

## Chapter 3

# The Internationalization Process of a Born Global: A Case Study of a Beverage Firm

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### **ABSTRACT**

*Although companies seek to export in order to meet the growing importance of international markets, vis-à-vis domestic markets, this chapter presents a case study of a company founded by two former high school teachers who started a beverage company in 2015 and quickly reached an early internationalization. The company produces alcoholic beverages and has won international awards regarding the quality of its product, which has given it an important status and opened the door to a process of rapid internationalization. This will be used to explore the theory of entrepreneurship and how two potential entrepreneurs, with employment difficulties in teaching, began with a project that gave birth to a born global firm.*

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## **INTRODUCTION**

Internationalization is very important for small and medium-sized firms (SMEs) as it is a consequence of the exploitation of competitive advantages (Stanisauskaite & Kock, 2016).

Internationalization has been traditionally considered an incremental process, in which companies evolved in closed markets and where they gradually increase involvement with international markets through a series of evolutionary stages (Bell, McNaughton, & Young, 2001; Ribau, Moreira, & Raposo, 2015).

The globalization of markets and production has made the international business world a common business arena for all companies whether large, medium or small. Moreover, as international competition is ever present, even for firms competing in their 'local' markets (Ribau et al., 2015), internationalization is ever present in basically all contemporary business activities even among SMEs.

Nowadays, the internationalization of companies has become widespread, thereby stressing the importance of the concept of the internationalization of born globals and the need of researchers and professionals to understand the factors that have an influence on the success of such companies (Tanev, 2012). Research conducted regarding rapid internationalization and Born Globals highlight the way companies start and grow by meeting customers' and international markets' needs (Cavusgil & Knight, 2009). According to the literature, born globals have been playing a key role throughout the years (Danik & Kowalik, 2015). The literature provides clear evidence of rapid and dedicated internationalization of born globals (Bell et al., 2001), by adopting a global approach since their inception or up to their first three years (Madsen & Servais, 1997). However, the literature on Born Global SMEs is still scant (Ribau, Moreira, & Raposo, 2018)

This chapter aims at providing a study on the internationalization process inherent to a company based in Aveiro, Portugal, which produces liqueur and may be considered a born global. For this purpose, the concept shall be explored by taking into account of several authors in the relevant literature, the types of such companies, understanding the main features of this type of companies, the stages inherent thereto in their internationalization process, the success factors and the obstacles they face. The analysis shall be complemented with a review on the challenges that companies engaged in the production and distribution of liqueur face in light of the alcohol trade and consumption policy, considering the situation affecting the company under study.

The analysis of this case study aims at exploring the company's entrepreneurial standpoint in its internationalization process; for such purpose, a qualitative methodology shall be applied, based on an unstructured interview as the method of secondary data collection.

The rest of the paper is structured as followings: The first section covers the literature review of the main types of firms that fall in the international entrepreneurship theory: born globals, international new ventures and innate exporters. The second section depicts the case studies under study. The third section discusses the results and comprises of a summary of thought provoking topics regarding the case analyzed. Section five presents the conclusions of the chapter. Finally, section six covers future research direction.

## **LITERATURE REVIEW**

International entrepreneurship was originally related to the way technological advances and cultural awareness allowed new ventures to access untapped foreign markets (Morrow, 1988; McDougall, & Oviatt, 2000). It comprises novel and innovative activities that cross borders with the aim of creating value and growth in business firms. As such, international entrepreneurship refers to innovative activities pursued by a firm across borders. Innovative encompasses the value-seeking component, as firms leave their home country to seek out new opportunities in unknown or unexplored markets.

International entrepreneurship crosses three different academic disciplines, namely entrepreneurship, international business and strategic management (Wach & Whermann, 2014; Wach, 2015). Although related to IE, international business is quite unique as it focuses on internationalization theory, transaction cost theory, and economic factors leading to internationalization. The contrast between international entrepreneurship and entrepreneurship becomes evident as the latter focuses on the entrepreneur's role as an economic agent, who recognizes and exploits business opportunities. Finally, strategic management covers assets, capabilities, and business strategy employed when doing business abroad, and in this regard, deviates from the scope of international entrepreneurship (Wach, 2015). As such, one can consider that these three disciplines complement each other in the formation of the international entrepreneurship theory.

Based on the concept of international entrepreneurship, one can consider three types of firms that are usually associated to international entrepreneurship: born globals, international new ventures and innate exporters. They are going to be considered in this chapter.

### **Born Globals**

Born globals are greatly emerging around the world. This phenomenon has challenged traditional views on internationalization, where international business has been

dominated by large and endowed multinational companies (Madsen & Servais, 1997; Rialp, Rialp, Urbano, & Vaillant, 2005; Ribau et al., 2015; 2018).

