



Faculty of Economics
Bachelor Degree in Economics and Business
Thesis in Management

Strategies for internationalization of Italian small and medium-sized enterprises:
The case Mondial Marmi srl

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ACADEMIC YEAR

2015 - 2016

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ABSTRACT

During the last decades it has developed a worldwide process of globalization and international integration; this process tends to spread to an increasing extent in all countries, in all economic activities and among all companies, even smaller ones.

The expansion in the overseas markets represents one of the core manners of development of the modern firm. This can be made, for example, through structural investments in the foreign areas, which is becoming a matter that does not concern only multinationals but also the small and medium enterprises.

The aim of the thesis is to deepen the phenomenon of internationalization regarding the Italian SMEs, presenting the path of the internationalization with all the problems and difficulties; then will be analysed the different ways in which foreign expansion is implemented by a small-medium enterprise, proposing the case study of a company operating in the Italian stone industry, Mondial Marmi srl.

The first chapter is descriptive and it is about strategies of internationalization regarding minor enterprises, which are the organizations that dominate the economic structure in Italy. The five competitive forces of Porter are explained and examined.

The second chapter describes the stone industry in Italy, focusing mainly in the last 50 years, representing the strengths, weaknesses, opportunities and threats, which is the SWOT analysis.

The third and last chapter presents the case of a small company operating in Italy from 60 years in the stone market: Mondial Marmi srl. Its strategies for internationalization implemented during its path are analysed and explained.

The final results with all the considerations, coupled with the personal suggestions and critics are summarized in the conclusions.

INTRODUCTION

Over the past few years the world scenario has gradually transformed, with increasing interdependence between national economies. This is referred to globalization of markets, that of integration and unification of the various economic regions and areas. The term international trade refers to the exchange of goods, products and services between two or more countries and it differs from foreign trade, which is the exchange of economic goods that takes place between two blocks or economic regions (Investopedia – International Trade, 2016). In both cases a commercial relationship between an exporter and an importer with the intention of creating economic growth is established. This phenomenon is fairly recent to the economic liberalization and developed from the second half of the twentieth century. Before this date heavy tariffs and other severe restrictions on international trade, under the conviction that each country could meet their economic needs through self-sufficiency were imposed; nowadays it is clear that there exists a positive relationship between free trade and economic growth and that it is almost impossible for a country to satisfy all its financial needs by itself.

The fundamental principle on which international trade is based is the one of "comparative advantage", which means that countries concentrate all of their assets to produce goods in the best way and exchange them for products that other countries produce best. Since the end of World War II there was an attempt to create a global trade regulation structure based on various instruments such as tariffs, safeguards import and export quotas. This structure is now called WTO, which stands for "World Trade Organization", established in 1995. The WTO administers trade agreements negotiated between its members, administers disputes between countries, monitors trade policies in cooperation with the World Bank and the International Monetary Fund, laying down rules that govern international trade. Today there are five fundamental principles of the WTO, which brings together 144 countries:

- Non-discrimination
- Reciprocity
- The principle of binding agreements
- Transparency
- Exceptions

The principle of non-discrimination requires that a product manufactured in a Member State must be treated no less favoured than a similar product of any other country. The principle of reciprocity applies when a new country enters the WTO as obliges all acceding countries to ensure the tariffs agreed by the other Member States. These two principles ensure the third principle, which is the one of binding agreements, because they ensure compliance with the commitments made within the WTO. Transparency obliges countries to publish their rules in trade and to respond to questions posed by other members and the last principle grants some industrial, economic and institutional nature exceptions (Suranovic, 2015).

The concept of local-domestic trade with limited geographic scope for the SMEs has been cancelled: today they have the means to enlarge their market and expand their potential customers shifting to an international position. The process is not so easy and sometimes very slow; smaller firms face substantially high risk of failure when they expose to foreign markets not only for the presence of different traditions but also for the already established competitors. To this extent, it is important to not forget the limited resources and capabilities of the small company that represent another limit for its expansion, not only for their scarcity but also because they are unfamiliar or unsuitable for the new market. Here enters the phenomenon of adaptation, the process learnt from internationalization transactions and the experience acquired that lead the company to “fit” in the new environment.

It is true that managing a firm in the twenty-first century it is harder than ever. During this century, companies have been transformed their nature and their way of doing business. We live in a rapid-changing global environment, which is highly threatening and where executives need daily revision of the fundamental purposes of their organizations. Attracting and serving multiple stakeholders is a vital factor for companies, and this is only possible reducing the bureaucratic spirit of the firm, that is introducing more flexibility inside the organization. Without this characteristic, both innovation and the modification of the business strategies in a situation of crisis would be a process too slow that could lead the firm to shut down. Companies start to recognize the importance to continually innovate and expanding their horizons. We live in the period of global revolution where in every market, every people can recognize, buy and sell new products and services. Real time communication and virtually distribution is anywhere in the world.

“Everything is possible” thanks to the Internet, the federation of network that made a dramatic transformation in the way of doing business. Money itself has become electronically, so it is sufficient a code to buy whatever you want through the e-commerce even if the headquarter of your favourite shop is located on the other part of the world. Firms struggle to survive because nowadays it is not sufficient to run a business just locally, they need to perform a strategy and use techniques that bring their product or service far from the original place where it is created or performed. The World Wide Web makes it possible, but it is not enough; also the advanced means of transportation makes it possible since everyone could reach every part of the world with a maximum of 8-hour travel. Distances have been cut over the years and the process it is not going to stop: everyday there is a new technology that improves the older ones.

Mondial Marmi srl, a small Italian company operating in the industry, has tried during its commercial life to remain up-to-date with the latest technology innovation and it has organized, transformed and expanded in order to remain in the market. The CEO was asked: “ What is the secret of the company’s success?” He said: “We are the factory of ideas”. That is the key for the success and for the constant ability of the managers to adapt and to create a firm that is competitive all over the world.

To this extent, it is remarkable all the problems and all the difficulties of the stone market in which the company operates; the complexity of industry impedes a lot of actions and the bureaucracy discourages sometimes the projects and the employees themselves. Everything must be considered in an environment in which managers and employees risk their own life and a lot of injuries and accidents are frequent.

The aim of the work is to have a better idea of a strategy of internationalization, which is now fundamental for the development of enterprises and, above all, for small and medium size ones. The anticipated result is that now the internationalization is no longer a concept that refers only to large enterprise.

CHAPTER 1

INTERNATIONALIZATION OF THE ITALIAN SMALL AND MEDIUM SIZED ENTREPRESES

What is internationalization?

According to economics, the process of internationalization represents the mechanism that leads companies to increase and to be recognized at international markets level (Wikipedia - Internationalization, 2015). With the internationalization, the company tries to adapt a product or a brand conceived and designed for a market or environment to other markets or international environments (especially other nations and cultures). The products that can be the object of such processes are varied: for examples they can be advertising, communication campaigns such as television and publishing, software, operating systems, applications, websites but also companies themselves.

Internationalize means being aware of the need for change, recognizing the opening of new economic frontiers, which is an opportunity for development beyond national borders: it also means to develop a strategy for relations with foreign countries, in order to develop its entrepreneurial activities, and be able to support the increasing competitiveness of the economies emerging through the integration and consolidation of its presence on the international market. The orientation of foreign development involve companies of all sizes, but they are definitely small and medium enterprises to have greater need to reflect on whether and how to implement its strategy of internationalization, bearing in mind that this does not end with the simple export. The internationalization is applied during the stage of product design; at this stage all the elements are predisposed because the product can be easily sold on the international market. It follows then, eventually, the localization process. The internationalization is the adaptation for potential use outside of the market or environment in which the work element, while the localization is the addition of features that allow adapting the element in specific markets or so-called local environments. The processes are complementary to reach a global market (Investopedia, 2016).

Porter's diamond and the five forces analysis

When we talk about industry we are referring to a group of firms that produce products really similar between them or with similar characteristics that can be considered as substitutes. Since the competition in the industry is not only concerned with the established competitors, but it enlarges to a greater extent, firms need to study very well competition and threats when enter in a new market. Porter proposed a specific analysis in his book “The Competitive Advantage of Nations” where he introduced the diamond model, which is an economic model that explains how industries become competitive in specific industries. In his diamond Porter (1990) argues that competitiveness concerns not only macroeconomic issues (deficit, interest rate etc.) but also microeconomic conditions in the economy such as human capital, research and development capacity, physical infrastructure and innovation. According to Porter, nations gain competitive advantage in industries where demanding buyers put pressure on firms to innovate. Education and quality of work are the determinant of the success of a nation and the presence of domestic rivalry is a crucial incentive for the creation of a sustainable competitive advantage. The determinants of the national competitive advantage are grouped in four categories that are factor conditions, demand conditions, related and supporting industries and firm's strategy, structure and rivalry. In addition there are chances and government intervention that indirectly influence those groups, in fact the relationships are linked each other and create a value-added chain that is a key tool for the competition analysis at firm's level.

