**The ambidextrous interaction of RBV-KBV and Regional Social Capital and their impact on SME management**

**Abstract**

This paper argues that regional culture, encompassed within intricate forms of social capital, is inextricably linked to the resource-based view (RBV) concept - focused on inimitable resources possessed by a firm. These resources encompass knowledge (pertaining to the knowledge-based view (KBV)) – including the cultural knowledge and understandings that reside in a given region - as a key resource that is available to a firm, creating resources in order to render it competitive. The paper conceptually develops RBV-KBV within an organizational ambidexterity framework and highlights how regional context, RBV-KBV and firm dynamics inter-operate. This responds to an important gap in the literature, underscoring the vital role of regional contextualised RBV-KBV. Rather than viewing these contexts as taken-as-given artefacts it is important to see them as culturally, socially, and historically constructed and rooted phenomena. Drawing empirically on a series of semi-structured interviews conducted with German manufacturing SMEs in the Baden-Württemberg (BW) region (SW Germany), this paper provides novel insights into how SMEs manage resources and regional social capital in order to expand judiciously into international (emerging) markets. In so doing, the paper presents a novel organizational ambidextrous conceptual framework showing how companies move from traditional exploitative and conservative regional cultural RBV-KBV bases to more explorative and innovative internationalising ones. Within this, the paper also contributes fresh insights into the explorative ‘hidden champions’ phenomenon by showing how the latent BW conservative RBV-KBV and its regional social capital-informed exploitative postures act as persistent moderating drivers of explorative internationalisation.

**Key words:** SME, RBV-KBV, Social Capital, Organizational Ambidexterity, Internationalisation, Emerging Markets, Hidden Champions.

# Introduction

Baden-Württemberg (BW) is one of the leading economic regions, not only in Germany but within Europe. It is home to thousands of successful small and medium-sized – ‘Mittelstand’ - enterprises (SMEs) renowned for their innovative drive and inventive spirit. As such, the region enjoys high levels of productivity and low unemployment. The region's companies, include more SME global market leaders than any other region and they tend to be firmly anchored in their setting, having strong connections with their employees and the local communities.

Taking BW as a case study (Eisenhardt & Graebner, 2009; Tsang, 2014) for empirical investigation, within this paper we seek to address the question of why exactly has this region produced so many successful global SME leaders? In explicating the underlying mechanisms, we extend understanding of the resource-based and knowledge-based theory (RBV-KBV). We showcase how SMEs in this area are unique in the way they manage their resources and knowledge and in doing so, gain unprecedented global competitive advantage.

Why do we think this empirical research on SMEs in a successful German regional economy case study is relevant to this special issue? Innovation and globalisation are two major challenges for many SMEs and require development of successful competitive strategies. We highlight how SMEs in BW develop resource capabilities and management practices that enable them to keep pace, not only with technological change but also to gain global competitive advantages from innovation, despite suffering from regional ‘liabilities of resource’ (Lee et al., 2012). SMEs face a number of resource obstacles to innovation, including, for example, high fixed costs of conducting R&D, a high-risk exposure if an innovation project fails, limited access to external financing, and lack of market reputation (Acs and Audretsch 1988, Rammer et al. 2009). At the same time, globalisation impacts many SMEs, through the increased competition they face and the difficulties they encounter in *accessing and exploiting* the opportunities of global markets (see Paul et al. 2017, Fliess and Busquets 2006). Nevertheless, our findings provide a fresh conceptual RBV-KBV-based explanation and reveal how SMEs within the BW region, through the use of a unique infrastructure and the development and maintenance of social capital, overcome the difficulties and challenges faced.

SME leaders are required to explore new opportunities even as they work diligently to exploit existing capabilities, yet, this ‘mental balancing act’ can be one of the toughest of all managerial challenges. To this end, our findings reveal how BW’s “Mittelstand” companies offer new ways of thinking about this challenge. They do it by practising a particular style of organizational ambidexterity (OA) (Turner et al. 2013). OA is viewed as an essential capability for organizations in turbulent environments as it facilitates the possibility of simultaneously pursuing exploitation and exploration. In recent years, knowledge of OA has continuously matured, covering outcomes, moderators and types of OA. Our research furthers understanding of how to develop an ambidextrous SME in terms of the regional resources and capabilities that are needed and how these can be developed (O’Reilly and Tushman, 2008) As the capabilities required for exploitation differ from those required for exploration, SMEs must balance both modes. Not surprisingly, many SMEs struggle in becoming ambidextrous (Chebbi et al, 2015; Moreno-Luzon et al, 2014; O’Reilly and Tushman, 2013).

Our findings highlight how many BW SMEs have developed leading technological knowhow in terms of manufacturing specific parts within a niche of a market. More broadly, one of the most exciting elements in the BW’s RBV-KBV strategic approach is the role of, and reliance on, ‘Hidden Champions’ as part of an intricate and well-established SME regionally informed and embedded network of social capital. We believe that by studying the hidden champions of BW and aligned SMEs, and understanding how these companies can operate and grow in environments characterised by turbulence, we can glean lessons and inspire academics and practitioners to develop innovative ways to evolve their regional own style (and strategic practices) as ambidextrous organizations. Indeed, continuous and unpredictable changes can stretch companies to breaking point, leaving them vulnerable and susceptible to failure, and SMEs are known to be particularly vulnerable in this regard (Acs et al. 1990). However, as signalled in the case of BW, SMEs do, however, have some advantages over large firms that can stand them in good stead. Indeed, the ability of SMEs in BW to operate a successful OA strategy, by aligning with regional hidden champions, enables them to not only survive turbulent environments but also to gain access to market and dominance competing against larger global rivals. Therefore, rather than viewing resources and knowledge in a decontextualized manner, as previously done in areas of theorising on RBV-KBV, we underline the importance of taking into account the culturally, socially and historically-rooted forms of RBV-KBV which generate forms of social capital which in turn drive forwards SME successes. Therefore, the research question of the paper is:

*How do SMEs in the BW region manage resources in relation to regional social capitals and in what ways does this challenge and extend current understanding of RBV-KBV?*

More specifically, this research question explores, how we can apply our understanding of BW SMEs practice of OA and the local phenomenon of hidden champions to offer strategic insights to wider SMEs RBV-KBV in times of volatile economic realities.

The structure of this paper is as follows: first, the literature on RBV-KBV, social capital (SC) in a regional context, and SMEs is reviewed in order to examine and connect these terms. This review is then set in relation to an over-arching OA conceptual framework. Subsequently, the methodological approach adopted is outlined. The results of the empirical fieldwork follow and are critically assessed in relation to the extant literature. Finally, the paper concludes and provides theoretical and managerial implications.

# Literature Review

## RBV-KBV – Connections with SC

There is a long-standing tradition of analysing firm resources in order to understand their competitive pressures (Popli *et al.,* 2017; Wernerfelt, 1984). However, Barney (1991) in his seminal work proposed that the resource-based-view (RBV) is an important instrument of analysis and underlined that a firm’s sustained competitive advantage derives from the valuable, rare, and/or imperfectly imitable resources it possesses. Knowledge, as a resource, is connected to RBV and in conjunction RBV-KBV constitutes a potent combination. While in many ways remaining a fragmented research field (Pereira & Bamel, 2021), RBV-KBV has nevertheless attracted considerable scholarly attention (Bromiley and Rau, 2016; Hooley, Broderick, and Moller, 1998; Newbert, 2007). In recent years, the RBV-KBV has increasingly been connected with social capital (SC) in order to explore a number of dimensions (Gubbins and Dooley, 2021; Pereira and Bamel, 2021). For instance, Tipu and Fantazy (2018) demonstrated how the RBV and SC influence strategic entrepreneurship and sustainable supply chain management, while Suseno and Pinnington (2018) analysed networks and made connections to human capital and knowledge resources. Furthermore, Menzies, Orr, and Paul (2020) considered how SC operates in those firms that use specific entry modes into China. Alternatively, Weiss, Anisimova, and Shirokova (2019) indicated that SC linked to government and regional infrastructure can play an important role in relation to start-ups. Nevertheless, fewer studies have considered RBV-KBV within a regional SC and applied an organizational ambidexterity (OA) dynamic that can explain SME communities, hidden champions, and impacts on internationalisation behaviours. This constitutes an important research gap that this paper addresses.