Knight and Cavusgil (2004) define born globals as entrepreneurial start-ups that since their establishment seek to derive part of their revenue from product sales in international markets. As mentioned by Ribau et al. (2015), born globals are associated with a proactive and entrepreneurial stance towards internationalization.

Previous research on born globals have emphasized their strong external market orientation, based on a fast internationalization process with a strong competitive position from their very beginning.

The 'born global' label has been adopted as an appealing concept conveying the importance of such companies and the new paradigm they represent in the world economy (Rialp et al., 2005; Baronchelli & Cassia, 2014), where the traditional internationalization process based on Uppsala's model has been abandoned (Ribau et al., 2015). The rise of born globals foresees little or no distinction between markets and opportunities based on national limits. Therefore, it can be argued that the differences between nations have diminished in importance over time, as entrepreneurs are preferably focused on differences in business contexts, usually in terms of culture, political systems and economic conditions. In this sense, it can be said that the concept of international business has been becoming less important and has been replaced by a new concept: *intercontextual business* (Knight & Liesch, 2015).

Many authors have investigated the factors leading new companies to follow the path of a born global. In particular, the following factors have been mentioned: increasing uncertainty and dynamism in the company's environment, which allows the companies to develop international competitive capabilities faster (Oviatt & McDougall, 1999); features of the domestic market (Madsen & Servais, 1997), which allows the companies to satisfy national and international demanding markets; features of the industry, given the fact that the economic situation interferes in the company's success in the internationalization process (Freeman & Cavusgil, 2007); experience of entrepreneurs and managers in foreign markets, being a differentiating factor in international environments (Oviatt & McDougall, 1994); product and company innovation, which allows the companies to adapt their products and services to several international markets (Knight & Cavusgil, 2004) and to gain access to networks, mainly those which might be capable of driving the organization's globalization/internationalization (Madsen & Servais, 1997).

Smaller companies seem to be more creative, innovative, flexible and fast at meeting the specific needs of customers from both international and domestic markets due to their simple and non-bureaucratic organizational structure (Knight 2001; Oviatt & McDougall, 1994). These companies have been defined in the literature through the use of three concepts: 'Born Globals', 'International new ventures' and 'Innate Exporters'.

The term born global was coined in a research carried out by the Australian Manufacturing Council (Rennie, 1993). This study clearly showed that there are two types of exporters. The first type, including approximately 75% of the companies, is comprised of companies well established in the local market, with good expertise, as well as a solid financial situation and product portfolio. The second group, called born global companies, begins exporting on average within two years following their establishment, totaling 76% of sales from exports (Baronchelli & Cassia, 2014).

According to Oviatt and McDougall (1994), International New Ventures (INVs) are referred to as organizations that, from inception, seek to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries.

Lastly, 'innate exporters' are defined by Ganitsky (1989) as companies with an innate know-how in international markets thanks to their international outlook in the management, having a high degree of flexibility, but limited range due to their inexperience and lack of resources.

Ganitsky (1989) differentiates innate exporters from adoptive exporters as the former tend to enter markets or fields not explored earlier by other exporters whereas the later tend to create an internal market based on their added-value capabilities to achieve economies of scale and then to develop a global perspective.

## **International New Ventures**

According to Oviatt and McDougall (1994), INVs are organizations that, from inception, seek to derive significant competitive advantage from the sale of their products/services in multiple countries. The distinctive feature of such companies is their international origin, as shown by the significant and observable commitments of resources (e.g., materials, people, financing, time) in more than one nation. Like BGs, INVs benefit from a widely entrepreneurial outlook in order to keep their internationalization process at an early stage (Oviatt & McDougall, 1994). In contrast to the organizations gradually evolving from national to multinational companies, international new ventures start off with a proactive international strategy, but without external assets. However, strategic alliances may be developed for the use of external resources, such as the production or marketing capacity (Coviello, 2015). Although INVs have initially been introduced as very proactive start-ups, nowadays they are considered by other companies to be indistinguishable from BGs (Weerawardena, Mort, Liesch, & Knight, 2007; Zander, McDougall-Covin, & Rose, 2015). According to Oviatt and McDougall (1994), there are several types of INVs: geographically focused start-ups, global start-ups, import/export start-ups and multinational traders.

### ***The Internationalization Process of a Born Global***

Geographically focused start-ups primarily serve the specialized needs of a specific region of the world by using external resources. The competitive advantage is in the coordination of the various value chain activities, such as technological development, human resources and production (Oviatt & McDougall, 1994).