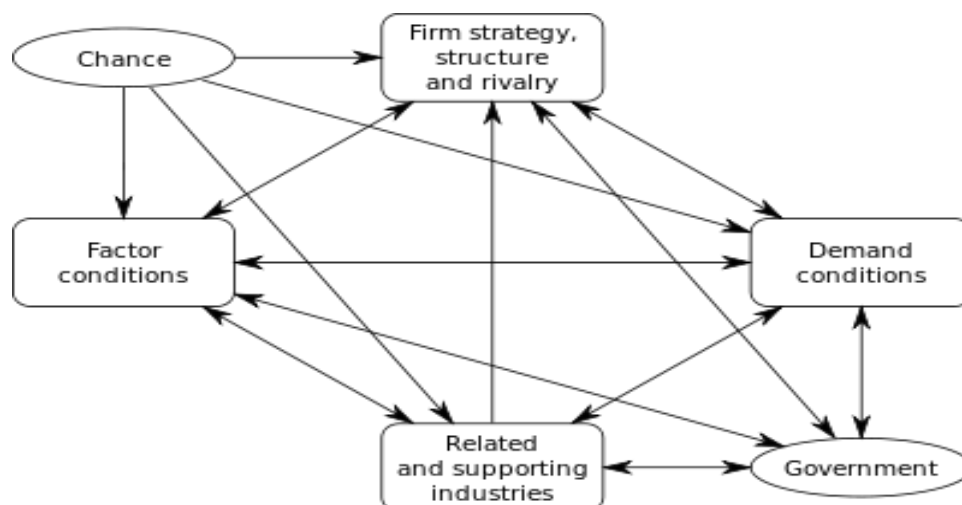


Figure 1: Porter Diamond

Firms need to analyse and measure the competitive intensity and attractiveness of an industry before entering it. This fact is very important because according to Porter the indicator of a firm's competitive advantage is earning a persistently high rate of profit (above-normal) when competing with other firms in the same market. The sources of competitive advantage are cost leadership, (selling similar product for reduced price) differentiation (high price for unique items) and focus (niche strategies). Porter reinterpreted the "Structure-Conduct-Performance" paradigm (where the structure of the industry determines the firm's conduct and in turn it is determined the economic performance) and substituted conduct with strategy arguing that the firm performance depends on the industry structure. Porter explained that the industry structure is quite stable even if it can change over time since industries evolve and the strength of the five competitive forces varies from one industry to another. The five forces determine the industry profitability because they influence price, cost, and the required investment of the firms in an industry. These competitive forces are the entry of new competitors, the threat of substitutes, the bargaining power of buyers, the bargaining power of suppliers, and the rivalry among the existing competitors and they represent a framework that attempts to analyse the level of competition within an industry and business strategy development.

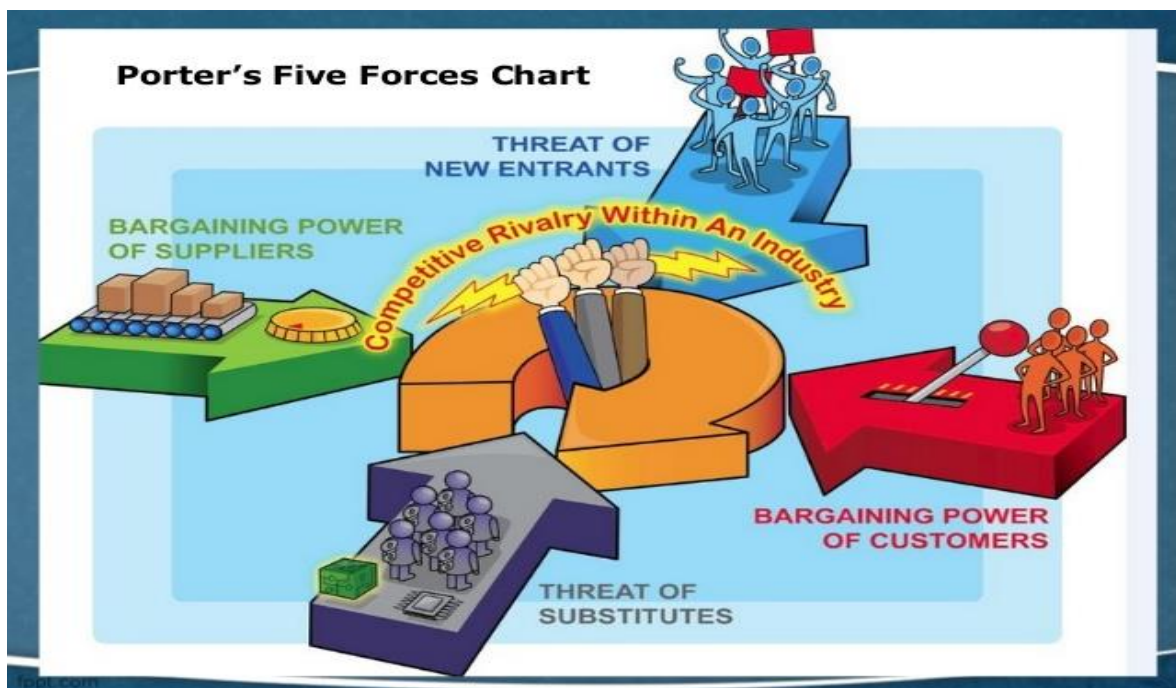


Figure 2: Porter's Five Forces

Industry rivalry

In most industries there are different firms with different characteristics competing against one another. When competitors try to improve their market position, competition intensifies and to a greater extent if there are many firms in the industry. On the other hand, the pressure on competition is slowed down when the market is growing, since potential customers increase. In addition, when resources and capabilities are coupled with great management a firm is facilitated to reach competitive advantage. Moreover concentration and product differentiation are determinant of price (the degree of differentiation is inversely related to competition). Concentration measures the number and the size distribution of firms that compete in a specific market, and it is measured by a specific index. It may happen that companies continue to compete in an industry even if they face negative or null returns: most of the times this is due to the high barriers of exit. When there are barriers of exit means that firms face cost when they decide to leave an industry; this cost is substantial when resources are durable and specialized, when there are strategic interrelationship (such as mutual dependence), when there are government and social restrictions and when employees are entitled to job protection.

Bargaining power of suppliers

When there are few substitutes, suppliers of any kind (suppliers of raw materials, components, labour, and services) can be a source of power over the firm: in fact, they may refuse to work with the firm or charge high prices for unique resources, as well as reducing quality of their products. In particular a supplier group represents a threat when there are no substitute products or the supplier's goods are crucial for the buyer 'success and when it is dominated by a few big companies

Bargaining power of customers

There is an asymmetry in the industry in which firms wants to maximize the return on their invested capital while buyers want to buy products at the lowest possible price. Buyers ask for high quality of products and services, low prices and they are powerful when they purchase a large portion of the total output of an industry and when they can easily switch to another product. In addition, when products of an industry are standardized, they could

integrate backward that burden on sellers. The more intense the competition among buyers, the greater will be their eagerness for price reductions from their sellers. Firms can reduce buyer power implementing loyalty programs.

Threat of new entrants

Profitable markets yielding high returns attract new firms that will enter the market bringing additional production capacity. Subsequently, even if the demand for goods and services is increasing, additional capacity holds consumers' costs down, decreasing not only revenues but also returns. Barriers of entry are obstacles used by firms to thwart new potential competitors: they discourage competitors from entering a market and there are several kinds of entry barriers such as economies of scale (as the firm grows larger, the cost of producing each unit declines as the quantity of a product produced during a given period increases) and product differentiation (the belief that a firm's product is unique). Other entry barriers are the capital needed for start of the business, the access to distribution channels and government policies such as licensing and permit requirements. In addition to entry barriers, firms must take into consideration also the "expected retaliation" that is the expected competitive responses by established firms if they enter the market.