Within the RBV-KBV canon, knowledge has been signalled as one of the most influential resources determining long-term competitive success (Kianto, Sáenz, and Aramburu, 2017). Moreover, the potential for ‘know-how’ to contribute to general market success has been long-established (Grant, 1996; Kogut and Zander, 1992). Implicit therein is the understanding that people i.e. human resources, and, *by association, the cultures they construct*, are often the carriers and agents of knowledge (Madhavaram and Hunt, 2017). While much progress has been made in the study of the RBV-KBV, there has been a tendency to focus primarily on the *internal technical resources and skills* of the firm (e.g., innovation and product development), and less on the underlying yet potent *external contextual factors* that *might give rise* to these—such as regional and geographically-situated SC (Davies and Rizk, 2018; Putnam, 2000) and how these inform and act as a catalyst for RBV-KBV. Therein, it is important to take into account that, especially in SME contexts, employees are also citizens who are immersed in, and propagate, said regional culture and SC, and that the impact on SME RBV-KBV is therefore symbiotic in relation to the firm and the community in which it resides. Synthesizing RBV-KBV with these ‘external’ influences provides an opportunity to extend our existing understanding (Mole, North, and Baldock, 2017). This points to a key role being played by factors such as place and mentality, and to geo-historical regional cultures being catalytic and shaping the RBV-KBV by providing accounts as to why these resources have originated and how they act as drivers for processes such as innovation and internationalisation. SMEs, perhaps more than MNEs, are prone to these geographically-situated effects. For instance, they are often historically linked to a given place and to successive generations of a local populace (De Clercq, Thongpapanl, and Voronov, 2015). And this is in contrast to the more locally disengaged, transient, and optimal ROI-seeking multinational enterprises (MNEs) (Buckley and Casson, 2003). Therefore, an important challenge for SMEs is to preserve their traditional strengths while simultaneously developing more agile approaches and new innovations including, for example, digitalisation (Loonam *et al*., 2018). Linked with such market and environmental dynamics, OA can provide a valuable and revealing theoretical lens (Malik, Pereira, and Tarba, 2019; Raisch *et al.*, 2009; Stokes *et al.,* 2015).

## Situating the RBV-KBV in Relation to SME Regional Context, SC, and OA – the Case of SW Germany.

### **SMEs in SW Germany and Hidden Champions**

The SME sector is crucial to the competitive development of many countries and regions—including the European Union (EU) In the EU, SMEs employ the majority of workers and account for two-thirds of sales volumes in the non-primary sector (Ozekicioglu and Yetiz, 2020; Welter *et al*., 2015). SMEs play a major role in the development of entrepreneurial skills, innovation, and technological change (Mina *et al.*, 2021); as such, they are the longstanding backbone of the German economy (Audretsch, Lehmann, and Schenkenhofer, 2018; Krüger, 2006). The political, social and economic system of Germany tends to be characterized by a strong state and comprehensive legal regulations, such as environmental laws, the protection of workers, and participative management. Historically, social security concerns have long been deeply embedded in German culture and an overall desire for stability (i.e. conservatism) can be observed (Habisch *et al.*, 2011; Habisch and Wegner, 2005; Winkler and Remišová, 2007). This has also led to the development of a consensus-oriented, state-organized capitalistic economic system called social market economy, which strikes a balance between different stakeholders and aligns them to the common good. However, initiatives supporting deregulation and flexibilization can also be observed (Albert and Rauf, 1996; Chandler, 1990; Moon, 2007). Due to its reserved stance towards capital markets, Germany is still characterised by an underdeveloped capital market; in such a context, and corporate funding, especially with regard to SMEs, relies on the traditional banking system (Audretsch and Elston, 2002; Chandler, 1990). While these fundamental characteristics apply to all regions in Germany, the BW context shows distinct particularities, as will be shown in the following. The findings of Venohr and Lang (2014) indicate that BW, Bavaria, and North Rhine-Westphalia possess a large proportion (70%) of Germany’s world market-leading SMEs. Specifically, SMEs provide two-thirds of jobs and 80% of vocational training positions in the BW region, accounting for about 50% of the related value creation (Kraus *et al.*, 2020). Industrial firms, such as automotive construction and electrical and mechanical engineering are characteristic of BW’s SME-dominated economic structure (Cost, 2006). BW was therefore highly appropriate as a case for our study. In addition, national and regional culture has been long-identified as an important factor in influencing organizational culture (Hampden-Turner and Trompenaars, 2020; Hofstede, 2001). Moreover, Liu and Vrontis (2017) argued for the importance—for scholars, business practitioners, and policy-makers—of taking into consideration the ‘context’ of economic, political, socio-cultural, and institutional differences. To this end, in the specific case of BW, we identify that a number of distinctive RBV-KBV, SC, and OA factors converge to create a particularly distinctive context. The culture, beliefs, and behaviours evidenced in BW (which is also known as ‘Swabia’) are based on a long-standing historical set of traditions and conservative values (Wehling, 2004). Due to the scarcity of local natural resources, it therefore is essential for BW SMEs to be innovative and entrepreneurial (Venohr, Fear, and Witt, 2015). Spurred on, the development of knowledge and technical competencies is the basis for the region’s superior products and services, which are mostly directed to the smaller or niche markets generally neglected by large corporations and hence less competitive (Cost, 2006). This resourcefulness reflects the long-standing indigenous Swabian cultural values and social capital of self-sufficiency, thriftiness, and resilience. Moreover, characteristics such as diligence, dedication, and conservatism are also commonly associated with BW (Cost, 2006; Kraus *et al.*, 2020). This represents a substantial and influential SC (Putnam, 2000) for the employees of SMEs and the society in which such firms are embedded.

In recent decades, the ‘hidden champions’ phenomenon has emerged as part of this culture in BW and elsewhere (Audretsch, Lehmann, and Schenkenhofer, 2018). Hidden champions are SMEs that discretely and successfully internationalise beyond their home regions into niche markets in both advanced and emerging economies (Simon, 2009; Lei and Wu, 2020). Their rise points at more audacious (rather than traditional conservative) actions being enacted as firms internationalise into emerging markets (Venohr, Fear, and Witt, 2015). For example, it is interesting to note that in relation to the specific case of BW, a city near Shanghai has become known as ‘Little Swabia’ due to the high number of SMEs from the German region (Bradsher and Ewing, 2021; Venohr, Fear, and Witt, 2015). Internalisation previously was primarily a phenomenon related to large corporations while SMEs were seen as local actors, which has tremendously changed due to technological, political and cultural changes (Dabić *et al.*, 2020) and in some places these developments occurred earlier as the BW hidden champions phenomena show. We now move on to briefly discuss developments with regard to internationalisation in a SME context.