The Global Start-up reflects the more radical manifestation of the new international entrepreneurship, since it derives from the significant competitive advantage of the coordination of several organizational activities. Global start-ups not only respond to market globalization, but also act proactively on opportunities to acquire resources (Oviatt & McDougall, 1994).

Import/export start-ups aim at serving certain nations with which the entrepreneur is familiar. Multinational traders serve a range of countries and are constantly seeking trading opportunities where their networks are established or where they can quickly be incorporated (Oviatt & McDougall, 1994).

There is clearly a wide variety of behaviors that INVs might have. Moreover, if we consider that some authors do not make a distinction between INVs and BGs, the combination could include small start-ups firms as well as large trading companies (Cesinger, Danko, & Bouncken, 2012).

### **Features of Born Globals**

Born globals have a number of features, of which the following are worth mentioning:

- International activity right after their establishment (Tanev, 2012). According to Oviatt and McDougall (1994), born globals begin their internationalization from inception or within the first two years. This type of behavior is more prevalent among SMEs that are highly specialized in national and global market ‘niches’ (Oviatt & McDougall, 1994);
- Limited financial resources (Tanev, 2012). Born globals tend to be relatively small and have less financial, human and tangible resources when compared with large multinational companies dominating global trade (Tanev, 2012);
- They are present in most sectors, however, the large majority operates in the technology sector (Tanev, 2012). Nevertheless, Madsen and Servais (1997) state that start-ups operating in the metal, furniture and food sector have been found in Denmark;
- Managers have a strong international outlook and focus (Tanev, 2012). According to Cavusgil and Knight (2009), born globals’ managers do not see foreign markets as a mere addition to their domestic markets. According to the authors, the former have a strong and proactive business mindset arising from technological processes inherent to their creation;

- They follow a differentiated strategy (Tanev, 2012). Born globals tend to adopt differentiated strategies through the development of highly distinctive projects and products aimed at market niches, which may be too small for the preferences of large companies (Tanev, 2012);
- Superior quality products (Tanev, 2012). Born globals explore business opportunities based on the development of new products or services with greater quality and outreach than competitors' offerings (Cavusgil & Knight, 2009);
- Use of advanced Information and Communication Technologies (ICT) (Tanev, 2012). This type of company uses advanced ICT techniques in order to reach customers from global market niches and meet the needs of highly specialized buyers (Cavusgil & Knight, 2009);
- Use of external intermediaries for distribution in international markets (Tanev, 2012). Most BGs tend to expand internationally through exports, international sales involvement or by taking advantage of the resources from independent intermediaries located abroad (Cavusgil & Knight, 2009).

### **Inherent Stages to the Internationalization Process of Born Globals**

According to Gabrielsson et al (2008), born globals are included in a process involving three stages. Stage 1 is the introduction and the early launch stage. Stage 2 is the accumulation of resources and growth, and the last stage is defined as the break-out stage.

In the introduction stage, born globals have limited resources and an underdeveloped organizational structure. Their main resources are the founder(s) and other creative individuals. However, a successful fast-paced internationalization requires a level of international business specialization and financing that such entrepreneurs rarely have. In this stage, growth is highly dependent on the strategy of the chosen channel and the network approach. If BGs intend to collaborate with a multinational company (MNEs), they can achieve a fast growth from the beginning. Conversely, if they decide to work on their own channels and/or networks, it is more likely that the generation of a higher demand takes longer (Gabrielsson et al., 2008).

According to Gabrielsson et al. (2008), in the stage of growth and accumulation of resources, a born global shall often find itself in a global or potentially global industry, i.e. with a large interdependence between markets and a relatively limited number of intervening parties that take advantage of this interdependence.

In order to overcome its resource shortages, the company needs to place itself in relevant channels. However, direct competition is unlikely to be a threat, since BGs

### ***The Internationalization Process of a Born Global***

offer new products and services not yet in the market. Thus, success in this stage is strongly dependent on the products/services themselves and the organizational capacity to place them on the market.

In this second stage, organizational learning is highly dependent on the ability to learn from early partners and customers with whom the born global cooperates (Gabrielsson et al., 2008).

The third stage, break-out, describes the period in which BGs adopt a strategy based on previously acquired knowledge and experience in order to establish their position in the market and in their network of contacts. The strategic reorientation is influenced by the willingness to be independent from the market and the control of company's own activities. In this stage, born globals continuously develop and grow for future growth (Gabrielsson et al., 2008).

### **Key Success Factors of Born Globals**

Karra, Philips, and Tracey (2004) state that the performance and attitudes of entrepreneurs towards globalization positively affect the increased success of born globals, in particular due to the ability of identifying and creating market opportunities capable of benefitting the business.