Threat of substitute

Substitute products are goods or services that a consumer sees as similar or identical to another product. The presence of products with similar functions increases the propensity of buyers to switch to less expensive alternatives, so it is crucial for a firm to offer differentiated products offering customers low prices, high quality and service also after sale in order to reduce a substitute's attractiveness.

Value Chain

The value chain represents all the activities required to bring a product or service from conception, through the different phases of production, delivery to final consumer, and final disposal after use (Porter 1985). As firms manage and undertake particular activities in the right way, they are likely to reach competitive advantage. The performed activities can be grouped into categories, as these activities can be divided into primary activities and

support activities. Primary activities are those involved in the ongoing production, marketing, delivery, and servicing of the product whereas support activities are those that provide purchased inputs, technology, human resources or the overall infrastructure functions supporting the other activities (Porter 1985).

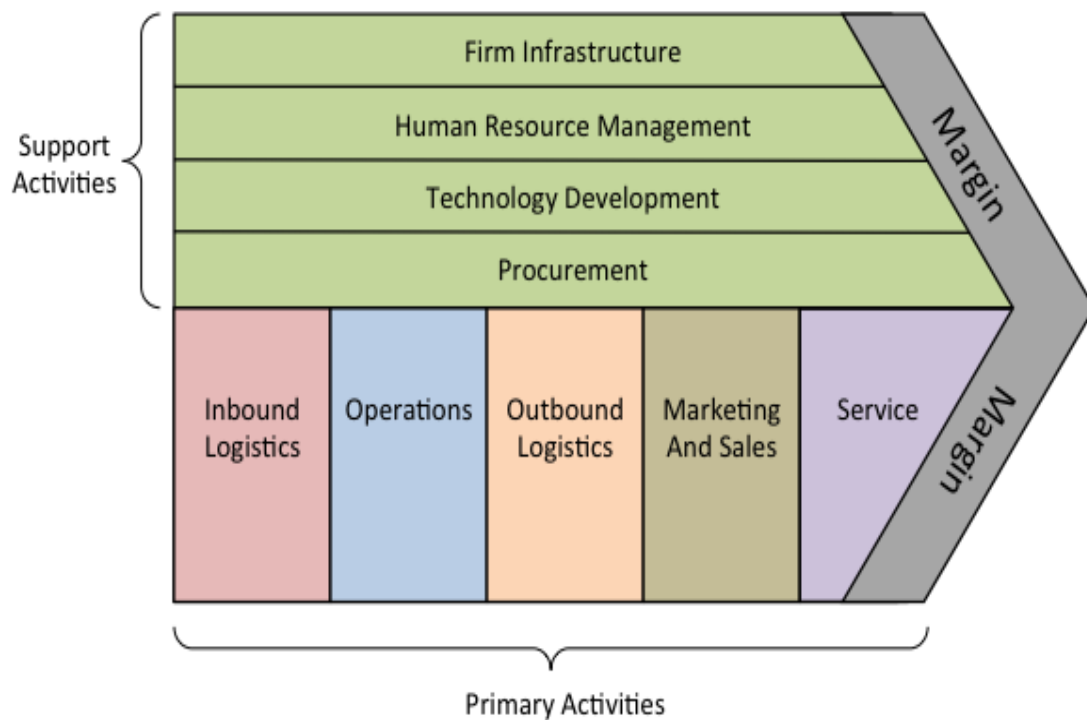


Figure 3: Value Chain

Foreign market entry modes

Management needs to consider basic entry decisions before going international, such as which market is the most attractive (balancing benefits, costs and risk), the timing of entry to go abroad (first-mover or later entrant) and the size of the scale the firm is willing to have on the new market. After these considerations, the management team should decide how to internationalize. According to Hills, there exists many ways a firm can obtain internationalization and there is no right way to go abroad. Everything depends on many factors, such as the firm's size, age, available resources and the market.

Exporting

Exporting is the most common and the most used strategy for small and medium enterprises since they generally lack of resources, experience and networks. Through exports firms avoid the cost of manufacturing in the host country and they can reach important global sales volume as well as knowledge and direct international contacts. The only burden that the firm has to bear is transportation costs and tariff barrier which vary from country to country.

Turnkey projects

Through the Turnkey project two companies agree to put up a plant or equipment. It could happen that one firm is the owner of resources and the other one has the technological know-how to develop the project. Turnkey project is an opportunity to export know-how to other countries, but as the project terminates, the contractor will not have a long-term interest in the foreign country. Technology and know-how are valuable assets that bring competitive advantage for the firm, but at the end of the contract the firm could sell them to potential competitors (Hill, 2007).

Licensing

A licensing is an agreement in which the licensor gives the right over intangible property to another entity for a limited time in exchange of a loyalty fee from the license (Hill, 2007). Through this type of contract firms do not need capital to production and avoid cost and risk of entering new market; at the same time, they lack of control over aspects like production and marketing strategies.

Franchising

Franchising is a type of contract in which a firm allows another firm to use its name and know-how in exchange of a royalty payment linked to the franchisee's revenues. The company that sells the franchise avoids a lot of costs and risks of opening a business activity in a host country by its self. A firm whose entry mode is franchise can build great presence all over the world in a short period of time, at a relative low cost and risk (Hill, 2007). As for licensing, there is limited control, but people can experience the same feelings and taste the same flavours when they go to their shop in different parts of the world.

Joint Ventures

A joint venture is an agreement in which two or more independent firms decide to work together, pooling resources and expertise in order to carry out economic activities to achieve common goals. Both firms agree to share costs, revenues, risks and the control of the new firm. The venture may be a project or a long-term relationship and represents a viable business where companies complement their skills. The typical joint venture is a 50/50 agreement but it is also possible to combine differently the shares. Companies benefit local partner's know-how of the host country's conditions, coupled with its culture, language, political and business systems (Hill, 2007).

Wholly Owned Subsidiaries

Wholly owned subsidiary are firms 100% owned by another firm. One way to achieve this type of internationalization strategy is to set up a new operation in the host country or to acquire established firm in the host country in order to promote products (Hill, 2007). In this way, risk of losing control over the competence is reduced to zero and profits are maximized.

In order to achieve a good internationalization, firms should proceed through a series of activities that will enable their safe and success, such as a self-evaluation of the company with its production possibilities to determine the resources to be devoted to foreign markets; compile a business plan, which is the document that allows them to describe a project in all its parts. This document is an indispensable tool for the planning of the international business development, but it is also a useful tool for communicating with people involved in the internationalization process like customers, suppliers, industrial partners, financial partners, workers, foreign communities. Another activities regard the search for partners, financial funds and the study of the country in which they want to operate, not to avoid linguistic and logistic.

Small and medium enterprises (SMEs)

SMEs are independent enterprises that have a limited amount of revenues and employees; these numbers vary across countries. While in the EU the limit is fixed at 250 workers, in the USA is almost the double. Generally small companies do not have more than 50 employees and when the number does not reach 10 people we are talking about micro-

enterprises. For this case will be used the definition given by the (European Commission, 2005) that states: “The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro”.

In the past, small business was seen as residual compared to great one, which was a real efficient business model. The small business was destined to occupy the residues of advanced market at large; in practice, they captured the market areas abandoned because not enough profitable. The role of small enterprises has been re-valued over time; this is particularly evident in the internationalization choices, in reference to which the SMEs assume peculiar behaviours.

Most of SMEs are likely to develop within the single stage, rather than evolve towards subsequent stages. This definition of the way in which small businesses are organized does not mean they cannot be equally successful as large firms. In particular, when elements of managerial competence are coupled with adequate manufacturing skills, the company's prospects improve dramatically. In order to carry out a process of internationalization of SMEs, it is needed a number of strategies that are difficult, but at the same time very interesting, that in the end give these companies a big competitive advantage. Small and medium-sized enterprises now have the maturity needed to develop their internationalization strategies by planning and not only through their strategic action. Of course, most SMEs enter the international market by developing niche strategies and often retains only on that specific market share. However, there is an increasingly clear attempt on the part of small businesses to develop according to the resources that they can offer or acquire with the permanence on the foreign market: this leads them to expand also in different parts of the initial market through efficient collaboration tools and organizational commitment. In this regard we note the effort of SMEs in trying to adopt a structure and a specific organization also for the foreign market (Mariotti, 2005). Among the different motives behind internationalization of SMEs there are: gaining access to new and larger markets in order to grow, expanding the market for their products by exporting or creating subsidiaries or joint ventures abroad and gaining access to know-how and technology in order to remain competitive.

