Industry analysis

In the specific case reported here, the following two sectors were considered:

- a. the wine sector (national production and consumption, average consumption per head, wine imports from Italy), in order to study in detail the behaviour of the country's wine consumers and the degree of appreciation of Italian wine products (cfr. Tab. 3, point 2.a);
- b. outgoing tourism (total departures by travellers, the proportion of these involving trips to Italy, propensity to travel, propensity to travel to Italy, presences and arrivals in Italy, average stay and presences in Puglia); this variable indicates the tendency of citizens to travel and their preferences concerning destination Italy (cfr. Tab. 3, point 2.b);

3. *Accessibility*, especially the propensity to use the internet (the number of users as a percentage of the total population) including Social Networks (the percentage of users who use Facebook), with data on both parameters taken from *Internet World Stats*. This attribute concerns the use of the internet as a channel for obtaining information and socialising with other users. This is in line with the features of the model and specifically the need to establish a competitive strategy for foreign markets centred on web-based communication (cfr. Tab. 3, point 3).

Below is an example of a country record containing the data necessary for the proposed analysis (the sources used in Table 3 are listed in the methodological note).

1. GENERAL INFORMATION		Source
Geographical region	Oceania	a
Currency	Australian Dollar (AUD)	a
Area (square kilometres)	7,692,300	a
Population	22,157,065	a
Capital (population)	Canberra (333,000)	a
1.a MACROECONOMIC INDICATORS		Source
Income per capita	€ 26,967	a
Inflation rate	1.8%	a
Propensity to consumption	94.9%	b
Unemployment rate	5.7%	a
GDP growth rate	0.9%	a
GDP growth forecast for 2010	2.0%	a
1.a MAIN ECONOMIC SECTORS**		Source
Agriculture	3.20%	a
Manufacturing	11.10%	a
Construction	7.50%	a
Extraction/mining	5.30%	a
Tertiary	72.80%	a
1.b INTERNATIONAL TRADE *		Source
Total imports (bn)	€ 64.53	a
Total exports (bn)	€ 68.00	a
Balance of trade (bn)	€ 3.47	a

Main imports	Machinery; electrical equipment, combustible oils and petroleum products (-32%); pharmaceuticals and processed steel products (increasing); motor vehicles (-40%); cars, particularly with engines smaller than 1,000 cc. (+22.7%) and up to 1,500 cc. (+7%)	a
Main exports	Raw materials and agricultural products (particularly industrial and bituminous coal) (+56%), especially towards Asian markets; natural gas (+26%) and iron (+34%); precious metals, particularly gold, pearls and diamonds (increasing)	a
Main trading partners – Suppliers	Asia (52%), particularly China (17%; +12%), Japan (8.1%), Singapore (5.7%), Thailand (5.4%), Malaysia (3.7%), South Korea (3.3%); the USA (11.8%, the second biggest exporter to the country); Europe (over 21%), particularly Germany (5.3%) and the United Kingdom (3.4%); New Zealand (3.1%)	a
Main trading partners – Customers	Asia (70%), particularly China (21.2%), Japan (20.1%), South Korea (7.9%), India (6.8%), Taiwan (3.3%), Singapore (2.5%), Thailand (2%); Europe, particularly the United Kingdom (6%); the USA (4.7%) and New Zealand (3.7%)	a
<i>1.b FOREIGN INVESTMENT**</i>		<i>Source</i>
Foreign investment (bn)	€ 256.10	a
Investment in foreign countries (bn)	€ 211.00	a
Foreign investment – Source countries	EU (33%), USA (24%), Japan (9%)	a
Investment in foreign countries – Receiving countries	USA (39%), EU (30%)	a
<i>1.b TRADE WITH ITALY (VALUE)*</i>		<i>Source</i>
Total imports from Italy (bn)	€ 1.62	a
Total exports towards Italy (bn)	€ 0.36	a
Balance of trade with Italy (bn)	-€ 1.26	a