Evers (2011) divides the factors for the success of these companies into two groups: attributes of the entrepreneur and attributes of the company. The attributes of the company concern the required focus on product differentiation, the identification of the target audience segments at a global level and the maintenance of close relationships with international customers. Regarding the attributes of the entrepreneur, emphasis is given to objective skills (experience, market knowledge) and subjective skills, such as having a proactive personality and a global mindset (Danik & Kowalik, 2015).

### **Obstacles to the Development of Born Globals**

According to the literature, BGs face several obstacles when preparing to begin their internationalization process. The main obstacles in the export process are associated with market, business and political risks. The main market risks involve the distance between markets, the competition, the differences in the use, specifications and distribution of the product and the complexity in the distribution services. Business risks reflect the problems regarding exchange rate fluctuations, delays in payments, bankruptcies, rejection of the product, delays and damages during export and difficulties in obtaining financing for export. The primary factors included in the political risks are the tariffs and restrictions imposed by foreign governments, the lack of governmental assistance, the high prices in local currency, the regulation of imports, the complexity of the documentation and political turmoil. There are also

obstacles determined in the beginning of export, related to insufficient financial resources, insufficient market knowledge and the lack of management commitment (Danik & Kowalik, 2015).

## **Innate and Adoptive Exporters**

Although Ganitsky (1989) puts forward two main types of exporters – innate and adoptive –, he clearly claims that innate exporters can behave as entrepreneurs, when exporters pioneers their way in international markets in order to exploit their resources and capabilities abroad, and imitators, when exporters tend to be more through in order to reduce risks abroad imitating other explorers.

In their quest of foreign markets innate explores tend to be focused on foreign markets in order to properly respond to challenges from abroad. Doing so allows innate exporters to develop competitive strategies to adapt their products to foreign markets. Their growth stem from the clear separation of indigenous and foreign markets. In a different vein, adoptive exporters tend to be much more ethnocentric and committed to the domestic market opportunities and thus perceive export opportunities as marginally important, which may lead them to ignore all the necessary adjustments that need to be introduced product-wise to succeed in international markets.

Innate and adoptive exporters, according to their objectives, strategies, and competitive posture can behave as ‘nichers’, ‘high performers’, ‘challengers’ and ‘leaders’ (Ganitsky, 1989).

## **CASE STUDY**

The aim of this section is to present the case study of ALPHA<sup>1</sup> explaining its history, as well as its international business history.

The present case study was based on a qualitative methodology, involving the collection of data through an unstructured interview with ALPHA’s chief executive officer. The information obtained was complemented with secondary information.

The methodological research is dedicated to researching the instruments, paths or ways of doing science, to the production of techniques of dealing with reality or to the discussion of theoretical-practical approaches (Demo, 1995). Qualitative research is not concerned with the numerical representativity of a study in question, but rather with the deepening of the understanding of a social group, an organization, or a specific situation. Researchers who use qualitative methods seek to explain the reasons for things, expressing what should be done, but do not quantify symbolic values and exchanges, or submit to evidence of fact, since the data analyzed are

nonmetric and reflect different approaches (Gerhardt & Silveira, 2009; Villareal, 2017).

The case study is one of several techniques used in social science research. Other techniques include experiments, questionnaires, stories, and archival analysis. The case study is preferable when one intends to examine contemporary events, but only when the relevant behaviors of the case cannot be manipulated. This qualitative technique adds two sources of evidence that are not usually included in the historian's repertoire: observation and systematic interviews (Yin, 2014).

In-depth studies, as the one reported in this chapter, rather than attempting to test hypotheses aims at identifying the main driving forces behind ALPHA's internationalization, its initial export involvement and commitment, its current internationalization process and its future internationalization hurdles, so that one can finally confront ALPHA's evolutionary process with existing theory on entrepreneurship internationalization.

A case study can often be used to answer an explanatory and exploratory (or descriptive) purpose (Maxwell, 1996). Yin (2014) points out that the questions "How?" and "Why?" are directed with a more explanatory sense and therefore more appropriate for research strategies such as case studies, histories and experiences. Yin (2014) mentions that this is due to the fact that such issues deal with operational links that need to be tracked over time. Therefore, following Maxwell's (1996) and Yin's (2014) reasoning, case studies, such as experiments, are replicable to theoretical propositions rather than to populations or universes. In this sense, the case study does not represent a sample and the objective of the researchers is to expand and generalize theories (analytical generalization) and not to enumerate frequencies (statistical generalization).