It is clear that strategy and objectives should be consistent with each other. Often, this consistency is difficult to achieve because in small and medium business strategies are ambitious and budgets are reduced. Approaching an internationalization process requires the formulation of a good strategy, which is: “the determination of the basic long-term goals of the enterprise, and the adoption of courses of action and allocation of resources necessary for carrying out these goals” (Chaffee, 1985); without these actions or plans that will help to achieve goals the company is going to fail in its internationalization. The internationalization process involves high risk and uncertainty, so it is in the DNA of SMEs to lower this fortuity; choosing the right strategy and methods is the first step. Even more difficult is to maintain coherence between the objectives of "today" and "tomorrow" of the enterprise. This point is crucial because the pursuit of certain goals today, can hinder or exclude the pursuit of other goals in the future. To achieve the objectives requires the means, which are the resources available to the organization. Precisely because of the small size and the direct control by the entrepreneur, the small business has a whole series of advantages with respect to large companies. Given that internationalization is usually a spur to business and organization growth, it follows the need for a certain flexible structure. Ultimately it can be concluded that internationalization processes have reached a fairly high degree of importance between the strategies of small and medium enterprises and, increasing even more these developments, the international outlet soon will become almost indispensable even for smaller companies (Caroli, 2007).

In order for a firm to operate successfully in the new contest is vital to rapidly exploit new opportunities; to this end are necessary specific resources available internally or externally the organization, but the procurement it is not always easy. Excellent managerial skills and entrepreneur abilities are vital in this changing scenario governed by competition, but there are many other obstacles for an effective internationalization strategy. Barrier of entry is one of the factors that limit expansion; it refers not only to the cultural and linguistic problematic but also the traditions, customs and management characteristics connected to an unusual environment. Today it is showed that size does not strictly mean to be a barrier. With the internationalization of markets and the extension of the trade environment, SMEs have been faced with increased competition, but at the same time also with increased opportunities. Being more flexible than large organizations, SMEs are able to adapt more rapidly to changes and they can respond to market conditions more quickly; moreover they are the core providers of innovation and breakthrough ideas. “The flat structure of SMEs

and lack of hierarchy allow them to have a more flexible work environment and enables the top management to build a strong personal relationship with employees” (Ghobadian & Galleary, 1996). Reducing barriers to communication, mobility and trade, only partially favour the affirmation of SMEs on the international scene. In the first instance, the reduction of communication and transportation costs have allowed many companies to enter international markets and in large measure also to make strategic choices that formerly would have been precluded, such as participation in joint ventures and the realization of forms of direct presence abroad. On the other hand, it is manifesting a corresponding phenomenon facilitated by the communication and transport costs, that is the shifting of the competition level of the new frontiers of efficiency and speed, requiring increasing ability to support advanced reporting through appropriate organizational structuring, skills, interface equipment (especially computer-telematics and logistic) able to support processes with increasing content of information exchange and joint activities. Smaller firms are showing obvious shortcomings on these fronts, the report to a disadvantage compared to medium and large enterprises. In addition, the re-emergence of space constraints slows down the production and marketing processes developed on a global scale, requiring a rethinking of the production relocation choices. Dealing with the internationalization of SMEs emerges primarily the limitations that these companies traditionally face due their modest dimensions, such as:

- Institutional framework: These companies are mostly family businesses, often do not employ external managers with specific skills and they do not want to enlarge the shareholder base to members outside the family;
- Financial structure: SMEs are often undercapitalized, but at the same time indebted. As a result, they lack the necessary capital to make investments abroad;
- Organizational structure: These companies have lean structures organized in an organic way and are able to quickly adapt to market needs; at the same time, however, they do not have the human resources needed to internationalize with demanding mode in terms of organization (direct investment, creation of joint ventures, mergers and acquisitions etc.). In addition: “A salient feature of an organic organization is the absence of standardization and the prevalence of loose and informal working relationships” (Ghobadian & Galleary, 1996). “These characteristics make SMEs more flexible to environmental changes and small firms are perceived of as being significantly more flexible than large firms” (Levy & Powel, 1998).

Italian SMEs strategies

The Italian environment is slightly different from the rest of Europe, also because each country has its own bureaucratic structure, history, culture, raw materials etc. There exist different types of internationalization strategies that can be undertaken by SMEs and it is also possible to mix them. The following list proposed by Depperu, Molteni and Moramarco cites the most common types of internationalization strategies with core attention to the Italian firms.

Specialization

Specialization is manifested by focusing on one or a few customer segments, or on the production of a particular type of product, which allows the company to present its customers with an offer that meets their needs best. The strength of the firms carrying out successfully its strategy of focusing oriented differentiation is given not only by the positioning in segments or market niches where profitability can be very high, but also by the existence of significant barriers to entry against competitors. The weakness however, is the fact that, by operating in a limited part of the market, competitors who operate with a wider range of action could represent a big problem as soon as they enter the market for which size is relevant. In many cases, in order to differentiate themselves from foreign competitors, Italian companies rely on the image of products "Made in Italy": this fact it is so important that even abroad their main competitors could be Italian firms. Another important factor is the service offered; it is a very important matter because companies have opportunities to interact directly with customers and thus to better understand their needs (Depperu, Molteni & Moramarco , 2004).

Positioning on the high end of the market

This strategy is consistent with that of specialization and, in particular, with the one of focusing oriented differentiation. Businesses that have a deliberate strategy to focus oriented differentiation, in fact, claim cost to differentiate themselves, which is then offset by the possibility of applying a premium price, which is that additional price paid from who appreciate the quality of the product and for it are willing to support higher costs. Surely this is a strategy accessible to small and medium-sized, that allows enhancing specific skills and the Italian origin of the products. Moreover it allows avoiding competition from competitors that produce at low cost and competes on prices.

Orientation to innovation

Innovations are the basis of the successes and the ability to compete in international markets. One element to consider carefully is whether, given the size of these companies, their ability to invest in innovation is likely to be given the opportunity to remain competitive in the future, when the comparison with international competitors could become harsher. A second aspect concerns the subject of innovation. Even if they are innovative, traditional companies do not have a strong focus on research and development and do not ground their future success on the introduction of new products or expensive new technologies. The size of the Italian firm is on average lower than that of companies in other countries and this represents a limit since investments in new technologies are very high and only those who have a size that allows to amortise that expenditure can achieve them. Finally, the rate of innovation makes the Italian firms obsolete, since product life cycles get shorter and make necessary frequent and effective innovations, which in many cases only a dedicated structure is able to produce.

Autonomy

The external environment plays an important role in supporting the international growth of Italian companies. The Italian business model is characterized by a strong individualism and a low propensity to collaborate. This fact, on one side, reveals the ability to move in competitive environments of not larger companies; on the other hand, however, it shows the extent of the businesses where collaborative strategies can provide a remedy to the competitiveness and the entering of some particularly difficult competitive arenas (Depperu, Molteni & Moramarco, 2004). The hostility towards collaborative hypothesis is the institutional framework origin of Italian businesses, mostly family businesses, and in the difficulty of entrepreneurs to share with others the government of their companies, which instead is required when making joint venture or other forms of important collaboration. In addition, SMEs are aware of the social aspects held in companies' strategies, but they are not engaged in any kind of activities of social value. Even if human resources represent the main source, they do not invest in training. This could be an element of weakness against larger competitors, which invest in management training of their employees.

Location

The presence on the Italian market is important in terms of competitive positioning. Businesses are positioned well on the Italian market because they are located in critical

market segments in terms of needs, required quality, and attention to the competitiveness of their suppliers. The Italian market is often what allows the company to develop their skills and develop competitive advantages that are then able to exploit abroad.

Lean organizations

Lean organizational structures allow firms to be flexible. These structures, in large part, do not include units dedicated to international activities. The sales management follows both the sales activities that take place on the Italian market and those that take place on foreign markets and generally in Italy the production is done in a centralized manner. Moreover the sales structure is typically made up of agents. This confirms the orientation to have organizations that have little effect on fixed costs, which can be easily reduced or extended based on business needs. This fact gives businesses the ability to adapt its commercial structure with flexibility; on the other hand, it allows a lower control. “These characteristics make SMEs more flexible to environmental changes and small firms are perceived of as being significantly more flexible than large firms” (Levy & Powel, 1998).