1.b EXCHANGE WITH ITALY (SECTORS)*		Source
Main products imported from Italy	Capital goods such as machinery (particularly air compressors, machinery for bottling, paper processing and packaging); chemical-pharmaceutical products (particularly nucleic acids and antibiotics); motor vehicles; glasses frames; home furniture	a
Main products exported to Italy	Bituminous coal (-26%); wool (-70%); leather and hides (-37.7%); wheat (+90%)	a
1.b ITALY-AUSTRALIA INVESTMENT FLOWS**		Source
Italian investment in Australia (bn)	€ 0.33	a
Australian investment in Italy (bn)	€ 2.30	a
Italian investment – sources	Italy is Australia's 15 th biggest foreign investor (€ 330 m); the investment comes mainly from Luxottica, ENI, Gruppo Parmalat and Endemol	a
Investment in Italy – sources	9% of the FDI in Italy comes from direct Australian investment (particularly insurance, financial services and media)	a
2.a WINE SECTOR		Source
National wine production – thousands of hl (variation 2006/2009)	11,710 (+11.62%)	c
World ranking (<i>market share</i>)	6 th (4.38%)	c
National wine consumption – thousands of hl (variation 2008/2009; variation 2006/2009)	4,931 (+2.4%; +7.6%)	c
World ranking (<i>market share</i>)	11 th (2.10%)	c
Average consumption per capita (litres) (variation 2006/2009)	23.19 (+7.6%)	c
World ranking	23 rd	c
Italian wine exports to Australia	Australia is not among Italian wine's main export markets. However, imports to Australia of Italian products such as wine, beer, mineral water and vinegar have increased by 35% (AUD 47.9 m)	a/d

2.b OUTGOING TOURISM		Source
Total departures by Australian travellers (variation on previous year)	5,789,000 (+6%)**	e
Propensity to travel – ratio of number of journeys to population x 100	26.13	e/a
Market share of total departures for destination Italy	2.1%; 2 nd favourite European destination after the United Kingdom**	e
Propensity to travel to Italy – ratio of number of arrivals in Italy to total departures from Australia x 100	10.60%	f/e
Total Australian presences in Italy (variation 2008/2009; percentage of total presences in Italy)	1.572.543 (-10.9%; 1.0%)	f
Total arrivals in Italy (variation 2008/2009; percentage of total arrivals in Italy)	613.799 (-10.2%; 1.5%)	f
Average length of stay	2.6	f
Presences in Puglia	0.3% of total foreign travellers in Puglia***	g
3. INTERNET USE		Source
Internet penetration index – percentage of population (variation 2000/2010)	80.1% (+158.1%)	h
Facebook penetration index	44.8%****	h

Table 3 Country Record for Australia

The information retrieved (and set out in the above table by way of example for one country) was assessed by assigning a score to each macro-category (on a five-point scale). The score is based on a comparison of the average value calculated for the ten countries initially selected (Australia, Austria, France, Germany, Japan, the Netherlands, the United Kingdom, Spain, the United States, Switzerland) with the individual country value. The score awarded was subject to three levels of weighting

(producing a combined maximum possible score of 100) – described here by way of example and thus modifiable depending on the importance attributed to the category by the evaluator – on the basis of:

1. the contribution of each indicator to the quantification of the macro-category (e.g. the role of “income per capita” in the quantification of the “1.a - macroeconomic indicators”);
2. the contribution of each macro category to the determination of the countries’ attractiveness/accessibility (e.g. the role of “1.a - macroeconomic indicators” in the quantification of general attractiveness identified with “Country Analysis-1”);
3. the importance of the various aspects of attractiveness and accessibility to the final assessment of the market in question (e.g. the role of general attractiveness that is “Country Analysis-1” in the quantification of the final score).