A considerable range of qualitative approaches use structured and semi-structured interviews (Edwards & Holland, 2013). In this particular case, the use of an unstructured interview provides a greater range of analysis than other interview types, given its qualitative nature, and the purpose of the unstructured interview is the understanding of the situation (Fontana & Frey, 1994).

In unstructured interviews the researcher clearly has research objectives and a topic of study, but the importance of the method is to allow the interviewee to speak through their own perspective, using their own frame of references, ideas and meanings that are familiar to the interviewee (Edwards & Holland, 2013).

## **Genesis and Evolution of ALPHA**

Established early in the second half of 2015, as an urgent response to the employability of one of the company's partners, with higher education in teaching, the company started off by producing homemade pastry, and its name derives from the word

“Tart”. At the same time, considering it is a regional product with plenty of tradition amongst the families of the Beira-Mar neighborhood in Aveiro, some bottles of the traditional liqueur of such region have been produced, and this product has evolved from a qualitative standpoint in all experiments performed, thereby becoming the sole product marketed by the company in the first year. This specialization has proved to be an excellent strategy for the entry in the international and domestic market; the company has developed a clear mastery of the production process and product quality, which translated into trust from its customers/consumers. The main characteristics of ALPHA are shown in Table 1.

### **From Bowl Liqueur [“Licor de Alguidar”] to “Aveiro Liqueur”**

The first bottles of ‘Licor de Alguidar’ were produced in 2015 and marketed under this brand/label with the permanent reference to the product’s originating region (traditionally called this way because it was produced in traditional “bowls” from the Aveiro region throughout generations), and the labels showed the symbols of salt fields and *moliceiros* [traditional boats from the Aveiro region]. In the several contacts the company held and interviews it gave to the media, it had the opportunity to mention that the need of giving up the traditional name arose due to it easily being associated with poor hygiene, and so it adopted the brand “Aveiro liqueur” in 2016.

Bryla (2015) mentions that demanding customers with purchasing power are increasingly seeking origin, flavor and other features of the product that are often assigned to the specific origin or production method. Goodman (2003) states that a “qualitative change” can be observed in the economy from the “industrial world”, which sets out conventional and highly-standardized quality references in the mass production approach, to the “domestic world” (small scale), in which the quality policy includes concepts such as trust and tradition by giving support to more differentiated, localized and environmentally-friendly products and forms of economic

*Table 1. Summary of the characterization of ALPHA*

<b>Data of Inception</b>	July of 2015
<b>Economic Activity Code</b>	11013 – Production of liqueurs and other distilled beverages 47112 – Retail sale in non-specialized (food, beverages or tobacco) stores 46341 – Wholesale of alcoholic beverages
<b>Sales Volume</b>	Year 1 $\leq$ 30.000 € Year 2 $\geq$ 300.000 €
<b>Type of Products</b>	Tangerine, mint and strawberry flavored spirits. Liqueur.
<b>Exports (%)</b>	90%
<b>Main Markets</b>	Asia, Africa, and Europe

organization. In fact, the demand for homemade, traditional and local products, whose production processes are well-known, conveys quality and authenticity assurance when the product is purchased. The change of the brand from 'Licor de Alguidar' to 'Aveiro Liqueur' proves the company intended to give the product such attributes, by conveying to the consumer an unequivocal experience of tasting a homemade, traditional, locally-produced product that is firmly established due to its uniqueness and authenticity.

Since the Aveiro region is attractive in terms of different types of tourism, the company clearly aimed at not disaggregating the natural and expectant impact of the "Aveiro" brand associated with a marketable product. Sims (2009) mentions that local food specialities help conveying a sense of authenticity and singularity in the holiday destination and strengthen the external image of the region and of the region's brand (Boyne & Hall 2004). Aldereghi et al. (2016) further argue that, since local food specialities evoke the identity, culture and sustainability of the place of origin, the company aimed to explicitly and implicitly explore such features that are significant upon design of the marketing strategy of the local and regional tourist destinations. Aldereghi et al. (2016) state that local food products have become marketing and branding tools for promoting tourism in recent years due to the key role they play in the local tourist economies. From the different abovementioned authors' views, one can stress the importance of the change of the brand from 'Licor de Alguidar' to 'Aveiro Liqueur', since it contributed positively to the company's marketing strategy, both in terms of entry into local and national market, and the approach towards the international market that shall be analyzed hereinafter. Regarding the existing and inseparable connection of the experience of local product consumption in tourist destinations, Aldereghi et al. (2016) state that the persons who already went on holidays to a tourist destination and had the opportunity to continue consuming the same products where they live in, can not only keep the interest on such destination alive, but also keep consuming the products where they live in.