### **Internationalisation of SMEs and the Relevance of Resources**

Internationalisation in the context of SMEs has been addressed substantially in prior research (Dabić *et al.*, 2020; Lahiri, Mukherjee, and Peng, 2020; Saridakis *et al.*, 2019). Liñán, Paul and Fayolle (2020) have usefully discussed a number of challenges related to the impact of globalisation on SMEs, such as competing with multinational enterprises and the necessity to strategically approach questions regarding product innovation or distribution models. The internationalisation by means of exporting to close international markets seems to be a prominent way of internalization in SME contexts, while exporting to other continents impose further resource demands on firms (Coudounaris, 2018; Liñán, Paul and Fayolle, 2020). Hence, resources and capabilities have been identified as important factor in such developments (Lahiri, Mukherjee, and Peng, 2020) and additionally transparency on the resource situation, for instance, by means of management control systems (Ramon-Jeronimo, Florez-Lopez, and Araujo-Pinzon, 2019). Based on a comprehensive systematic literature review, Ipek (2018) identified 230 potential resources which can be grouped into ten categories, which range from organization, production and R&D, managerial to human and knowledge-based resources and perhaps especially experiences and knowledge in international contexts may play an important role (Dabić *et al.*, 2020; Hilmersson and Johanson, 2020). As noted, within business and management studies, a variety of theories have been developed to explain the internationalization of SMEs including the eclectic (Dunning, 1988), born global (Cavusgil, 2007), entrepreneurial orientation (Javalgi & Todd, 2011), network theory (Johanson & Vahlne, 2011) and RBV theory (Peng, 2001; Westhead et al, 2001). Nevertheless, focusing on the RBV, Kuemmerle (2002) explored how the RBV enables scholars to differentiate between firms which internationalize through the exploitation of resource-bases existing in their home country environment and firms which engage in internationalization to create resource-based advantages, developed in the host country. Both of these strategic options have subsequently been explored in depth across different institutional contexts and across different sectors for example (Amal & Filho, 2010; Wright, Filatotchev, Hoskisson and Peng, 2005; Westhead et al.,2001). Fundamentally, the RBV focuses on a firm’s internal characteristics and properties and thus the decision to internationalize or not depends on the extent to which a firm may possess a distinct set of capabilities to apply the resources and exploit in a new host country environment and thus attain competitive advantage in this market (Wang and Ahmed 2007). We now proceed to discuss the organizational ambidextrous framework, which builds on our previous discussion.

### **Organizational Ambidexterity in the Context of SW German SMEs**

OA provides a useful overarching framework with which to encapsulate the interplay and dynamics surrounding the RBV-KBV and SC in SMEs in the BW context (García-Lillo *et al.,* 2016; Hughes, 2018; Stelzl *et al*., 2020). OA illustrates the dynamic situations that a firm may encounter in relation to its internal cultural climates and its changeable external contexts (Raisch and Birkinshaw, 2008; Raisch, Birkinshaw, Probst, and Tushman, 2009). For example, Dezi *et al.* (2019) articulated the role played by OA in relation to the situational embeddedness of Italian SMEs, pointing at knowledge as an antecedent for performance. Moreover, Ahammad, Glaister, and Junni (2019) signalled the importance of understanding OA in relation to the sourcing, understanding, and management of human resources. OA, which can generate insights into how internal organizational characteristics *interact* with external dynamics, is characterised by polar states termed *exploitative* and *explorative*. A firm’s exploitative dimensions are linked to organizational behaviours centred on *known* aspects and dimensions and have proximate, delineated, and discernible boundaries (e.g., familiar and long-standing markets and product lines—or, for BW SMEs, regional/national contexts), and a degree of environmental certainty and predictability that accommodates conservative and risk-averse tendencies. This resonates with the conservative values of the BW region, its culture, and the community of individual SME owner managers (Hughes *et al.*, 2020; Zhang *et al.*, 2020). In contrast, explorative organizational behaviours point at a predisposition towards new markets and innovative new products (Huang *et al.*, 2021) (i.e., for BW SMEs, internationalisation and the emergence of hidden champions). In this regard, digitization, for example, has been signalled as one potentially important means employed to achieve innovative exploratory OA (Park, Pavlou, and Saraf, 2020). Explorative postures are therefore innately risk-embracing (Duncan, 1976; Hill and Birkinshaw, 2014). Furthermore, it is also possible to witness various forms of OA that include, for example, *sequential* (whereby an organization steadily shifts its stance from an exploitative to an explorative one), *contextual* (whereby the ability to engage in OA is part of the cultural fabric of a firm), and *structural* ones (wherein a firm builds and operates separate divisions or units, each embracing and playing out their respective exploitative or explorative roles and characteristics) (Hughes *et al.*, 2020). In particular, given BW’s regional characteristics, contextual OA appears pertinent to the conservative RBV-KBV and SC found in the local SME context (Kraus *et al.*, 2020; Simsek, 2009). Nevertheless, Audretsch, Lehmann, and Schenkenhofer (2018) alluded to the presence of sequential and structural OA practices in German hidden champion contexts, as many SMEs shift from their traditional conservative to more explorative actions as they approach wider international/emerging markets. Moreover, Úbeda-García *et al.* (2020) indicated that inter-organizational contexts can produce powerful OA effects, while Garaus *et al.* (2016) identified the role played by HR systems in shaping contextual OA and underpinning ambidextrous employee flexibility and behaviours (that are required by explorative internationalisation). This is significant because, ultimately, we argue that OA operates at the micro-foundational and individual/small group levels, and it is these dynamics that inform the firm and, indeed, the society and culture in which it is set and operates (Venugopal *et al.*, 2020). Based on the above discussion, we develop a novel conceptual model illustrating BW SMEs by drawing on their RBV-KBV context. In turn, this is positioned in relation to the regional and community SC context in which they are situated. Simultaneously, they are inevitably engaged in exploitative/explorative OA in order to reconcile and adapt their conservative SC with newer and more innovative opportunities. All of these dynamics are set within a regional SC in which diverse bonding and bridging interactions are occurring between firms, institutions, and individuals (e.g., CEOs/Owner-managers).

**Figure 1**

# Research Methodology

We used an inductivist methodological approach (Hennink, Hutter, and Bailey, 2020) aimed at building ‘theory’ and enabling deep insights into and an understanding of values, beliefs, and contexts; thus being suited to considering issues pertaining to RBV-KBV, SC, and regional culture (Sydow, Schreyögg, and Koch, 2020). To explore such issues, we conducted a series of interviews with CEO/Owner-manager participants from SMEs in the BW region. Eriksson and Kovalainen (2008) classified research interviews as either structured/standardised, semi-structured/guided, or unstructured/open. As our research required an in-depth understanding of the phenomenon under study, we took a personal semi-structured interview approach. According to King and Horrocks (2010), interview guides should be based on three main themes: (i) personal experience, (ii) the research literature, and (iii) informal preliminary work on the research area, such as discussions with colleagues; accordingly. We applied all three to the initial drafting and refinement of an indicative interview guide. Despite using such a guide, we also carefully respected the open nature of research interviews by not disrupting the natural flow of the conversation, letting the participants express their views of the world (*Lebenswelt*), and minimising interviewer influence as much as possible (Alvesson, 2011). In order to ensure an open and flexible interview approach, we did not formulate a ‘static’ interview guide consisting of a number of specific questions. Rather, we individually interviewed the participants based on the derived themes and probed according to the areas they brought up and we wanted to cover. This approach hence respected the high-level and elite positions, as CEOs of local well-respected firms, (Moore and Stokes, 2012) held by the participants and enabled them to share their views. The main areas covered within the interviews were the following:

* Warm up phase (introduction)
* Personal background of the participant (socio-demographical context, educational background, and professional development)
* Professional and business sphere of the participant (current role, main tasks, and priorities)
* Current challenges and developments (competition, markets, and dynamics)
* Managerial approach to tackle the identified challenges (instruments and formality)
* Closing (open questions and remarks)

Exemplary questions within the interviews have been questions like the following: ‘Could you please give us information on your background and how you have reached the present position?’, ‘Could you describe the main tasks you are facing during a typical working day?’, ‘What are non-regular tasks?’, ‘Could you please describe the applied management process?’, ‘What are the main objectives your company is striving for?’.