Concerning *attractiveness*, the weighting was made necessary by the different impact of the indicators on the assessment: i) of the individual macro-categories (1.a, 1.b, 1.c, 1.d, 2.a, 2.b); ii) of the contribution of each of these to the construction of the two coefficients of attractiveness (1.a, 1.b, 1.c, 1.d for “Country Analysis-1” and 2.a, 2.b for “Industry Analysis-2”); iii) of the contribution of the two coefficients of attractiveness (generic, that is “Country Analysis-1”, and specific, that is “Industry Analysis-2”). Concerning *accessibility*, the weighting affected the assessment; iv) of the propensity to use the internet for commercial transactions; v) the propensity to use social networks.

By way of example, see the evaluation form for the Australian target market (Tab. 4).

On the basis of the analysis conducted, the following summary of country scores was obtained, showing the size of the potential market (i.e. the consumers that may be interested in the product/service in question on the basis of their disposable income and motivation) (Tab. 5).

<i>Variables</i>	<i>Score (1-5)</i>	<i>Weighting</i>	<i>Weighted value</i>	<i>Score (1-5)</i>	<i>1st Weighting</i>	<i>Weighted value</i>	<i>Total weighted value</i>	<i>Weighting</i>	<i>Score</i>
Main products exported to Italy									
Italian investment in Australia (bn)	1				20/100	0.20			
Australian investment in Italy (bn)									
INDUSTRY ANALYSIS (2)									
<i>2.a WINE SECTOR</i>									
National production – thousands of hl (variation 2006/2009)	2.5	15/100	0.38						
World ranking (market share)				2.40	60/100	1.44	2.11	80	1.69
National consumption of wine – thousands of hl (variation 2008/2009; variation 2006/2009)	2	20/100	0.40						

<i>Variables</i>	<i>Score (1-5)</i>	<i>Weighting</i>	<i>Weighted value</i>	<i>Score (1-5)</i>	<i>1st Weighting</i>	<i>Weighted value</i>	<i>Total weighted value</i>	<i>Weighting</i>	<i>Score</i>
Market share of total departures for destination Italy	3	25/100	0.75						
Propensity to travel to Italy									
Total presences in Italy (variation on previous year; percentage of total presences in Italy)	1	20/100	0.20						
Total arrivals in Italy (variation on previous year; percentage of total arrivals in Italy)	1	20/100	0.20						
Average length of stay	2	10/100	0.20						
Presences in Puglia	1	10/100	0.10						

<i>Variables</i>	<i>Score (1-5)</i>	<i>Weighting</i>	<i>Weighted value</i>	<i>Score (1-5)</i>	<i>1st Weighting</i>	<i>Weighted value</i>	<i>Total weighted value</i>	<i>Weighting</i>	<i>Score</i>
ACCESSIBILITY (3)									
Internet penetration index – percentage of population (variation 2000/2010)	2.5				60/100	1.50	3.10	100	3.10
Facebook penetration index – percentage of population	4				40/100	1.60			
AUSTRALIA									
<i>Total attractiveness</i>									
<i>Accessibility</i>									
1.99									
3.10									

Table 4 Evaluation form for Australia

	Australia	Austria	France	Germany	Japan*	Netherlands	United Kingdom	Spain	United States	Switzerland
COUNTRY ANALYSIS (1)	0.30	0.69	0.32	0.53	0.34	0.44	0.33	0.27	0.42	0.37
INDUSTRY ANALYSIS (2 = WINE SECTOR 2.A + OUTGOING TOURISM 2.B)	1.69 (1.4 4 + 0.67)	2.17 (1.4 9 + 1.23)	3.18 (2.7 3 + 1.20)	3.16 (2.2 1 + 1.75)	1.33 (0.9 6 + 0.70)	1.67 (1.0 8 + 1.01)	2.14 (1.7 0 + 0.98)	1.86 (1.5 5 + 0.78)	2.56 (2.1 2 + 1.08)	2.15 (1.5 0 + 1.19)
TOTAL ATTRACTIVENESS (1+2)	1.99	2.86	3.50	3.69	1.66	2.11	2.47	2.13	2.98	2.52
ACCESSIBILITY (3)	3.10	2.30	2.70	2.10	1.90	2.40	3.40	2.30	3.10	2.70
NB: *Score incomplete due to missing data within the sub-category										

Table 5 Country-market scores

The data set out above enabled the construction of a map of those countries that are potentially amenable to the promotion of wine tourism, considering the opportunities existing in the various markets (Fig. 4). This map made it possible to classify the countries in question on the basis of the accessibility and attractiveness variables, the latter determined by taking the sum of the assessments derived from the country and industry analyses (the latter derived in turn from the aggregate score assigned to the wine and outgoing tourism sectors).