## **The Product**

As previously mentioned, the product produced and marketed by the company is a spirit drink with three traditional flavors: mint, strawberry and tangerine. It is available in 500ml and 50ml bottles, ensuring leak-proof design and preservation, as well as an easy handling and transportation of the final product. According to the company, the selection process for the larger bottle has been lengthy and thorough, having performed experiments with several references from suppliers and bottle shapes; the chosen reference provides better handling and preservation conditions and is visually more appealing. It was important to have a container accentuating the fact that it is a colorful drink. The company developed a box of chocolates

filled with the Aveiro Liqueur on the occasion of Christmas 2016, which was high in demand. The company deems the experience as extremely positive as it tried to diversify the existing product, where the liqueur remained the main element, and by taking advantage of the seasonal opportunity of demand for products with such features. It will certainly be a product to be perfected and invested in the future.

The product is produced artisanally and based on traditional techniques that make it unique. It is positioned in the market, nationally and internationally as colorful, flavor-based spirituous drink bottled in 50 ml bottles. ALPHA originally targeted this liqueur for a niche market, although in 2016 it has extended product line to chocolates containing Aveiro liqueur.

The product principles rest on a strong concentration on product quality, based on ALPHA's production special competences.

## **Mission and Values**

Without false modesty, the company has asserted itself in the market through its website, with the mission of *“Being a reference company in the production of spirit drinks and combining the art of production with the city’s history, which creates the Aveiro Liqueur.”* It evokes the principles and values of a family company, in line with the knowledge, production and qualitative mastery of the marketed product. The company intends to establish itself in the market as a reference in the trade of spirit drinks, based on the following values: ethics, honesty, excellence, commitment, innovation and respect.

## **Promotion in Fairs, Events and Participation in International Competitions**

Although this is a young two-year-old company, it has already won four medals (two gold, one silver and one bronze) in the following international competitions: ProdExpo 2016 and the China Wine & Spirits Awards 2016. The company immediately recognized the importance of customers tasting the product so that the customer can come in contact with the product and, since then, it has sought to be represented in several international events in different ways, which allows the company to communicate with stakeholders, foster new relationships and maintain those already established. This company joined the seal “Portugal sou Eu” [“I am Portugal”], having participated in several national fairs, and is looking forward to promoting the company in external markets. It further intends to submit a “Portugal 2020” co-financing project for internationalization measures within the foreseeable future.

## **Internationalization Strategy**

As referred to above, the company has strong dynamics regarding internationalization measures, as well as an approach to the different international markets. When questioned about the export share of each country, the answer is clear and concise: we are experiencing a vast growth stage in several international fronts. Considering the product is highly differentiated, “*we intend to keep investing in the Asian and African market and simultaneously invest in the European market*”. With this investment, the company is able to explore specific niches in several markets where differentiation is widespread, such as the Asian market – through refinement – and the African market – countries where sophistication makes the difference. In turn, the European market is difficult due to the high level of competition, and so the differentiated positioning based on uniqueness and refinement may increase the rate of penetration into such markets. The market share of European countries stems from low investment carried out hitherto. The experience of tourists visiting the Aveiro region tasting and purchasing the liqueur is regarded as an extremely positive element in this activity in the European market, despite being insufficient. However, it should be noted that the profits from sales in national territory, particularly in the Aveiro region, represent a positive input for the possibility of entry into the European market, and the company keeps investing in the innovation of presenting the product locally and in the retail channel.

It is clear that ALPHA’s success in the international market in a narrow segment was tuned with its search for market share in international markets, as ALPHA was competing in a specific market niche.

In this market entry stage ALPHA had as main objectives survival in the short term, searching a defensive foothold, in international markets.

In the second year ALPHA was flexible enough as to create a new product range, but looking to expand in its domestic market in order not to depend from foreign markets, reducing commercial risks.

## **DISCUSSION**

Being a newly created company, ALPHA reveals some ingenuity in the business approach since it is a family business with a manager with no previous experience in the field – with previous training in the area of education and previous experience was being a high-school teacher. On the other hand, ALPHA was able to identify opportunities in international markets, based on the quality of its products, exploring an unusual market niche: aromatized spirits.

The company bases its production on craft technology, which in the short term could create problems if demand for the product continues to increase at the same pace it has been growing. However, faced with this situation, ALPHA retains its vision and clear strategies. The manager knows that in order to continue conquering market share, he should concentrate all his energies on the quality of his product and on international dissemination through international fairs and liqueur competitions, but he knows that the great challenge of growth may be to opt for less artisanal and more industrialized production methodologies. To this end, the resizing of ALPHA's structure is a priority, seeking to respond to existing and future demand, guaranteeing the quality of the product to the final customer. He also humbly assumes the need to seek / hire specialists in the most diverse organizational areas that make possible ALPHA's sustainable development.