CHAPTER 2

ANALYSIS OF THE STONE INDUSTRY



The stone industry refers to the set of enterprises that deal with mining, processing and trade of stone. In recent years the worldwide deployment known from the stone industry has shown the important role played by the industry, with a view that goes against the tide than the rest of the real economy and that contributes to the development of many countries. The stone industry is linked to the global economy and it has proven to be able to overcome the most demanding phases of the global crisis. The global economic slump has certainly been felt by the stone industry, but in a less showy way than other industries. In industries were mainly the Asian, Chinese and Indian countries to record progressions most significant of production, while they decreased slightly those of the European Union and South America. Countries like China and India have recorded positive incremental changes more significant, while in Europe and in Japan there were the most contractions. Also the US market was greatly reduced. As for the main consumer countries are Switzerland, Belgium, Greece, Italy, Portugal, Spain, South Korea. China is now widely acknowledged as the country exporter, constituting the world's crossroads of the stone

traffic thanks the wide availability of natural resources and manpower. To strengthen this dominance contribute some neighbouring Asian countries such as Japan, South Korea and Taiwan; these countries suffer high dependence on China in the supply of raw materials since they are addicted mainly to the transformation of the raw material and do not have vast natural resources. Italy instead continues to contract. Even Turkey, which has doubled its market share in less than a decade, has consolidated its role among the major players in the industry. Italy has a long tradition in the quarries in the world and is the only country to have experience long-term even in phases machining. Exports consist mainly from processed products, finished or semi-finished products. The production of rough stones in Italy is carried out in a dozen the regions where the processing is concentrated in two areas, that are the Apuan (which includes the provinces of Massa-Carrara, Lucca and La Spezia) and the district of Verona that is characterized by a strong export (Martini et al, 2010). The growth potential of the international demand of products stone appear high in both the short and long term. The industry is continually looking for styles, applications, machinery and innovative solutions to expand offerings. There are many customers of the industry that perceives the marble and other stones as natural products and fine, while the other considers them to be too expensive, cold and difficult to manufacture and use. Technological development and promotional campaigns can allow to gradually overcoming these limits, demonstrating that it can perform various types of processing and domestic furniture solutions. The production covers different types of stone, which have value inherent and very different aesthetic characteristics: among them there are marbles, granites, pumice stones, travertine and other stones.

Italian stone industry

In Italy, in contrast to most other countries world, the stop of the global growth process has also involved the industry stone, recording a decrease in world market share and it has lost a few well-established outlets for its stone products. However, in the Italian case, it is worth noticing that the causes of the economic stagnation are to be put forward not only to type questions economic and domestic issues (such as some deficiencies in infrastructure, the labour unrest and the credit bottlenecks); there are also structural reasons due to a wide series of competitive advantages that the main international competitors have compared to Italian producers. Besides that, in Italy they have not been made investment in the marble industry, which could have been developed at reasonable conditions considering the

current economic downturn. The industry is an undoubtedly appropriate way of pursuing economic development policies. Exists in fact, the recognition of the added value of the stone industry products not only in terms of technologies related to engineering requirements, but also the optimization of related environmental values and lifestyles. The stone industry, particularly in Italy, in recent years has suffered the impact of the economic crisis in late 2008 involved the entire world markets. Among the different aspects, the low propensity to investment, not only in technology and for the product innovation, but also for the training and retraining of personnel is one of the most worrying elements: with the exception of some programs mostly aimed at producing, are almost absent pathways for the development of managerial and strategic organizational skills, as well as on relational and communication skills, which are increasingly important in a multi-ethnic and multicultural market like the one of the stone industry. Given this situation, companies struggle to adopt strategies for the re-launch and exploitation of the opportunities offered by process innovation, but also relative to its promotion on local, national and even international. It is therefore essential to promote a cultural change in mentality and improve the level of qualification and development of technical and professional skills of workers, strengthening job stability and enabling companies to generate value through the work of its human resources. Training must play a leading role in supporting the continuous evolution of organizational and technical ways of doing business and organize the enterprise in a globalized and increasingly competitive market. The most important areas for the destination of Italian marble and granite still are seen in the lead the European Union. Certainly the Middle East (Saudi Arabia, UAE and Kuwait) covers more than half of exports and Saudi is definitely the leading country. The United States, the traditional buyer, and Canada emerge as increasingly attractive markets and especially attentive to the quality of the product, while France is increasing the imports and is followed by the excellent performance of the UK. Also the African market is growing strongly but not so as the one of India, China and South-East Asia (Martini et al, 2010). The critical points that most affect the development of the industry of stone materials can be represented as:

- Failure quantitative in support of productive activities infrastructure;
- Shortage in the qualification of the industry;
- Low sensitivity to technological innovation, information technologies and service;
- Little attention to the cultural aspects and disclosure;
- Lack of operational policy for environmental problems;

- Excessive concentration on only one outlet market;
- Lack of planning and coordination of activities by operators.

The decision to use stone materials in homes generally lies with the owners of the same. In constructions of great luxury choice, and also conditioned by those responsible for designing, who likes to suggest their preference materials for countertops, flooring and other applications. These professionals are generally architects and interior designers specialized in bathrooms and kitchens; they can be involved in the selection of materials and of the specific type of stone, when necessary. Most architects have never studied academically the use of natural stone, and are literally "starving" of information. Many architectural firms deal with projects such as high-rise buildings, Shopping Malls and large hotel for tourists and vacation. Most architects do not take direct purchase of the materials used in the work, but they have the final responsibility of their choice and approval as part of the design. Therefore, careful research based on different types of buildings of interest would be extremely useful to suppliers of stone materials.

The main important characteristics of weakness of the traditional Italian company are that it pays attention to quality as the product attribute rather than the system that offer the company in terms of speed, flexibility, punctuality and reliability; it lacks of knowledge of logistics costs, apart from those external and more easily measurable, such as outbound transport; it searches for competitiveness based on production costs and on penetration trade, neglecting an integrated vision that seeks competitive advantage through a balanced development of all business functions, according to the principles of efficiency

Competition, the time based competition and service competition.

SWOT analysis

Despite the consolidated position of leading country in the stone industry, Italy remains in a chronic deadlock. The producers settled in countries like China and India enjoy strong competitive advantages on the cost of labour and cost environmental. Further threats arising from the introduction of stone types more alternatives corresponding to trends in place open new competitive and dangerous scenarios. Another threat is the main substitute product: ceramic. The Italian trend is therefore in contrast not only with respect to relatively good performance of the entire global industry but also with respect to Europe

itself. Some traditional markets of Italian exports stone have undergone drastic contractions, first of all the US. The reason is that nowadays exist more efficient industrial solutions where to invest in very best conditions. For these reasons It seems fundamental define primarily an industry policy able to set strategies, intended for the industry as a whole to enhance the resources and expertise in a context of collaboration between public and private.

<p style="text-align: center;"><u>STRENGTHS</u></p> <ul style="list-style-type: none"> - Deep innovation and know-how used in production processes; - Possession of quarries of precious materials or commercial agreements with suppliers of blocks; - High internationalization process; - High professionalism widespread; - Strong local roots and reputation. 	<p style="text-align: center;"><u>WEAKNESSES</u></p> <ul style="list-style-type: none"> - The industry fragmentation and rigidity of production; - Small-medium sized enterprises; Difficulties in doing research; - Difficulties in overseeing new markets; Generational change to manage. - Workers are exposed to high risk of diseases and fatalities.
<p style="text-align: center;"><u>OPPORTUNITIES</u></p> <ul style="list-style-type: none"> - Expand the export markets; - Product innovation; - Improve relationship with customers; - Advantage of the good positioning of the Italian foreign products; - Image of prestige of marble. 	<p style="text-align: center;"><u>THREATS</u></p> <ul style="list-style-type: none"> - Substitute products (wood, ceramic); - International competition; - Cyclical demand due to perception of ornamental stone products; - No widespread distribution network; - Environmental costs.

Strengths

The stone industry is very complicated and complex; in order to set up a business like this, a company needs a lot of stuffs that generally takes years and years. One basic example is the personal relations and network with all the suppliers, but also the preparation of the employees is a fundamental step. Experience, tradition and know-how give the company that value added necessary to compete in that turbulent environment. Company has to form

or recruit its employees in the right way, since the market require the firm a special ability in providing technical material "cut to size" for commercial projects; over the years, a good company receives a good reputation among architects all over the world for the execution of contracts supply of stone materials, and this is one of the most important strength that every firm should follow. Another important factor is the capacity of international connections with various links in the chain of distribution; investments and "joint ventures" with numerous international mining companies and international distributors as well as direct contacts with leading international architects and contractors.