Our study was focussed on manufacturing SMEs located in BW because this industry sector plays a dominant role in it and the research team has detailed knowledge of the area. Indeed, it was felt that the research team’s high degree of familiarity with BW—and with its OA and SC contextual and cultural factors in particular—had the potential to generate a more in-depth and comprehensive analysis. A further factor that influenced the decision to focus on BW was that it is one of the most economically successful regions in Germany, therefore having the potential to generate valuable insights, including into the phenomenon of ‘hidden champion’ companies (Simon, 2009). In terms of our study’s sample, we decided to interview the high-level executives of organizations, as they determine strategy and overall business orientation; these represented ‘elite’ interviewees, as it is recognised that such executives are difficult to access (Harvey, 2010; Moore and Stokes, 2012). We identified our potential CEO/Manager-Owner participants from a list secured from the BW Chamber of Industry and Commerce (BWCIC) on the basis that it included the large majority of the SMEs operating in the region and would therefore ensure that our sampling approach would be free from any strong bias. We then contacted them by sending postal letters, which we followed up by phone calls. We restricted our requests to owner-managers and managing directors, who are responsible for strategic business areas. We excluded other types of managers, such as technical ones, from our sample because our focus was on the strategic and administrative orientation of the companies. In this regard, Kiss et al. (2020) underlined the importance of CEO figures in managing ambidextrous environments and the flexible thinking and leadership they need to display. We contacted about 180 individuals from the BW CIC list, 30 of whom consented to participate. The final sample is presented in the table below:

**Table 1**

We completed our data analysis by taking a thematic coding approach (King, 2012); in relation to this, Braun and Clarke (2006: 79) indicated that: “*thematic analysis is a method for identifying, analysing and reporting patterns (themes) within data*”. Consequently, thematic analysis includes the ordering of themes, sub-themes, and codes in accordance to how they relate to each other, which yields a hierarchical order or conceptualisation (King and Horrocks, 2010). We performed the data analysis using the MAXQDA software package, as this software supports data management and the continuous iterative revision of the coding scheme. Reflexivity and intense discussions between the members of the research team (Alvesson and Sköldberg, 2017) were employed in order to ensure the quality and validity of the data collection and analysis.

# Findings and Discussion

Building on the gap identified in the literature and on the methodology developed, the final condensed hierarchical coding scheme generated the following data and also guided the sequence and structure of the discussion of findings.

**Table 2**

## The General BW Regional Mentality of the Participants

### **Autonomy (as a Major Ambidexterity-Supporting Characteristic and Motivational Attitude – SC)**

The participants frequently expressed their wish to be responsible for themselves and to have the overall freedom to complete actions and act independently without being restricted by third party actors; this is a noticeable attitude in the context of SMEs, which are frequently subject to resource constraints as severe limitations. Whether concerning exploitative conserving actions or explorative innovative possibilities (Rammer and Spielkamp, 2019), the data showed the desire to have the freedom to accomplish something ‘concrete’, which can be regarded as an important characteristic of BW SMEs (Storey and Greene, 2010):

**Table 3**

Autonomy and freedom can be seen as important facilitation and bonding SCs (Putnam, 2000) that have a positive impact on the development of BW SMEs. Moreover, the sample SMEs generally exhibited conservative traditional business models. However, by its very nature, autonomy is not necessarily exclusively explorative or exploitative, as it can be situationally pointed in one or the other direction (Úbeda-Garcia et al. 2020); however, some explorative tendencies were in evidence even within the traditional business models of the sample SMEs. A major challenge evidenced here was the management of the further growth and development of the firm (through an OA dynamic) as highlighted by the following excerpt:

“*I am an engineer, I never learned how to manage a company; yet, I have done almost every task in the company on my own—other than work such as accounting, which requires special competencies. It is a permanent process of reinvention.”* (MS001)

A considerable proportion of the participants had a technical background, such as engineering, which strengthened the overall belief that technical development and solutions are a key issue for the development of an entire firm. Historically, the majority of today’s global successful BW SMEs has evolved out of start-ups founded by a single individual or a small team in traditional technical business models, such as tool or mechanical engineering and commerce. Rather than being viewed as an advantage, reinvention—which points at encounters with new paradigms (such as digitalization)—may equally be seen as a major burden and a source of complexity for SMEs (Scuotto *et al.,* 2017). This has also been underlined by Cenamor, Parida, and Wincent (2019) in the context of digital platforms being introduced to SMEs, and was also evident in the sample companies, as the use of external digital know-how (and thus a reduction of autonomy) had become an important issue for our participant owners. Analysing OA in a sample of 150 German medium-sized firms, Clauss *et al*. (2020) indicated that any shift in strategic orientation—from exploitation to exploration and *vice versa—*is often difficult. The BW data corroborated this, thus providing confirmation for the findings of Senaratne and Wang (2018), who emphasized that any shift from exploration to exploitation can be especially challenging to the autonomy of SMEs engaged in technology projects.

### **Assertiveness and Hardworking Mentality as a Regional SC Foundation for the Overcoming of Resource Shortages**

The following quote illustrates this sub-theme: *“There are certain internal meetings but, besides that, no working day is like the other. The only common aspect is that every working day has 16 hours”* (MS008). Allied to the hardworking ethos of employees in BW SMEs are the characteristics of discipline, assertiveness, and commitment, which tend to be deeply rooted in local and regional culture values and beliefs, as discussed earlier. In this regard, the following respondent stated:

“*I believe that also our employees work on an issue till it is solved. It is not an option to throw in the towel, they do not say ‘This is not possible’. One aims at finding a solution, or you find a solution together with your customer.*” (MS026)

Thus, assertiveness and a hard-working mentality can be seen as important additional assets that contain the impact of the overall resource scarcity found in SME contexts (Woschke *et al.*, 2017). This was also identified in the BW SME context (Kraus *et al.*, 2020) and was found to constitute an important bonding SC within our sample firms, resulting in a shared view of performance and of the desired achievements—e.g., in relation to a R&D or business development. Also, it was found to operate as a bridging SC between firms sharing various regional cultural behaviours and to create the energy needed to undertake exploitative to explorative OA shifts.

### **The Participants’ character in relation to SC in the Innovation Process in Relation to Resources**

This sub-theme was focussed on the explorative aspects exhibited by the participants.

**Table 4**

The participants typically saw themselves as explorative drivers for innovation and development; they were underpinned by self-confidence and exhibited a good understanding of the development of the markets and customer needs. The participants explained: “*This is our motto. We go our own way. We do not care what others do.”* (MS015). Similarly:

*“You have to be anticipatory without conducting market studies; of course, you have to do market research, but I would like to express it as follows: without ordering a huge market study at a marketing consultancy company. Until they understand what we need … we know ourselves what we need’ (MS002).*

These quotes emphasize the vital role played by the participants and by the in-house resources aligned to the specific individual needs of the firm, which had been developed over time and could be flexibly used, and hence were reliable and seemed to play in both the exploitative and explorative processes within the BW SME context. However, it was also stated that it was not the owner or manager alone who drove this innovation in organizations—it rather tended to be an SC-bonding capital driven by a combination of the different skills and awareness of the participants. This was illustrated by respondent MS014, who stated: “*You always have to remind yourself that, without employees, without good employees, nothing works. You cannot do it on your own, you have to integrate yourself, but you have to be aware of your responsibility*.”

In a similar vein, any collective decision-making enacted in a firm was identified as a driver of SC and, ultimately—from a SC-informed RBV-KBV perspective—as essential to accumulating and facilitating the flow of knowledge, especially in new technology contexts (Santoro *et al.*, 2017; Senaratne and Wang, 2018). Nevertheless, particular importance was assigned to the role played by the leading executives in BW SMEs; their knowledge, experience, intellectual capabilities, and their willingness to drive the development of their organizations, employees, and products in order to sustain the success of the company (Strese *et al*., 2018). Overall, a potent sense of ‘selbermacher’ (self-sufficiency) came through as a key aspect informing the regional SME SC and RBV-KBV.