The biggest obstacles to the internationalization of the company are related to the tax on alcohol and alcoholic beverages (as part of special consumption taxes), due to the limitation imposed on the margin of the company. Moreover, taking into account the international policy of controlling alcohol consumption, through the increase of alcoholic beverages taxes, ALPHA is well positioned as a premium drink company and should seek to take advantage of the already achieved markets by seeking to implement strategies to penetrate these international markets to increase its international market share, without abandoning its strategy of diversification of international markets, in order to complement already conquered markets.

Clearly, the company has been in full growth since its inception. The presence in the social networks is very active and dynamic as well as the partnerships with all the tourist agents of the region. The main characteristics of the company are presented in Table 2.

If the theory on international entrepreneurship is relatively vast, one can argue that there are three main typologies that can be put forward to categorize ALPHA as it is characterized by an instant instead of rapid internationalization: BGs, INVs or innate exporters.

If ALPHA is certainly an international as well as a new venture it would be easy to define ALPHA as an INV according to Oviatt and McDougall (2005: 49) "*a business organization that, from inception, seeks to derive significant advantage from the use and the sale of outputs in multiple countries.*" However, taking into account that the characteristics of BGs referred above (Tanev, 2012; Cavusgil & Knight, 2009; Madsen & Servais, 1997), one can claim that ALPHA can be considered a Born Global firms as it fulfills the following characteristics:

- International activity right after their establishment;
- Limited financial resources;
- Manager with a strong international outlook and focus;

***The Internationalization Process of a Born Global***

*Table 2. Objective, strategies, key success factors and main competitive guidelines*

<b>Objectives</b>	Initially: survival, defensive positioning, short-term profitability
<b>Product Strategy</b>	Product specialization. In the second year diversifies to a non-core product.
<b>Market Strategy</b>	Concentration in a market niche. In the second year ALPHA not only diversifies, but also seeks to expand to the domestic market seeking to reduce commercial risk.
<b>Managerial Skill</b>	Creativity and flexibility.
<b>Competitive Positioning</b>	Secure market niches. Concentrate on product quality, seek market growth and avoid head on strategies. In the second year, it seeks not to ignore low-growth market, but positioning in high-segment markets.
<b>Key Success Factors</b>	New interesting product. Unexploited market niche. Credible international image based on international fairs and liqueur events. Nimble and eager to succeed.
<b>International Profile</b>	Born Global
<b>Mode of Entry in International Markets</b>	International Trade Fairs and Competitions: ProdExpo 2016 (Gold Medal for Tangerine Liqueur and Silver Medal for Mint Liqueur) and China Wine & Spirits Awards 2016 (Gold Medal for Tangerine Liqueur and Bronze Medal for Mint Liqueur)
<b>Characteristics of Entrepreneurial Behavior</b>	Young, innovative, dynamic and enterprising company. Diversification is a deliberate strategy since the beginning of the activity without implying the loss of identity and uniqueness of the brand. Exploitation of authenticity in the Portuguese market. Exploitation of international markets with unique products. Exploitation of prizes won at international fairs leveraging brand awareness in international markets.
<b>Innovation</b>	The company seeks to exploit the authenticity in introducing scents /flavors into the liqueur, giving a different positioning to the product. The artisanal character and the young image of the company and the product are important in order to modify the way the product is seen by the consumers.
<b>Risk Taking Behavior</b>	The entrepreneur took the risk of entering a saturated market, as is the market for alcoholic beverages, assuming a different positioning and creating a unique brand image based on leverage gained in international fairs and exhibitions.
<b>Factors That Strengthen Internationalization Commitment</b>	The values of the company, based on moral values taking into account that it is a family business, as well as the pro-activity of the partners in international promotional programs such as “Portugal sou Eu” of which they have been adhering company since 2016. Above all, the awareness that both business and institutional partnerships strengthen the company and galvanize the approaches to certain markets since the requirements from the legal point of view may sometimes prove to be an obstacle to the negotiation and transaction.
<b>Future Outlook of Internationalization</b>	The continuous exploration of the Asian and African market, as well as investing in the European market which represents a small percentage of the company’s exports

- A clear differentiated product and strategy;
- Superior quality products;
- Use of external intermediaries for distribution in international markets.

As ALPHA follows a specialized product market that seeks to explore a defensible international market niche, based on the quality of its products and reputable image gained in international liqueur contests, one can claim that ALPHA can be considered an innate exporter.