Weakness

During the last decades there has been a decrease in the number of active quarries in Italy, while the industry International quarrying and rough blocks have been greatly developed. Moreover, there is an high costs of the economic activity generally in Italy and high labour costs compared to their international competitors; also shipping costs are higher than those from other countries. Last, but not least, Italy is dominated by small-medium sized enterprises so they find it difficult to do researched, oversee new markets and to manage the generational change in an environment in which employees are exposed to high risk physical harm.

Opportunities

If a firm is well organized and managed, there are a lot of opportunities in this industry. First of all, having the appropriate means, it is a great advantage to expand the export markets through advanced technology and product innovation; in addition to this, it is crucial for the short and long term for the company to create a good relationship with customers. It is also necessary that marble companies offer a whole range of goods and services related to stone materials: from services to technological know-how, technical assistance training professional, product innovation to the commercial know-how. Another advantage is the good positioning of the Italian foreign products; in fact it is known that the white Italian marble is among the most prestigious material in the world. The innovation in the process of stone also comes from the chemical industry that provides many materials for the treatment of slabs and continually improved finished products than in the past. Products and materials such as adhesives, polishers with reviving and the scratchproof allow firms to enhance the finished stone products and its installation, contributing to the final image of the work performed and the level of quality perceived.

Threats

The mix between the presence of substitute products and the high level of international competition bring lot of threats among the stone market. On one hand, it is not easy to convince people that your product is the best solution for their needs, while on the other hand it is not easy to convince people that your product it is better than your competitors. We are talking about an item that has a cyclical demand since there is the perception of ornamental stone products, and this lowers sales. As for the market, although the demand for stone products enjoys a large degree of autonomy with respect to the offer, they should identify actions to mitigate its negative effects on the cyclical industry. In particular it should be supported to promote and strengthen the image of the marble through its differentiation between markets which aims, through the encouragement of cooperation in the marketing process of the product as well as agreements on the pricing policy, through the encouragement of associated services such as marketing services, support, monitoring and quality assurance. Lastly, there are many environmental costs and bureaucracy that slower processes inside organizations and recently the EURO value that is significantly overvalued complicates exports from Italy and Europe to the rest of the world.

Environmental issues



Figure 4: Apuan Alps, extraction of the white marble "Bianco Carrara"

Mining activities are of fundamental importance for any work of civil engineering, therefore, while it is impossible to eliminate them, the other feels the need to study all the issues related to their presence on the ground; the core purpose is trying to reach a fair compromise between socio-economic development and environmental protection, i.e. the so-called "environmental sustainability." The objective is to rationalize the number of slots and the amount of extracted material, as well as to carry out excavations that do not involve great sacrifices for the environment. For this reason it is very important to gain and improve the geological knowledge on quarries and to focus on various aspects related to the mining activities. The most important environmental issues related to mining activities are: Atmosphere, Noise, Soil and subsoil, surface and underground water, landscape, traffic, flora, fauna, ecosystems and socio-economic impact. Safety is one of the aspects on which the current innovations is pointing more, both in terms of effectiveness, to obtain greater safety in the different work activities, both in terms of efficiency, to reduce the cost of managing security which represent, among the other one of the aspects with which the developing countries are in an unfair competition to our entrepreneurs. Quarries operating within national borders are confronted with fierce competition from foreign importers that can propose similar materials at a lower cost. The same competitive situation also concerns semi-finished and finished products: local businesses, often small and medium reality with machining and a traditional structure, are facing the competition of products from foreign companies, in many cases from true and its industries that can rely on low production costs and the raw material. Local businesses have a hard time competing with businesses and foreign products with unparalleled taxation, comparable facilities and purchase contributions on oil, energy costs and low labour costs. In addition, Italian firms have to compete with realities in which there is almost no consideration or tutelage of health and safety of workers work and no respect for the environment (not forgetting the increasingly hot topic of safety in quarries and raw processing and the protection of workers' health even for indirect causes, such as dust).

MONDIAL MARMI SRL

History



Figure 5: Mondial Marmi in 1957

Since the age of 12 years old, Alfonso Tini dedicated himself to learn the noble profession of marble cutter. After 13 years of experience he decided, along with his brothers, to start his own business. This is how Mondial Marmi was born – a company that works with marble, granites and natural stones. All of this happened in 1957, a period of development and economic boom in all of Italy. Initially, the activity was the processing of marble and stone turned to the local market, particularly at the funeral. In the seventies the company has been directed toward the building and, although it was still strictly artisan company, has started to have a certain thickness locally also looking out to a wider domestic market. The eighties were decisive for Mondial Marmi since were made investments in high-tech machinery, resulting in increased production and competitiveness. In addition to technological innovation, there was a change in trend around the product worked, in fact, it was chosen to work mostly granite, the harder product but richer than those processed until

then. During these years, Mondial Marmi took important assignments from equipping hotels to private Villas and shops. As Mondial Marmi was rising up, Grandpa Alfonso's children were growing up, and one by one they all started working for the company, which was already established. From 1986 Mondial Marmi gave a great boost to exports, and thanks to a high level of quality, velocity and attention to customer's needs, Mondial Marmi became a leader company also worldwide. In the nineties Mondial Marmi became an spa (in Italian "società per azioni") not quoted in the Stock Exchange: the firm was specialized in the production of granite tile production ranking among the first companies in the world and the international market at certain times has absorbed up to 90% of production. In addition to the industrial production of tiles, Mondial Marmi has started the search for new and more sophisticated raw materials by investing in Italian and foreign quarries with the aim of having a raw material control. The coordinated high-tech industrial production and the research of special raw materials made Mondial Marmi one of the leading companies in the international market, reaching a turnover of 15 million euros and a workforce of 65 employees.

Since 2007, following the economic crisis, the company had to change its strategies. The industrial production was not more competitive with those of the emerging countries, therefore have been made drastic choices to be able to stay in the market. It was abandoned industrial production and turnover shrank touching a minimum of 4 million euro. Administrators decided to dimension the size of the company, which turned to be an srl (in Italian "società a responsabilità limitata"). After five years of restructuring sales began to increase reaching stable revenue of 8 million euros.

Today, next to the grandfather Alfonso and his children, also his grandkids have joined the big family of Mondial Marmi. The current workforce includes 24 employees and the current prevailing industries are:

- The sale abroad of marble slabs and finished
- Coatings for luxury yachts
- Urban construction

Nowadays Mondial Marmi occupies an important place on the international market for its relevant experience, for the constant research of new materials, for the quality of products and the service offered to the customers. The main products dealt with are: floorings, coatings with slabs and special pieces of all the thicknesses for residential and urban furnishing. They are also importers of the exclusive Brazilian quartzite “Azul Macaubas” and of valuable marbles from Canada, including Tobacco Brown. Thanks to the Office in Carrara, they have full access to the most prestigious quarries of the world: Apuan Alps, with over 80 quarries of Carrara Marble, which include the following materials: Statuario, Calabatta, Arabescato, the classic Bianco Carrara and other unique marbles that can only be found in Italy. Offices, besides Italy, are also in Brazil, United States of America, and United Arab Emirates. Mondial Marmi, the factory of ideas, has created “Elements”, a line of exclusive and unique materials, which combines creativity, research, refinement and Italian design. Mondial Marmi is the ideal partner for designers and architects. It offers consults and quotes for finished and installed marbles; they are available for inspections and consultancies with the target of developing every kind of project, from the choice of materials to the research of the best mixes of colours and processing, from the transport to the final pose. The work carried out by Mondial Marmi is particularly specialized and most of the time also includes the installation. The phases could be summed as follows (Mondial Marmi, 2013):

- Technical consultancy and preliminary feasibility study

In the preliminary phase, technicians assist the project planner for advice on material availability, chromatic characteristics and technical compatibility in the selected applications.

- Executive planning and Mock-up

Here, customers’ requests are studied and understood. Then, highly custom solutions are proposed and enhanced by exploiting artistic manufacturing and innovative machinery.

- Production

After having selected the best materials, the finishing and colour combinations, master artisans transform the work inside Mondial Marmi’s facility, according to the executive project. Before delivery, the material is dry-fit so as to simulate the installation.