## The Organisational Characteristics and Internationalisation of BW SMEs

### **Managing Resources and the Role of Flexibility**

This sub-theme reflected the proactive (explorative) and reactive (exploitative) behaviours of BW SMEs towards changing OA circumstances, thus pointing at the core of our theoretical and practical discussion on RBV-KBV and OA issues in the data. One participant alluded to BW SMEs as displaying innate OA explorative traits, when observing: “*I do not know the exact order, or whether this is correct but, first of all small, fast, and agile like a motorboat, while the others are like tankers.*” (MS015)

Moreover, the data sharply affirmed the limitations in the BW SMEs’ exploitative resource bases (for instance, compared to MNEs). Such limitations advised caution in regard to engaging in, for example, any explorative internationalisation actions, as they involve financial, know-how, and human resources (in terms of technical staff, and personnel with specific foreign language skills), time (due to task variety), strategic considerations (due to the limited time of high-level executives), and management capacity (due to limited structures) (Villasalero, 2017). Thus, SME flexibility can be seen as an important asset in compensating for resource scarcity (Volery, Mueller, and von Siemens, 2015). This has been found to be especially important for SMEs, as faster explorative decision-making leads to, for example, lower coordination and transaction costs, particularly in relation to higher risk internationalisation actions. The combination of flexibility and the hardworking and assertive overall mentality of BW SME managers and employees—which was identified above—is a powerful resource that can lead to effective and efficient innovation and development processes, especially in combination with the practical—and not too overly theoretical—technological knowledge possessed and approaches taken by many BW SMEs. These issues are vividly portrayed in the respondents’ comments presented in Table 5 below.

**Table 5**

There seems to be a tendency towards an focused mentality and a propensity for adaptable practices. In relation to the RBV-KBV, this leads to a broader employee knowledge base and, hence, to further flexibility; this may reduce the tensions linked to sequential OA exploration and exploitation-oriented approaches (Raisch, Birkinshaw, Probst, and Tushman, 2009; Clauss *et al*., 2020). SMEs are commonly viewed as being deficient in terms of strategic planning (Deimel and Kraus, 2007; Stonehouse and Pemberton, 2002). However, the BW fieldwork contradicts this; several participants demonstrated a strong awareness of the importance of strategic planning and devoted much of their time to this issue, considering it as a key success factor (Smallbone *et al*., 1995). For example, one respondent stated:

“*Well, in the current position, my primary objective is to take care of any strategic issues, to care less about what happens today but, instead, to ensure that we hold a favourable market position tomorrow and to adapt to changes in good time, before they overrun us*.” (MS005).

So, while operational issues seemed to be dominant for most participants, any explorative actions were found to be evidently strategically informed, rather than reactive.

### **The Strategic International Orientations of Firms (Relative to their Exploitative/Conservative Backgrounds)**

In regard to their strategic international orientations, the BW SMEs in our sample were found to tend to develop approaches suited to establish them in specialised/niche positions characterised by lower levels of competitive pressure—especially from large MNEs—that hence enabled them to secure the appropriate price levels and product values. The exploitative OA nature of their niche market positions offered our sample BW SMEs the potential to dominate a given segment on a global scale. This is often a central characteristic of those firms that can be considered ‘hidden champions’ (Venohr and Meyer, 2007). Such firms aim to reduce competitive market pressure by ensuring that they have some kind of RBV-KBV uniqueness; usually, advanced technological, qualitative attributes and/or superior service processes. This supports long-term growth and trustful customer relationships with both other SMEs and, on occasion, large MNEs, even though typically business relationships with the latter tend to be challenging for SMEs (Kraus, 2016). This management of OA dynamics was found to enable BW SMEs to play to their natural Swabian (exploitative) conservatism and thriftiness while simultaneously surrendering some security—thus marginally heightening the risk and (exploratively) approaching new markets and business areas. The most active and strongest of these firms tend to become ‘hidden champions’.

**Table 6**

Nevertheless, it was also evident that many of our sample BW SMEs were experiencing considerable pressure from MNEs (e.g., price, operational scale, and formal pressures in terms of certifications and regulations—such as quality or environmental DIN norms). Hence, it came as no surprise that an important point for them was the development of some form of niche or uniqueness—i.e., a focussed differentiation, following Porter (1989)—aimed at reducing or removing such pressures. This was reflected in the regional Swabian resourcefulness, as our sample SMEs did not serve the overall market but had developed specific technical expertise on products, which differentiated them from their competitors and sustained price. Also, importantly for our findings, a number of our BW SME respondents indicated that they were engaging in internationalisation in a *surrogate manner*; in other words, they were not internationalising directly but *supplied or partnered with hidden champion-type SMEs* in foreign markets (Suseno and Pinnington, 2018). This was enabling them to take a quasi-explorative OA stance, in that they leaned towards their natural Swabian regional (OA exploitative) conservatism (and risk mitigation), while nevertheless managing to access international markets with some explorative energy. In other words, this was a form of ‘backdoor’ OA exploitation by SMEs operating through SME hidden champion firms which acted as portals to market. This offered international opportunities to SMEs but with some protection.

### **Long-term Regional SC Exploitative Approach and View**

A prominent aspect emerging from the data related to the prevalence of a long-term business perspective. Our sample BW SMEs were mainly interested in developing long-lasting SC-informed bridging and bonding (Putnam, 2000) business relationships with their suppliers; relationships that had frequently lasted for 20 to 30 years. Many had jointly developed certain products or processes with other BW SMEs, with which the respondents preferred to work due to the more established SC. One respondent noted:

“*The principle is to be very loyal to suppliers. In concrete terms, this means that, if someone is not annoying us somehow, then we will regard the relationship in a long-term view and try to find adequate solutions for both sides.*” (MS019)

Moreover, a long-term perspective was also taken to matters such as investment:

“*Well, another example that comes to my mind is that, of course, we can really take a long-term view even regarding our investments. These do not have to be amortised, as is required for some others, within two years or so. I can also say: ‘Hey, four, five or sometimes even 10 years are enough, but someday it will pay off in the long run.’*” (MS022)

Although a firm must of course also be profitable in the short-term, the desire or, rather, the possibility to consider a longer time horizon may enable BW SMEs to undertake developments that would be unthinkable for firms with a purely short-term profit orientation. As alluded to above and in line with, for example, the statement made by respondent MS015—as presented in Table 7—this includes the notion that, for naturally exploitative SMEs, a considerable degree of internationalisation in emerging markets occurs through their supplying of the *neighbouring SW German SMEs* that break into those markets. Thus, the more exploitative and cautious supplying firms follow explorative hidden champions and reap benefits.

**Table 7**

Although profit is clearly a pre-requisite for survival, our participants indicated that a long-term view is also imperative. As one participant emphasised, firms should not be organised as mere “*profit-optimised economic machines*” (MS005). Nevertheless, a resource-linked profit approach forms the base for BW SME continuity and development (i.e., bonded and bridged SC) (Tipu and Fantazy, 2018). Overall, the SMEs in our sample were not motivated by a ‘thinking in quarterly periods’ approach, but took a much more demanding view. Again, freedom to decide, independence, and self-determination played important roles, which, together with legitimation—i.e., the appreciation, acceptance, and goodwill of others (SC)—can be seen as major resources. The rootedness of many SMEs in local communities is a major source of their success (see section 4.3.1). Additionally, and linking back to the important aspect of autonomy noted earlier, our fieldwork indicated that many participants retained profits in their SMEs in order to ensure their independence from banks and other financial institutions, and also to guarantee access to investment capital and emergency funds.