Although Ganitsky (1989) explores the concept of innate exporters, which he depicts in four different types of companies (nichers, high performers, challengers and leaders), it is plausible to include innate exporters in the Born global category, as BGs are based on the concept of rapid internationalization. Taking into account ALPHA's behavior, and the international entrepreneurship theory, one can claim that based on its rapidly internationalization process and on its international market orientation, it behaves as a BG / INV. Based on its clear focus on exports and as it is not a technology-based company one can defend that it is a Born Global company rather than an INV, although many authors use the concepts indistinctively.

## **CONCLUSION**

In the literature review section regarding Born Globals, it was referred that one of the characteristics of these companies is that in the future it is expected that entrepreneurs will make no differentiation between the national market and the international market. Although conditioned by individual and market-specific characteristics and consumption profiles, it is expected that market presence ceases to exist on the basis of the national/international business concept as the intercontextual business concept is more stringent, given the prevalence of alcoholic beverages market specificities. It is also mentioned the ease that small companies have in responding to the demands of the international market for their simple organization and bureaucratic absence, as well as innovative capacity. While ALPHA has responded positively at an early stage, there is a pressing need to look to the future growth of the company.

ALPHA can be considered as having a Born Global profile, translated both in its internationalization path and in its sales volumes that point to a clear prominence of the international market. Nevertheless, the national market, especially the local market, has been strongly targeted through the communication, promotion and

### ***The Internationalization Process of a Born Global***

diversification of its products. For the company it is important to maintain its identity and specificity, presenting a traditional artisanal production that results in a final product that aggregates history and commercial potential. Being a newly created company, it presents a real growth, in the second year, twenty times higher than the first year and 90% of its sales volume corresponds to the foreign market. These data, as part of the interview conducted with the literature review, allow us to consider that ALPHA is in the “introduction and the early launch stage”, but is ready to embrace “the accumulation of resources and growth”, and its strategy and attitude reveals the success factors of most Born Globals (differentiation of the product, identification of the segments of the target audience at a global level and maintaining close relations with international clients) as well as the attributes of the entrepreneur (proactive personality and a global mentality).

## **FUTURE RESEARCH DIRECTIONS**

Although research on internationalization is quite reach, it would be interesting to analyze pre-internationalization behavior to depict the possible causes that foster and hinder the internationalization process among many small and medium-sized Born Globals.

It was clear that ALPHA wanted to embark in an international, global perspective. However, it is not clear how the manager spotted the opportunity of launching the Aveiro Liqueur following an outward looking perspective. This opens up new opportunities for research as it would be of added value to analyze how managers' behavior might generate proactive internationalization behavior, which might explain why some firms suddenly embrace born global behaviors.

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## **KEY TERMS AND DEFINITIONS**

**Born Global:** It is a type of company that, from its inception, seeks to derive a competitive advantage to compete in many countries. It normally pursues a vision of becoming global and globalizes rapidly without any preceding long term domestic or internationalization period or experience. Usually born globals are small, technology-oriented companies that operate in several international markets.

**Case Study:** It is a qualitative methodology, normally used in social sciences, that seeks to interpret a reality through a particular perspective. It is normally used to answer questions like “how” and “why.” It is commonly used to address constructivist research processes.

**Globalization:** It is a worldwide movement toward economic, financial, trade, and communications integration. It is normally envisaged as a lack of trade barriers between nations, which are removed through free trade agreements throughout the world and between nation states. It implies the opening of local and nationalistic perspectives to a broader outlook of an interconnected and interdependent world with free transfer of capital, goods, and services across national frontiers, in which investment opportunities soar.

**International Entrepreneurship:** The term international entrepreneurship was originally related to the way technological advances and cultural awareness allowed new ventures to access untapped foreign markets. It comprises novel and innovative activities that crosses borders with the aim of creating value and growth in business firms. As such, it refers to innovative activities pursued by a firm across borders. Innovative encompasses the value-seeking component, as firms leave their home country to seek out new opportunities in unknown or unexplored markets.

**Internationalization:** It is the process of increasing involvement of enterprises in international markets. It involves a strategy carried out by firms that decide to compete in foreign markets. It involves cross border transactions of goods, services, or resources between two or more firms or organizations that belong to two different countries.

**Internationalization Process:** It involves the emphasis of a trajectory of a company in its transition from a national market to a particular foreign market. It normally involves several entry modes (exports, FDI, franchising, etc.) that exert a critical influence on the subsequent trajectory, as well as on cost related to the internationalization process. The two most important theories that explain the internationalization process are the Uppsala model and the network-based approach.

## **ENDNOTE**

<sup>1</sup> For confidentiality reasons ALPHA's real name cannot be disclosed.