


Chapter 14

Internationalization Strategies: A Complementary Perspective Using the Resource Dependency Theory

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ABSTRACT

This chapter explores the internationalization path of ALPHA, a family-owned, medium-sized Portuguese company. The analysis reveals a two-stage process. Initially, ALPHA's gradual market entry aligns with the Uppsala model, prioritizing geographically close markets and leveraging accumulated experience. However, later stages demonstrate network-based theory influences. While lacking formal networks, ALPHA prioritizes strong B2B relationships with large international clients, mirroring network bridges for market access. The case highlights the importance of trust-based B2B relationships for success. ALPHA leverages these partnerships to gain market knowledge and access new opportunities. Exporting plays a vital role,

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keeping ALPHA updated on technological trends and fostering innovation through diverse client projects. The company prioritizes a pragmatic approach focused on strong client relationships and win-win partnerships, emphasizing trust as a key resource. While the RBV perspective highlights investment in internal resources, reliance on intermediaries introduces limitations.

INTRODUCTION

Small and medium-sized enterprises (SMEs) have extensively employed internationalization strategies to expand their operations overseas. This approach enables them to participate more actively in international markets (Ribau et al., 2015, 2018).

Several theoretical frameworks and models elucidate the internationalization process and the modes of entry typically adopted by firms. Amongst the most prominent are the Uppsala model and the network-based view of the firm (Bell, McNaughton, & Young, 2001; Ribau et al., 2015). The Uppsala model posits a gradual and sequential progression of international involvement (Ribau et al., 2015), while the network-based view emphasizes the role of relationships between market actors in firm internationalization (Hakansson & Snehota, 2006).

Despite the evolving nature of globalization and its impact on the economy, many firms, particularly those operating in a business-to-business (B2B) environment, continue to adhere to traditional internationalization approaches. Moreover, although the literature review on SMEs internationalization is abundant (Maciejewski & Wach, 2019; Luostarinen & Gabrielsson, 2006; Ribau et al., 2018), there are opportunities, especially in relation to resource-constrained SMEs. This chapter aims to examine the historical context of the internationalization process and critically discuss the nuances of the two main internationalization theories, namely the Uppsala model and the network-based view of the firm. The purpose is to compare and contrast these theories in light of the specific characteristics of a Portuguese technology-based firm, codenamed ALPHA for confidentiality reasons, which achieves nearly 50% of its sales volume through international channels. The analysis focuses specifically on the firm's dependence on the B2B channel, which contributes to its seemingly passive internationalization approach. As such, based on a case study of a technology-based SME, this chapter aims to address the following research question: Can a resource-constrained SME with strong technology mastery and international experience break away of dependent relationships with downstream intermediaries? While case studies are subject to criticism due to limitations in generalizability, they undeniably contribute to knowledge acquisition and development (Ghauri, 2004; Vissak & Francioni, 2013). This case study, therefore, seeks to explore, understand,

and analyze ALPHA's strategic formulation and internationalization process, offering a framework for classroom discussions.

The chapter is structured into six sections. Following this introductory section, the second section presents a concise literature review to establish the key concepts and theories necessary for a comprehensive interpretation of the case study analysis. Subsequently, the third section details the research methodology, specifically the qualitative component employing an interview conducted with the company's Finance Director. The fourth section presents the key findings gleaned from the interview. The fifth section provides a discussion that integrates these findings with the established literature. Finally, the concluding section summarizes the study's key takeaways and acknowledges its limitations.

THEORETICAL BACKGROUND

Internationalization

In the contemporary globalized marketplace, fostering collaboration and seeking optimal solutions is crucial for businesses to differentiate their products or services and, consequently, gain a competitive edge (Brown & Bell, 2001). Globalization inherently entails increasing complexity and diversity, impacting strategic decision-making when entering international markets (Bayfield et al., 2009; Ribau et al., 2015). Networks, encompassing both formal and informal relationships, have emerged as key facilitators of the internationalization process (Coviello & Martin, 1999; Ribau et al., 2019).

The rapid evolution towards globalized businesses, industries, and markets has been extensively documented. Scholars have continuously refined and contextualized concepts of internationalization to reflect this changing landscape. As a result, the field of business internationalization now encompasses a diverse array of theoretical perspectives and analytical frameworks (Letto-Gillies, 2012; Ribau et al., 2015). While various definitions exist, internationalization can be broadly understood as any business activity conducted across national borders (Olejnik & Swoboda, 2012). However, it is increasingly recognized as a significant form of innovative activity. Its scope encompasses a range of phenomena, including spot and continuous export activities, cross-border collaboration, alliances, greenfield investments, and the establishment of subsidiaries, branches, and joint ventures (Chetty & Campbell-Hunt, 2003).

Jones (2001) posits that international activity can begin with even minimal connections between countries, as long as these connections generate efficiency and synergies. Over time, as the business becomes more internationalized, manage-

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ment develops higher expectations and implements new, more comprehensive, and rational policies and procedures for governing international operations (Cavusgil, 1984). Export potential, export intensity, interest in international opportunities, and the need for external support are among the key variables utilized to assess a firm's level of internationalization (Jones, 2001).

Small and medium-sized enterprises (SMEs) often face significant disadvantages when entering international markets due to limited resources and technical capabilities (Reuber & Fischer, 1997). These disadvantages tend to be more pronounced for capital-intensive industries, where large corporations hold a distinct advantage (Erramilli & D'Souza, 1993; Ribau et al., 2018). Nevertheless, despite the challenges, internationalization is increasingly crucial for SMEs, as they require strategies to navigate the intensifying competition within global markets. For SMEs in smaller countries with limited domestic markets, internationalization can even be considered essential for survival (Brown & Bell, 2001). Notably, Reuber and Fischer (1997) argue that the determining factor for success in international ventures is often the international experience of the involved teams, rather than the company's size or age.