## BW SME Business Practices and Principles in the Context of the RBV-KBV

### **Exploitative Resource Networks and Cooperation**

Following the SME literature, the data underlined that our sample firms were integrated into local networks that mainly comprised other SMEs (Kraus, 2016; Suseno and Pinnington, 2018). Overall, our respondents pointed to a cautious and exploitative approach to collaborating with larger firms.

**Table 8**

Concerning collaborations with wider research facilities, the data provided some indications that BW SMEs collaborate with local universities in order to improve their explorative outcomes, as outlined by respondent MS010: “*If one gets know-how from universities or integrates research centres, apparently unreachable objectives are possible to reach even, and I repeat this, if it takes 20 years.*” (MS010)

Access to external know-how is an important bridging SC that provides connections to regional universities and is crucial not only to attract new employees but also to access their resources (Putnam, 2000). Compared to inter-firm research projects, regional federally-funded universities often have a weaker economic motive, which may simplify the partnership. The literature provides no clear evidence on whether contacts with universities enhance the survival or success of SMEs (Storey and Greene, 2010). However, given the general importance of networks to SMEs—and, in particular, the value of such networks in enhancing innovation processes—it is clear that relationships with research facilities have the potential to be important sources of competitive advantage. Indeed, the data from our sample BW SMEs suggest that collaborations with universities are potentially an under-exploited source of competitive advantage and that building and sustaining relationships with universities and research institutes should be prioritised as a management task, not only in terms of collaborations on specific research projects, but also. more generally, in relation to attracting highly qualified university graduates. This may especially be the case in times characterised by dynamic change and uncertainty, primarily also in relation to technological developments such as an accelerated digital transformation.

### **Management approach (based on Swabian culture/SC)**

In terms of BW SME management, two interesting phenomena emerged from the data: (i) a formalisation of the managerial approach and (ii) a focus on the decision-making space of employees. These were strongly connected to the overall resource layout of SMEs, especially in terms of capacity, time, and hierarchical levels. Concerning the overall managerial approach, the literature indicates that SMEs tend to be characterised by an informal and *ad hoc* managerial style (Becker and Ulrich, 2011). This was less supported by our data. A number of firms in our BW sample attached high importance to well-organised structures and clearly defined formal procedures:

*“Our staff has learned that, if we recognise that, at some point, we are not well-organised, we immediately form a team and it will be solved. Then a certification is superimposing a system, yes? But my opinion is that the organisation must run smoothly.” (MS013)*

In terms of supporting the success of BW firms, the managerial approach was grounded in striking an appropriate balance between pragmatism, flexibility, and clearly defined protocols, and therefore appeared to be related to issues of structural OA. One participant noted: “*In SME firms, many things are naturally done more pragmatically. But this is also related to risks.*” (MS008). Such an attitude may suggest a lack of transparency in regard to financial ratios (e.g., liquidity, profitability, etc.) linked to ineffective internal reporting structures. Hence, it is especially important for SMEs to strike a balance between (exploitative) formalisation and structure, and (explorative) pragmatism and flexibility. Several respondents warned that too much formalisation and bureaucracy reduces flexibility, making firms slow and, ultimately, diminishing their competitive positions. Indeed, our sample SMEs seemed to face an enormous challenge in relation to striking the right balance between formality and informality (reflecting OA tensions). An interesting phenomenon is that the employees seemed to bear a high sense of personal responsibility towards their firms. This independent approach may then represent a significant source of innovative ideas (which is in line with Santoro et al., 2017). One respondent stated:

“*Here, it is like that; I expect employees to make decisions independently and that we do not have to discuss everything in teams. This is sometimes good, but not always, though you also waste a lot of time in meetings.*” (MS022)

**Table 9**

Demanding that employees develop the ability to work independently supports flexibility in BW SMEs. A number of participants emphasised that they had confidence in their employees and that, because of the greater scope of action and the potential to ‘do’ things (see Mu, van Riel and Schouteten, 2020; Volery, Mueller and von Siemens, 2015), they provided opportunities for them to take on additional responsibilities and to develop their capabilities. Moreover, some respondents saw their role as involving supporting their employees in the execution of their jobs, convincing them about certain approaches and, if necessary, encouraging them to follow certain routes. This also included encouraging them to develop their own ideas and think independently (Parida, Lahti, and Wincent, 2016). BW SME management was thus found to mostly tend to have a supportive function in developing firm resources. As a consequence, management may also have more time to engage in strategic issues and develop new approaches and ideas.

# Conclusion

This paper has contributed to the RBV-KBV literature by exploring the role of OA in relation to regional SC and has also demonstrated how BW SME firms align with regional hidden champions as a vehicle to access international markets. In doing so, our study and its findings contribute to the existing literature by drawing out the RBV-KBV dynamics surrounding historical, social, and cultural facets and factors. It accomplished this by drawing on rich empirical data demonstrating that SMEs located in the German region of BW are firmly rooted and contextualised within a specific and influential local SC context. This plays out in conjunction with environmentally-influenced exploitative pre-dispositions and tentative and measured explorative behaviours, and is intrinsically interwoven with the bonded SC nature of BW firms and the bridging SC of the region, which connects and embeds SMEs within the surrounding communities, firms, and universities. Of course, this also implies that employees simultaneously live and reside as citizens—beyond their corporate identity—and the citizen-employee-firm nexus is thus symbiotically embedded in regional forms of SC.

Our study provides insights into the potency of regional (within national) SC and cultures and into the extent to which these create and drive RBV-KBV postures and behaviours in SMEs in our case study region. From a normative standpoint, this generally leads BW SMEs to take a wide range of conservatively ambidextrous *exploitative—*rather than explorative—stances. This is exemplified, for example, by a prevalence of strong strategic planning and long-term view perspectives (which differ from the traditional views of SMEs found in the literature). Nevertheless, importantly, more explorative innovative and expansionist/internationalist behaviours were evidenced. Conventionally, in the literature, this is pointed at in relation to the emergence of ‘hidden champions’ that pursue internationalised roles in the marketplace. However, significantly , as a further contribution, our research notes that the hidden champion phenomenon appears considerably more nuanced than had been hitherto suggested in the literature. Many BW SMEs, drawing on Swabian exploitative culturally conservative bases, approach explorative internationalisation in *niche* (protected/defensive) markets in both advanced and emerging economies by operating through regional hidden champions. In the BW context, the niche nature of these actions sees SMEs managing OA by adopting *an exploitative posture within an explorative action*, rather than a categorical explorative action or predisposition.For example, our sample data indicated the BW conservative and risk averse practice, commonly enacted in emerging markets, of setting up wholly-owned subsidiaries. This reinforces the phenomenon of BW SMEs engaging in exploitative actions (i.e., the establishment of wholly controlled autonomous subsidiary set-ups) within explorative forays (i.e., internationalisation). Crucially, we identified that many BW firms that were not explicitly hidden champions were effectively entering into international/emerging markets by exploitatively ‘piggy-backing’ on other more exploratively forthright BW SME hidden champions through various forms of alliance. This often involved them acting simply as exploitative suppliers, rather than taking an explorative lead. This again underlines the Swabian conservative SME character in relation to the resource perspective. Overall, our study underlines that, in the BW context, regional SC plays a major role in shaping firm resources and their consequent behaviours.

**Theoretical implications**

By defining a novel organizational ambidexterity conceptual framework, our study provides novel insights into the RBV-KBV symbiotic relationship with regional SC. Contextualising the RBV-KBV in relation to regional SC overcomes the pitfall of it being viewed in a de-contextualised (i.e., ahistorical, acultural, apolitical, etc.) manner, which is critical. The argument also underlines the inherently exploitative conservative nature of SMEs (especially within the empirical context of BW) and, by making a comment on OA in relation to SMEs, shows that, even *when explorative moods are deployed*, they are essentially *underpinned by exploitative mind-sets and behaviours*. This paper demonstrates that theoretical integration can produce rich data and understandings that may shape actions. In addition, it contributes a new theoretical understanding of the hidden champion phenomenon and shows that, in a departure from its common explorative casting and presentation, it often involves essentially exploitative conservative and cautious traits. Moreover, many (more exploitative) firms operate as surrogate hidden champions by effectively ‘piggy backing’ on established ones.