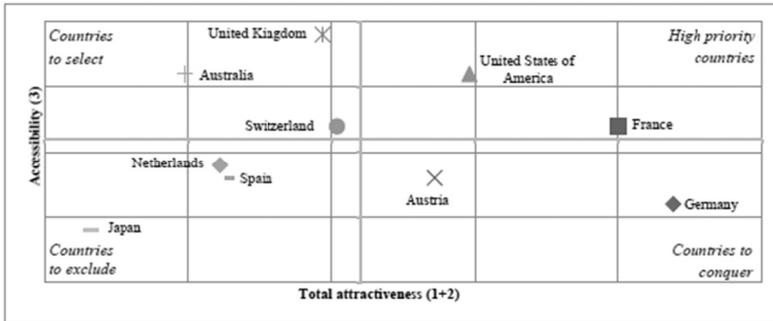


Figure 4 Priority map of target markets for Puglia SMEs

A glance at the priority map shows that the countries with high attractiveness and accessibility are France and the United States of America (“High priority countries”). A comparison of the two countries shows that France is characterised by a considerable level of attractiveness, while the population of the USA has a strong propensity to use the internet. Countries with potential demand but considerable difficulties in terms of access (“Countries to conquer”) in terms of the necessary investment include Germany (top of the list for total attractiveness) and Austria. In contrast, countries that are readily accessible but have limited potential in terms of wine tourism (“Countries to select”) are the United Kingdom, Australia and Switzerland. The analysis conducted shows that Spain, the Netherlands and Japan currently do not represent interesting markets/countries for the firms considered (“Countries to exclude”).

3. The Minerva software

The Minerva software was conceived and implemented on the basis of the results set out above. Named after the Roman divinity representing wisdom, commerce and the arts (often accompanied by the goddess of victory *Nike*) its purpose is to support the strategic decision-making process of SMEs that intend to embark on a course of growth on an international scale.

The basic idea is to provide management with a sort of interactive guide that enables them to learn about their specific attributes in relation to “internationalisation”, as well as the basic theoretical principles for the implementation of such a key process. In a nutshell, the aim was to set out

a logical procedure supporting the strategic decision-making process. SME managers are prompted to compare information gathered and processed as per the preceding pages with their own firms' internal characteristics, in order to verify the existence of any strong and/or weak points, and to identify elements useful for improving their performance.

The software's logical architecture draws inspiration from consolidated diagnostic models in managerial literature (especially SWOT analysis and the McKinsey matrix), which represent the theoretical basis on which the software's algorithm is delineated. The algorithm focuses on three areas:

1. approach to the market (*macro analysis*): identification of the most significant environmental and market variables for operating effectively in international contexts;
2. competitive capacity (*meso analysis*): measuring how much attention the firm pays to analysing sector dynamics and studying the foreign market in which it intends to operate;
3. managerial orientation (*micro analysis*): assessment of the presence within the firm of the necessary conditions for the emergence of a system, the systemic approach (Golinelli, 2005) being the project's main theoretical point of reference.

These areas were organised into specific *assessment points*, made up of various *factors*, on which each firm is prompted to assess itself via a series of closed response questions.

To each of the possible responses a score – on a five-point scale – and a weighting factor (unknown to the respondent) are assigned. By multiplying the score for the specific answers provided by the weighting assigned *ex-ante* to each factor, weighted scores are obtained. The combination of weighted scores makes it possible to obtain, firstly for each assessment point and secondly for each area, the *total scores* (Tab. 6).