- Installation

Mondial Marmi appoints a supervisor to follow every project on site, side by side with the client in order to fulfil in real time every need that may arise. Installation teams are composed of highly skilled and professional employees.

- After Sale

Thanks to research and innovation on both products and technologies for their processing, upon request is possible to provide support for treatment, cleaning and maintenance of supplied surfaces.



Figure 6: Mondial Marmi in 2006, Perugia (Italy)

Mondial Marmi is located in Perugia in locality Ponte Valleceppi on a plot of about 50,000 square meters with a covered area of about 6,000 square meters. In Perugia are carried out productive activities with an agile and flexible laboratory; thanks to its specialized production is able to follow the requirements of the most demanding markets. In Massa there is a large indoor exhibition, a commercial and an external storage office. This unit acts as a local point of sale and collection of blocks, slabs and other industrial products that are processed in Carrara by subcontractor companies.

Products and Markets

Slabs are an important product for Mondial Marmi srl. Third parties do the processing, while the raw material is owned by the company and is purchased in Italy or in source countries such as Brazil, India, South Africa, UAE etc. The production of cut material to measure is increasing in parallel to the development of the stores in Italy and abroad that are intended to meet the needs of Architects and end customers. Products have traditionally turned to large distributors, supermarkets and workshops for the building, but in recent years the end customers have increased significantly, architecture 'study and "project customers." Mondial Marmi sells its products mainly abroad. Although the division of the world is quite detailed, there are three big markets: Arab countries, North America, South East Asia (Singapore, Hong Kong, Malaysia and so on.).

Whereas in the marble industry is crucial to have control of exclusive materials, MM has moved in recent years by acquiring exclusive rights and quarries in Italy and worldwide. Between subsidiaries quarries at this time, the most successful are in Brazil (Azul Macaubas, Sky Pearl, Sky Gold, Bahia Azul, Jouparana Classic) and for some years has had in concession by the Chinese State the quarry of the Green Ming. In Umbria has developed a local quarry by converting an ancient material full of history: the Basalt. This material was used for poor products: changing the use of the material, now the firm is offering to the market a product that seemed to have disappeared and that instead has always been part of the Italian and UE tradition.

Macaubas Pedras Ornamentais (MPO)

To enhance competitiveness and employment opportunities it has chosen to create a joint venture company in Brazil with 50% participation in Italian and 50% Brazilian through the purchase of shares of the company PETRAS MACAUBAS ORNAMENTAIS, by act of 2003. The company is headquartered in MPO Macaubas, state of Bahia. The choice of the place is the fact that in Macaubas lays the most prestigious Quartzite in Brazil called Azul Macaubas. The choice of partners is the fact that the counterparty Brazilian is the owner of the quarry in question. The MPO Brazilian was founded in 1996 by the will of the quarry owners, but before the joint venture, it was only equipped with buildings and a series of machines suitable for producing craft materials. With the entry of Mondial Marmi, the

MPO bought by an Italian firm already supplier of Mondial Marmi, a block size for the production of semi-finished tiles. With the installation of the machine has been necessary the construction of a new building and a series of equipment in support of the machine for a total investment of approximately \$ 150,000.00. The car was launched in October 2003 and has enabled the production of semi-finished products at low cost and high quality. The production and marketing experience, along with the ability to draw almost exclusively to a material so prestigious, were the keys to success, which allowed the MPO and the MM to achieve excellent results, managing to sell in markets notoriously difficult such as China. Even to produce only in Brazil of semi-finished and import in Italy, saves the Mondial Marbles 50% of transport costs because of the production of the semi finished deviation is about 50% of the raw material. In addition to this opportunity, which weighs on Mondial Marmi, there are direct sales from Brazil to the rest of the world via the MPO.

Tuscan Stone LLC

In October 2004 it was decided to create a sales company in New Orleans. After a long reunion it was decided that the participation of an Italian company would be fundamental, so MM bought 15% of the quotes of the new firm Tuscan Imports LLC (Limited Liability Company) that is a recent type of business entity. It provides limited liability to its owners and follows pass-through taxation (which means no “double taxation”). The structure is similar to that of a partnership due to the fact that limited liability companies are designed to combine the benefits of both partnerships and corporations. There are important differences between them.

Differences between LTD partnerships and LLCs

An important reason to form an LLC is to protect their personal assets from business-related liabilities. For an LLC, all the members receive this protection. The owners of a limited partnership are not treated in the same way. A limited partnership is required to have at least one general partner and one limited partner. Although the limited partner receives liability protection, the general partner does not.

The owners of an LLC can choose to have each member participate in the management of the business or designate the management responsibilities to one or more managers. In

either case, each member receives the same liability protection regardless of his level of participation in the LLC's activities. This is not the case with a limited partnership. In order to maintain liability protection, a limited partner cannot participate in the partnership's business activity. If such activity occurs, the limited partner may become exposed to personal liability for the partnership's obligations.

The benefit of forming a limited partnership is for the pass-through tax treatment; that is the partnership is not taxed and the profits and losses of the partnership are shared among the partners and taxed only once. However, for federal tax purposes, an LLC is treated as a disregarded entity. This means that, unlike a limited partnership, the members of the LLC can choose to be taxed as a corporation rather than a partnership if that better suits the needs of the business. LLC practically has the advantage of limited personal liability and a choice of how the business will be taxed. Partners can choose for the LLC to be taxed as a separate entity or as a partnership-like entity in which profits are passed through to partners and taxed on their personal income tax returns.

Mondial Marmi FZE

Thanks to the important network created all over the years with specialized people coming from every part of the world, in 2009 the administrator decided to create a Gentlemen agreement in which another person was allowed to create a business using the name and the knowledge of the company. The new Mondial Marmi FZE operating in Dubai (United Arab Emirates) was established, operating as bigger and trust client of the company. The choice is easily to recognize: expanding and be directly in contact with the Middle East market, one of the most rich and demanding of Italian high-quality products.

Community IVA

With the implementation of the European single market borders and customs checks were abolished so that the intra-Community supply is no longer regarded as an import or export. The transferor is exempt from tax, but should bill the operation indicating that it has intra-Community nature and record the invoice. The acquiring undertaking must record the invoice is in the book of purchases and in the sales one or in a suitable sectional register in which only intra-Community acquisitions are noted. The calculation of IVA in debt and the deduction of IVA on credit take place monthly or quarterly, according to the ordinary

rules. This system is only transitional. In its place it will be introduced that of taxation in the country of origin, under which the supplier regularly applies the tax to the customer (domestic or intra-Community), and this leads to a deduction in their country. With this system, the passage of goods from one State to another is treated the same way as all the other steps, as if the goods were sold and purchased in the country. Taxation in the country of origin is therefore the most coherent system with the abolition of borders and the creation of the single European market. But it implies that the tax rates are uniform in all Member States of the Union, so that, by selling "Iva products included", there is no distortion in pricing. We should also observe, that with this system, each State takes the toll on the exchanges that take place on its territory so that the tax revenue is acquired in part by the country where the production and partly from the one in which consumption takes place occurred: but the IVA is a consumption tax and not on production, so that in any case the revenue would go entirely to the country where consumption occurs. In order for the system to work you need a compensation mechanism to ensure the redistribution of revenue. For these reasons, the taxation in the country of origin is now "a long-term goal": its introduction is not yet possible and because IVA rates are not harmonized and, above all, because the compensation mechanism involves various difficulties implementation.

Usual Exporters

Exports outside the EU are not subject to IVA payment. The exporter, when it performs like any other taxpayer monthly liquidation, will close with a balance to his credit, and this amount it must be reimbursed by the state. This system could damage the usual exporters, i.e. traders whose turnover for the most part made up of exports; in fact, they always find themselves in credit from the tax authorities, resulting in immobilization of more or less large sums. To overcome this problem, the legislature gave exporters the right to buy goods and services without payment of the tax to the extent the total amount of exports made in the previous year, provided that the latter consideration is higher than 10% of turnover. Before performing one or more transactions in relation to which it intends to avail itself of the option, the exporter must send a declaration of intent to the supplier. Exporters under the special regime should indicate in the annual statement, in respect of the month, the reference amount of exports and that the purchases made without paying the tax. They must also provide, at the request of tax offices, the reference amount of transactions for each month, up to the second month preceding the request.