**Managerial implications**

Our findings may serve as reminders for SME managers that they should not overlook and that they should be culturally sensitised to the potent interaction between regional SC and the generation and conservation of resources and knowledge. The discussion linked to the empirical aspects of our study sheds light on the various types of resources found within SMEs and on how successful BW SMEs manage these resources; hence, it provides important managerial implications. In tandem with this observation, the realisation of the latent OA exploitative disposition of SMEs may enable managers to more clearly assess and understand the exploitative and explorative options available. In the case of BW SMEs, our research provides managers with an awareness of the phenomenon of the normative exploitative disposition found within the explorative one, and with the realisation that what look like risk-accepting behaviours may, in fact, be infused with a substantial risk-averse conservation stance. Furthermore, BW SMEs appear to achieve their exploitative conservatism within international explorative OA behaviours through concerted strategic long-term planning and the adoption of long-term mind-sets. This observation runs counter to many prevailing SME operations, and lessons can potentially be learned from it. The overall conservative stance held by many BW SME managers, especially in regard to the utilization of external resources, such as collaborations with universities and research institutes, can be an important issue for SMEs, which are traditionally characterized by a certain degree of resource scarcity, when, for instance, looking at successful ‘hidden champion’ SMEs.

**Limitations**

Our research involved the analysis of a difficult to assemble elite sample from a particular region of SW Germany. In qualitative research, this naturally and frequently raises the question of generalisability. Evidently, no clear automatic claim to generalisability can be made beyond our sample of 30 SMEs. Nevertheless, data saturation was achieved within the sample, and a wider SME sample may potentially recognise and identify with our findings. In addition, as our respondents provided us with our primary data through interviews, they may have engaged in socially desirable answering. This was countered by the interviewer carefully questioning them according to a planned coverage of interview themes and intensively, analytically, and reflexively reading the data.

**Avenues of further research**

Our findings and discussion identify a number of RBV-KBV relational and local resources rooted in, and originating from, the BW (Swabian) mentality of our sample SMEs’ owner-managers. These include, for example, embeddedness in the local community, a focus on employees as core resources and members of the wider community (not just of the firm), and the role played by local and regional business-government networks and co-operation. The themes identified in the data provide an in-depth understanding of the factors related to the role played by local relationships, SC, and RBV-KBV factors in overall competitive behaviours. Future research may consider conducting similar research in alternative regions or decide to focus on specific forms and combinations of SC and OA. Our study also contributes fresh theoretical developments and nuancing in relation to the extant understandings of the hidden champion phenomenon; these could be explored in future research.

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**Figure 1. The** o**rganizational ambidextrous framework of the SME RBV-KBV and regional SC context**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Denotation** | **Employees** | **Product** | **Founded** | **Position** | **Gender** | **Age** |
| PS002 | 1,000 | Electrical engineering | 1978 | MD | Male | 51 |
| MS001 | 150 | Mechanical engineering | 1948 | OM | Male | 64 |
| MS002 | 400 | Mechanical engineering | 1925 | OM | Male | 70 |
| MS003 | 150 | Electrical engineering | 1996 | OM | Male | 52 |
| MS004 | 3,000 | Mechanical engineering | 1907 | OM | Male | 62 |
| MS005 | 200 | Mechanical engineering | 1908 | MD | Male | 51 |
| MS006 | 130 | Mechanical engineering | 1960 | MD | Male | 63 |
| MS007 | 600 | Construction industry | 1962 | MD | Male | 61 |
| MS008 | 700 | Mechanical engineering | 1928 | MD | Female | 42 |
| MS009 | 300 | Mechanical engineering | 1921 | MD | Male | 48 |
| MS010 | 400 | Mechanical engineering | 1921 | OM | Male | 63 |
| MS011 | 80 | Mechanical engineering | 1983 | Executive | Female | 29 |
| MS012 | 1,300 | Mechanical engineering | 1982 | Former OM | Male | 76 |
| MS013 | 80 | Mechanical engineering | 1935 | OM | Male | 57 |
| MS014 | 50 | Consumer goods | 1928 | OM | Male | 59 |
| MS015 | 700 | Mechanical engineering | 1978 | OM | Male | 67 |
| MS016 | 1,300 | Mechanical engineering | 1925 | Former OM | Male | 69 |
| MS017 | 120 | Electrical engineering | 1964 | OM | Female | 46 |
| MS018 | 140 | Mechanical engineering | 1953 | OM | Male | 55 |
| MS019 | 700 | Mechanical engineering | 1996 | Executive | Male | 52 |
| MS020 | 120 | Mechanical engineering | 1965 | MD | Male | 54 |
| MS021 | 500 | Electrical engineering | 1926 | OM | Male | 51 |
| MS022 | 140 | Mechanical engineering | 1970 | OM | Male | 50 |
| MS023 | 120 | Chemical industry | 1923 | OM | Male | 61 |
| MS024 | 900 | Production/ different divisions | 1906 | MD | Male | 47 |
| MS025 | 600 | Mechanical engineering | 1969 | MD | Male | 46 |
| MS026 | 20 | Mechanical engineering | 1992 | OM | Female | 52 |
| MS027 | 110 | Service/ construction industry | 2001 | OM | Male | 60 |
| MS028 | 100 | Mechanical engineering | 1959 | OM | Male | 57 |
| MS029 | 130 | Mechanical engineering | 1969 | OM | Female | 49 |

**Table 1. The BW SME participants and their profile details**

(MD - Managing Director, OM - Owner Manager)

|  |  |
| --- | --- |
| **Theme** | **Identified sub-themes** |
| **1 The general BW regional mentality of the participants** | Autonomy (as a major ambidexterity-supporting characteristic and motivational attitude – SC) |
| Assertiveness and hardworking mentality as a regional SC foundation for the overcoming of resource shortages |
| The Participants’ character in relation to SC in the Innovation Process in Relation to Resources |
| **2 The organisational characteristics and internationalisation of BW SMEs** | Managing resources and the role of flexibility |
| The strategic international orientations of firms (relative to their exploitative/conservative backgrounds) |
| The long-term regional SC exploitative approach and view |
| **3 BW SME business practices and principles in the context of the RBV-KBV** | Exploitative resource networks and SC cooperation |
| The managerial approach (based on Swabian culture/SC) |

**Table 2. The inductive theme and coding structure**

|  |
| --- |
| **‘Autonomy’ (as a major ambidexterity-supporting characteristic and motivational attitude - SC)** |
| *“How do we say – I am the architect of my own fortune. This is a huge difference.” (M002)* |
| *“In SMEs, I see the possibility of self-realisation. There is less politics.” (MS003)* |
| *“For sure, here there is a high degree of freedom to decide, regarding immediate business decisions. Of course, it has to be appropriate to the context.” (MS007)*  |
| *“This is the difference. Others always expect me to decide immediately, but I do not have to do this – because no one is breathing down on my neck.” (MS014)* |

**Table 3. ‘Autonomy’ as a social capital-informed motivational attitude**

|  |
| --- |
| **The central role played by the participants’ SC in the innovation process in relation to the RBV-KBV** |
| *“I would like to say, without praising myself too much, that I am an entrepreneur with a special charisma. In Europe, there is no other company that has increased by a factor of 100 in 30 years.” (M012)* |
| *“My colleagues and I are proper managers, but we are not top managers. We do not have a vision every night and say: tomorrow we do something completely new. We have average employees; we have an average organisation and, for five or six years, we have recorded above average growth.” (MS024)* |
| *“This is part of it. I am a typical networker, in the sense of checking in the first instance if someone in my network could solve the problem.” (MS024)* |
| *“Direct approach, a really direct approach. Speed of decision-making is a huge topic for me. I am a very impatient person.” (MS013)*  |