AREAS	ASSESSMENT POINTS	FACTORS	SCORE (self-assessment) [a]	WEIGHTING [b]	WEIGHTED SCORE [c = a * b]
APPROACH TO THE MARKET (<i>macro analysis</i>)				
				<i>Macro analysis weighted subtotal: 20</i>	
COMPETITIVE CAPACITY (<i>meso analysis</i>)				
				<i>Meso analysis weighted subtotal: 30</i>	
MANAGERIAL ORIENTATION (<i>micro analysis</i>)	Strategic orientation	Decision-making skills	1 - 5	0.4
		Mechanism for entering foreign markets	1 - 5	0.3
	
	...				
	Operating structure		1 - 5		
				
				<i>Micro analysis weighted subtotal: 50</i>	

Table 6 Minerva software architecture

Added together, the total scores enable SMEs to assess their viability and measure their level of competitiveness, expressing the degree to which they possess the skills, resources and abilities held to be useful for launching or strengthening their internationalisation processes.

The result of the self-assessment test is accompanied by an explanatory system based on three main colours: red (indicating weak areas for the firm), yellow (indicating areas of improvement) and green (indicating the firm's strong points, useful for the construction of a solid competitive advantage). Each of these results enables the firm to work on its strong points and weak points, thereby seeking to optimise the relationship between the firm's internal features and those of the market(s) of reference.

Each of the *Areas*, *Factors* and *Assessment points* is accompanied by an explanatory pop-up containing bibliographical references for further reading, citations and multimedia material, whose purpose is to encourage management to study and learn more about elements considered essential for running an enterprise in the complex international market.

The software was tested via a pilot study conducted on 32 firms in the wine tourism sector. Firstly, during a day of training on the theme of *export business management*, the research project was presented to the firms, who were then asked to express an opinion on the usability of the software. Although the results of the pilot cannot be generalised (the test was conducted on a carefully selected sample), it can be argued that the businesspeople involved showed widespread appreciation of the analytical procedure performed on their firms and the suggestions arising from the self-assessment. Specifically, in terms of usability, particularly positive views were expressed regarding the *pop-ups*, considered an innovative and stimulating tool for drawing attention to theoretical principles that are often neglected. Also appreciated was the approach used in the work as a whole, i.e. the combination of external analysis and internal diagnosis. As highlighted above, both are guided by theoretical principles adapted for the specific characteristics of the case under study but potentially applicable to a variety of contexts. These principles are also made explicit with examples and links to videos and/or citations present on the web. In this way, the software served a dual purpose: 1) to support the decision-making process regarding international marketing; 2) to prompt management to pay greater attention to theory, thereby seeking to improve managerial culture in SMEs. Indeed, the software and the analytical approach to markets are intended specifically for SMEs, which are known

for their relative lack of managerial culture and training – something which – thanks to the use of new technologies (e.g. *e.learning*) – can today be resolved. Overcoming the difficulties posed by a firm’s lack of intangible assets means giving minor organisations a boost that will enable them to face with sufficient competitiveness the challenges of the global market.

4. Conclusions

The objective of this study was to establish an analytical procedure useful for identifying target markets and assessing the competitive capacity of SMEs.

The first step was to create a format suitable for choosing foreign markets potentially exploitable by wine tourism SMEs in Puglia, whose limited financial and human resources may put them at a disadvantage. The goal is then was to meet a dual need: efficiency and relative simplicity.

With reference to the former, aiming primarily to contain costs, emphasis was placed on identifying authoritative sources from which to draw useful (and open source) data for drawing up reports setting out preliminary knowledge of the potential markets. On the basis of analytical assumptions widely accepted by the literature on this topic, the study then implemented a method that prompts the compiler to respond to a series of questions, on the basis of which the report is then written.

The next step was the creation of the Minerva software, which, as we have seen, summarises the knowledge acquired, comparing it with the wine tourism firm’s intrinsic characteristics (seeking at the same time to motivate management to improve their knowledge of specific relevant themes).