PORTER'S FIVE FORCES



Figure 7: Mondial Marmi in 2016, Perugia (Italy)

Rivalry among existing firms

Competitive rivalry among marble companies is very high and intense because there exist a lot of firms in the market from all countries in the world. With the available technology everyone can be in every market, but what makes the difference is the relationship that companies are able to establish with their clients. Fortunately it is not always and only competition since could happen collaboration among firms. For example, Mondial Marmi has recently taken a job started from another firm because they find it difficult to finish it because of an overlap of projects. This is a proof that good relation should be established not only with “friends” but also with every stakeholder, that is everyone who has a link with the company, no matter if the link is positive or is a threat.

Bargaining power of suppliers

Suppliers play an essential role in the industry and need to be constantly fast and reliable. They are not only required to deliver the right quantity and quality of material but also to be fast and efficient. Their fault could cause a chain of delays that burden to the buyer.

Bargaining power of customers

Marble industries companies do not have a high level of power over customers; instead buyers can put the price down because they control the distribution channel. An important factor that could threat the company is the reputation received from buyers that can, on the other hand, be a good element of success if seller satisfy them and they “spread a good word” among the other buyers.

Threats of new entrants

Due to high level of structural entry barriers, such as capital requirements for projects and purchase of plants and equipment, as well as strategic entry barriers built over time like the brand image and the above mentioned customer loyalty, this company has a substantial low number of new future competitors. In fact, Mondial Marmi owns resources highly valuable, scarce and difficult to imitate and during its business life has acquired high reputation coupled with strong relationship with costumers and suppliers, which are inimitable factors.

Threats of substitute

As we have seen in the SWOT analysis, there are products like wood and ceramic that are considered substitute. It is not easy to convince people that your product is the best or the more appropriate for their need. For sure, marble was used from the ancient Romans and there are many cultural buildings and monuments nowadays that are a testimony of the high quality and beauty of this material. Being a natural stone, it is not possible to modify it too much, and to overcome to this inconvenient there are artificial stone that can be considered as another substitute. When people buy the marble they are buying a little and tiny part of the nature: the stone is not standardized and each single block has it own characteristics.

COMPETITOR ANALYSIS

There are many marble companies in Italy but only few ones dedicate most of their work to the foreign market like Mondial Marmi. It is not easy to find the “perfect” competitor for the company, since there can be distinguished a lot of firms both small and large that can be considered competitors. Given the size of the firms, its products and the dimension, these listed are the main companies that operate internationally headquartered in Italy that are most similar to Mondial Marmi:

ANTOLINI SPA

Antolini is one of the biggest marble companies in Italy headquartered in Verona that has a huge amount of showrooms everywhere in the world. The most relevant ones are located in USA, Brazil, Iran, China, Spain, Mexico and Russia. The key resources for Antolini are their personal quarries located in every part of the world that permit the firm to serve multiple clients with multiple products. Antolini is a reality that surpasses imagination and expectation; in fact it can provide almost every type of material and stay in direct contact with every customers all over the world thanks to its vastness of showrooms and staff.

BIGELLI MARMI

Another italian competitor is Bigelli marmi, operating from more than 50 years from Senigallia to the rest of the world. This firm has always bet on the quality, especially on the ability to satisfy the expectations of the most demanding customers and guarantee the highest levels of quality by using only master craftsmen and the latest processing technology.

SANTUCCI GROUP

From 1950 Santucci group is a leader in the Italian stone industry and over time has completed many architectural projects throughout the world collaborating with the top names in architecture and design. The key activities are the cut-to-size projects and they have a strategic location near to the prestigious Italian quarry of Carrara. Moreover, they operate in the USA and Brazil and they own three quarries with exclusive materials.

LUCCHETTI SRL

Lucchetti has family origins linked to the excavation of the marble of Carrara for over 200 years and it was founded in 1952. Since then the company has dedicated his activities to the production and supply of marble and granite all over the world together with the continued development and expansion of one of the main quarries in Carrara. Their strength and essential feature of the company is the supply of high quality products at the best market prices. They in fact have a very wide range of materials, which surely covers the majority of those known and available on the market. Inventory variety of slabs and blocks is a tangible sign of the importance that aims to meet the increasingly and precise needs of customers.

CONCLUSION

After having better understood what are SMEs, what kind of internationalization strategies can be implemented and after a broad analysis of the stone industry, we arrived at the following conclusion and considerations. Unfortunately, there is no guarantee that the implementation of a well coordinated marketing program can provide the solution to overcome the obstacles to the success of this market and gain competitive advantage: however, the lack of a good program will bring certainly the loss of market share and sales potential, for the benefit of other producers. However there is a precise and strict path for marketing strategy that could be done if a firm wants to try to be profitable. First of all, it has to choose the market and the product, with its objective and purposes; then, it is important to decide in which way enter a specific market, analysing all the variables of the marketing mix. Finally, the crucial step is to realize the planned activities and only after all this process is completed concluding with a general check of the outcomes.

It should be noted that an increasing number of manufacturers are playing for the buyers' attention to be able to sell on this market. In the 70's and 80's many companies could afford to wait for the arrival of the mail order, but today, in order to survive, exporters will have to be more careful to the evolution of international markets and more aggressive in approaching customers, providing them with clear information on products and good after-sales service. In current market conditions the best solution in the short term is perhaps to invest in marketing activities targeted to individual customers, with frequent visits. Prior to these meetings, exporters should prepare their company profiles, professionally prepared and printed, with news about their possibility of production, with all the products and their price lists in order to leave in the hands of the other party a concrete view of what he is buying. However, the website and the advertising material must be accompanied by the exporter's visits to architects, to marble cutters, importers and distributors. All this constitutes the most effective method to establish and maintain a strong working relationship with companies. In addition, exhibitions, conferences, visits to quarries and processing plants promoted by industry associations, offer exporters many favourable opportunities to start new working relationships with members of the stone industry. Then, the production efficiency and the rapidity of the supplies will be the key of success for exporters of stone materials. If an exporter of stone materials and its partners that distribute products were able to organize a steady and continuous stream of products, the right

assortment and a well-designed marketing action to present to professionals as well as to final consumers, the success in the construction market in general will compensate them widely.

As for the stone industry to Italian level, we can conclude by stating that Italian exporters are facing new and more difficult obstacles, an increasing number of foreign competitors and the EURO value significantly overvalued; therefore, the Italian companies have to struggle even harder to acquire first and then maintain satisfactory positions, despite all the difficulties who daily meet on this tumultuous market. It emerges the need to implement a particular broader policy and real enhancement of the industry encouraging the development of excellent products at the top of the range, destined for a niche market, rather than trying to focus on important figures. In addition, strengthen the territorial systems through the development of skills for people and the consequent business competitiveness through well-targeted training policies to support and promote interventions aimed at supporting strategies and organizational innovations, production, market and supporting the professional growth and career; to this extent, improve and enhance the organizations and work processes, integrating policies to support the development of production, employment and collaboration between different regions and territories.

The current crisis in the industry has its origins both in external factors related to the structure and trends of the markets aggravated by the global crisis, both internal factors, mainly dependent on the structural weaknesses of the industry, also linked to an old organizational and entrepreneurial tradition, exacerbated by the lack of investment in the years preceding the recession. It is necessary to innovate the way companies organize the activities and work processes, as well as of the whole of the stone industry, to achieve greater efficiency in terms of production, with lower costs and higher quality of the final product; it is also crucial to develop strategies to revitalize the industry and growing managerial skills of the entrepreneurs placed in decision-making roles and responsibilities in order to improve effectiveness and efficiency of work processes. In addition, it is very important to create network and positive links between district operators throughout the supply chain: the collaboration of local companies in projects of common interest, whether they are research and innovation, internationalization or new organization of production and working processes, it creates positive externalities for the whole district, and to reduce

investment that individual companies would have supported by themselves.

Regarding the case study of Mondial Marmi is remarkable to say that the management of the clients in place is the key in order to work successfully tomorrow. The firm is planning to expand the number of employees, looking not only for young but professional people that enjoy being artists, but also prepared sales people willing to travel around the world. The manager says that the company: “will concentrate the work in more and more advanced technologies expanding also in new markets, such as the emerging one of Iran and there will always be more concentration on the handcraft projects, with the aim of open showrooms in USA, Canada, Brazil and Russia”. The company wants to be recognized in even greater manner at international level and it is planning to participate in more and more marble fairs with its personal stand, in particular in Italy (“Marmomacc” in Verona and “Salone del Mobile” in Milan) and in the USA (“Coverings” in Orlando and Chicago).

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