**Table 4. The role played by the participants’ SC in relation to the surrounding SC**

|  |
| --- |
| **‘Resources with flexibility’ – a conservative exploitative posture with explorative internationalisation forays**  |
| *“So, this is our advantage. Our structure is simpler and more cost efficient. And we are faster. The others have more capital, more engineers. Everything is more but, of course, it needs time for the machinery to start to move; in that time, we get there, twice.” (MS004)* |
| *“Everyone has a heavy workload due to external competition. And, of course, you can hire employees and re-distribute the tasks, but then it is said that, again, it takes time to train new colleagues and, in this time, one can do it himself.” (MS010)* |
| *“Well, we now frequently have the discussion of whether we want to grow or prefer security. And we recognise that, the more we want to grow, the more security we have to sacrifice. Because growth entails risks.” (MS011)* |
| *“Well, often, there is a lack of time to work through that topic from a strategic perspective, and there is a lack of expertise in regard to how this can be implemented strategically. This can be done very well by an external asset, by starting the project and providing support.” (MS018)* |
| *“The challenge is predominantly related to internationalisation. A SME does not have so many free shots. Well, when we invest money, then we only have this money once, and the first shot should usually be right.” (MS024)* |
| *“On the other hand, financially, you do not have the possibilities to react like a large corporation in certain instances. Well, you really have to fight.” (MS029)*  |
| *“But we are faster in decisions; we do not need a supervisory board and 1,000 PowerPoint slides, and no meetings and no coverage.” (MS004)* |
| *“The consequence is very simple; one is considerably more efficient in regard to both costs and time. And time is usually the crucial factor. What I can clearly say today is that SMEs have much faster decision-making structures and, hence, are much more flexible in reacting to the market. One can implement organisational changes much faster. Well, the topic of speed is a crucial advantage of SMEs.” (MS007)* |

**Table 5. ‘Conservative RBV-KBV with flexibility’ as core characteristics of BW SMEs**

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| --- |
| **Defending the ‘strategic international orientation of the firm’**  |
| *“Here, it is the rapid technological change that worries me. To find attractive niches, again and again, in which you can do business with the team and the current company size. This is the great challenge.” (MS021)* |
| *“I would say that this is not a big issue for us because we are operating in a small niche. We are well-established in this niche, which is too small to be interesting for large corporations.” (MS007)* |
| *“This means that competitors accept any order. I do not agree to accept any order. You simply refuse an order that is not profitable. And, when large corporations come along, they determine the price that we can claim and, if the calculation does not allow it, we have to refuse.” (MS006)* |
| *“We are international. Germany is our home market and we have a strong market position there. And what does a small medium-sized firm do afterwards in terms of internationalisation? It goes to Switzerland and Austria, because they understand us. Afterwards to the Netherlands, because they understand us, too. And these were our first steps.” (MS007)* |
| *“I think that Germany is too small. We make 250 million in revenue, and only 50 in Germany. I have only recently bought property in India.” (MS012)* |
| *“A further challenge is internationalisation. We have very strong roots in Germany and, historically, we generated most of our revenue in Germany. We now have an export quota of approximately 40% and are heading towards 50%.” (MS003).*  |
| *“In the meantime, we are doing business worldwide. Because the local firms from the region here did also develop our customers. Consequently, we grew with them accordingly and realised these international developments. We directly supply the foreign subsidiaries of these local companies. This is a worldwide setup now.” (MS029)*  |
| *“We will then grow in India. This will be our next new growth region. India.” (MS015)* |
| *“This means having an export quota of over 60% and also having an office in the USA, which is a sales office. No production site.” (MS017)* |
| *“Normally, we should be located in the USA, our market is almost completely in the USA, we do have our major four to five customers there.” (MS019)* |
| *“We export to more than 160 countries, as a small company. This means you have to adapt to the new markets and various habits. This is not always easy.” (MS001)*  |
| *“Currently, we have an export quota of approximately 50% and the export is growing massively. Sometimes, we even have to develop markets from zero, as they do not know our type of product. And if we add indirect exports, products from customers that contain parts from us, the quota already is much higher.” (MS005)*  |

**Table 6. The strategic (international) orientations of the firms**

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| **A ‘long-term exploitative approach and view’ is mainly expressed in terms of developing the firm and making long-term sustainable profits and is the most important issue emerging from the data drawn from the participants** |
| *“… but, more important is how the company has mainly developed over the years, regarding structures, innovation and advancements of a technical and structural nature. IT, personnel, qualification? Is there sufficient development? Because I can show a superb profit for the coming year; I simply have to release everyone who is not directly involved in production—but, in three years, everything is dead.” (MS010)* |
| *“Yes, and this has to be like that. You always have to; I tend to say you cannot rest for a month.” (MS012)* |
| *“A good year also means to me: ‘Did I develop strategy in the right direction, do I have a better long-term perspective compared to the beginning of the year?’ I do not have fluctuation, and my employees have earned more money at the end of the day because they have done a successful job.” (MS013)* |
| *“And, in the course of this, we will also develop the company towards future technologies. We will invest. We also will develop the lean production topic further; hence, you can see we are technically oriented.” (MS020)* |
| *“Well, our target is not to make enormous profits; our target is to have a company that works well and which lasts over generations or will last.” (MS015)* |
| *“I believe that we are real entrepreneurs; and, for us, finally, the target is an appreciation of the market by means of a good price/performance ratio. The primary objective is not necessarily a single euro that can be earned more. Well, we are less triggered by money but, rather, triggered by a long-term orientation.” (MS018)* |
| *“I tend to say, we also think about EBIT—that is beyond question. We need a profitable business, to finance growth or to not continue a development. ‘Stop it, to continue does not make sense’, then you need the respective profitability, but we are not purely driven by profit and that is a major characteristic of a SME.” (MS019)*  |
| *“Well, we do not need to do all this but, of course, we want to earn money and grow.” (MS004)* |
| *“Well, the pure financial success, revenue, and profit are fine. Everything is all right, but also that everyone is finally saying. ‘You do a good job.’ I would say that this is entrepreneurial success; the general and broad acceptance of what we are doing.” (MS007)* |

**Table 7. The BW long-term exploitative approach and view**

|  |
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| **Collaborations with firms** |
| *“No, the opposite is the case. Open doors. We always try to involve others. Especially, from the local community, we also try to do things together with other companies, because you then have a much bigger impact. Or to do things together with customers, also always try to find partners to do things together.” (MS007)* |
| *“Well, if you work together with large corporations in development projects, it is very difficult; but, often, there is no choice.” (MS010)* |
| *“This is a project; we do it the first time with externals. Normally, we do our projects on our own because, together with partners, competitors, this always is delicate. Something is being developed but who owns it?” (MS006)* |

**Table 8. BW SME Exploitative attitudes towards collaborations with other firms**

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| --- |
| **Decision-making space of employees as a source of flexibility and RBV-KBV**  |
| *“Employees… from employees we demand a high independence. There have been cases in which an employee did not dare to make a decision and went to the boss. The boss then said: ‘You are coming to me because of such rubbish. You know exactly what to do. Do it!’” (MS006)* |
| *“I am concerned with leading employees to positions that they can manage; they perhaps initially did not have the confidence that they can do it., Hence, that there is a reasonable challenge in the job, accompanied with a degree of freedom.” (MS013)* |
| *“Well, I would describe the leadership style: that we have great trust in our employees and that a huge responsibility is assigned to them.” (MS025)* |

**Table 9. The decision-making space of employees**