Although in this specific case the focus of reference is the wine tourism sector, it should be remembered that the methodology presented here is designed to be of benefit to SMEs, among whom the next step will be to evaluate their appreciation of the software’s usability in terms of data entry and legibility of the output. A good level of appreciation was already noted among the firms analysed in this study. Specifically, the pilot study highlighted the importance of adopting a structured analytical procedure, i.e. one based on predefined steps that considers both external variables and the internal conditions of the firm.

With reference to the wine tourism sector, the simulation of a systematic approach helped the firms understand that there are still evident gaps in both their approach to foreign markets and the use of the internet, both of which represent opportunities for increasing output.

To summarise, while limited by the lack of a generalised validation of the results of the investigation, it can be argued that the work conducted appears to have managerial implications that may be useful for Italian SMEs working in wine tourism and, more generally, in the agricultural and food-processing sector as a whole. If appropriately involved and stimulated, these SMEs can – especially when they operate as a network – play a key role in global competition.

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Methodological Note

The list below shows the sources used to test the model proposed here. This testing was conducted as part of a research project in the period 2010-2013.

1. Sources of Table 3

- a. *France*: Atout France (2010), *Tourisme et vin : les clientèles françaises et internationales, les concurrents de la France. Comment rester compétitif?*, Marketing touristique;
- b. *Italy*: Censis Servizi Spa e Città del Vino (2010), *VIII Rapporto annuale – Osservatorio sul turismo del vino in Italia*, Febbraio 2010; Unioncamere-Isnat, *Impresa turismo 2010*, Febbraio 2010;
- c. *Australia*: Tourism Research Australia-Department of Resources (2010), Energy and Tourism, *Snapshots 2009. Food and wine tourism in Australia*, Agosto 2010 (<http://www.ret.gov.au/tra>);
- d. *Spain*: Rutas Vino de España-ACEVIN (2010), *Análisis Visitantes Bodegas Rutas del Vino 2009* (<http://www.wineroutesofspain.com>);
- e. *California*: MKF Research LLC (2009), *Economic Impact of California Wine 2008* (<http://www.wineinstitute.org/resources/pressroom/120720060>); California Travel & Tourism Commission (2010), *California Tourism Highlights. 2009 Data* (<http://tourism.visitcalifornia.com>);
- f. *Cile*: OECD (2010), *OECD Tourism trend and policies 2010*; Chilevid data in Martin H. Kunc (2008), *A Review of the Development of Wine Tourism in Chile*, School of Business, Universidad “Adolfo Ibañez”, Santiago, Chile. Paper presented at Fourth International Conference of the Academy of Wine Business Research, Siena, 17-19 July 2008;
- g. *South Africa*: South African Tourism Strategic Research Unit (2010), *Annual Report South African Tourism 2009*, (www.southafrica.net); Conningarth Economists (2009), *South African Wine Industry Information and Systems (SAWIS), Macro-economic Impact of the Wine Industry on the South African Economy. Final Report*, December 2009; Tassiopoulos D., Nuntsu N. and Haydam N. (2004), *Wine Tourists in South Africa: A Demographic and Psychographic Study*, Journal Wine of Research;
- h. *New Zealand*: Ministry of Tourism (2009), *Tourism Sector Profile – Tourist activities and wine tourism in New Zealand*, September 2009 (<http://www.tourismresearch.govt.nz>); Krasner H. (2009), *An Introduction to Adventure Travel How to Plan Your First Adventure Holiday in a Foreign Country* (<http://www.suite101.com/content/an-introduction-to-adventure-travel-a117249>).

2. For each country in TripAdvisor’s list, the top five nationalities of visiting wine tourists were inserted in a spread sheet and the cumulative frequencies for each of the wine tourist nationalities emerging from this analysis was

calculated (Tab. 2). In the case of South Africa and Spain, due to the paucity of the available data, two and four nationalities of provenance were considered respectively.

3. It should be pointed out that France and California host two destinations each: Bordeaux and Champagne-Ardenne for the former and Napa Valley and Sonoma Valley for the latter (Tab. 1). Thus the overall number of destinations is ten, although the parenthesis includes only eight.

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