Modes of Entry

The intensifying competitiveness of the global marketplace has spurred a growing number of companies to seek opportunities in international markets to achieve their objectives and safeguard their market positions (Larimo, 2015). SME internationalization decisions encompass two key aspects: selecting target markets and determining the structure of their operations within those markets (Carazo & Lumiste, 2010; Lee & Lieberman, 2010).

Swoboda et al. (2015) highlight the significant influence of both external environments and internationalization knowledge on the relationship between preferred entry modes and subsequent internationalization choices. Internationalization encompasses diverse entry modes, including the establishment of international subsidiaries and joint ventures, licensing agreements, and exporting activities (Johanson & Vahlne, 1990).

SMEs often exhibit a preference for markets with cultural or economic similarities to their home country, as this strategy minimizes risk exposure (Erramilli & D'Souza, 1993). Additionally, SMEs tend to favor entry modes requiring minimal investment and risk initially, potentially transitioning to modes involving greater commitment as they exploit the full market potential (Johanson & Vahlne, 1977; Vahlne & Johanson, 2013). Coviello and Martin (1999) emphasize the pivotal role of network relationships in the selection of initial markets and corresponding entry modes.

Exporting remains the most prevalent mode of foreign operation for SMEs (Larimo, 2015). Compared to other options, exporting generally necessitates fewer financial, human, and other resources, entails lower financial risk, and offers greater structural and strategic flexibility within the foreign market (Young et al., 1989). However, although exporting requires resources, it is precisely undertaken to acquire them, requiring firms to identify, commit to, direct, coordinate, and evaluate external resources in support of exporting activities (Christensen, 2006). By exporting goods and/or services, firms not only expand their markets but also gain valuable knowledge and techniques, leading to enhanced productivity (Harris & Li, 2007).

The “learning-through-exporting” hypothesis posits that entering foreign markets fosters increased productivity, improved product/service quality, and enhanced process efficiency due to the knowledge gained through buyer-seller relationships. This hypothesis further suggests that increased competition from foreign producers and exposure to foreign consumers stimulates firm innovation performance (Damijan et al., 2010; De Loecker, 2013; Greenaway & Kneller, 2007).

Exporting, as a foreign market entry mode, manifests itself in three primary forms: direct export, indirect export, and own export (De Loecker, 2013). Direct exporting involves selling to an importer in the foreign country, typically mediated by agents or distributors abroad (Simões et al., 2013). Importers independently purchase and market the products at their own risk. Agents or distributors, while acting on behalf of the exporting company by contacting customers, collecting orders, and managing collections, do not assume ownership of the products and may or may not operate on an exclusive basis (Simões et al., 2013).

Direct exporting can potentially enhance a firm’s likelihood of introducing product and/or service innovations in transitional economies due to the knowledge obtained (Liu & Buck, 2007) from customers and suppliers. This knowledge pertains to technical and product development, as well as the broader global market, ultimately contributing to the firm’s own innovation performance (Salomon & Shaver, 2005).

Indirect exports involve the utilization of intermediaries (import-export agents, trading companies, subcontractors, central purchasing offices of large distribution chains, etc.) located in the company’s home country (Simões et al., 2013). As the company relinquishes control over export operations in this scenario, the primary motivation for employing intermediaries often stems from cost reduction (Di Cintio et al., 2020).

While intermediaries offer smaller firms access to foreign trade without incurring substantial exporting costs, indirect exporters experience lower variable profits due to the intermediary’s share of the gains (Bai et al., 2017). Furthermore, engaging with intermediaries can hinder an exporter’s ability to acquire knowledge and, consequently, limit its innovation potential (Di Cintio et al., 2020). This stems from reduced direct contact with foreign buyers, which can lead to diminished knowl-

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edge transfer compared to direct exporting (Bai et al., 2017). Additionally, there is a potential risk that intermediaries may strategically withhold relevant information or even provide inaccurate data for their own (Salomon, 2006).

Own exports consist of selling directly to the final customers in the destination country (Simões et al., 2013). In this sense, companies are solely responsible for the marketing and then distribution of their products and/or services, with no intervention of any intermediary.

Resource-Based Theory

The Resource-Based View (RBV) of the firm, rooted in strategic management literature, posits that firms achieve competitive advantage through “unique” business resources that offer value, rarity, inimitability, and non-substitutability (Barney, 1991; Schulze, 1992). This framework emphasizes a firm’s distinctive competencies through established strategic concepts and further explores intriguing propositions regarding diversification strategies (Andersen & Kheamb, 1998). Therefore, the RBV supports the notion that a firm’s specific resources serve as a driving force for its diversification strategy, viewed as a response to indivisibilities and market failures (Mahoney & Pandian, 1992; Teece, 1982).

Unlike physical and financial resources, defining the concept of intangible resources presents challenges and fosters disagreement among scholars (Anderson & Kheamb, 1998). While Grant (1991) identifies human resources, technological resources, organizational assets, and reputation as key intangibles, Berg and Friedman (1981) and Duncan (1982) focus on experiences, reputation, and goodwill.

Amit and Schoemaker (1993) differentiate between resources and capabilities. Resources encompass all internal factors that contribute to a firm’s final product, including tangible and intangible assets, financial resources, and human resources. Conversely, capabilities refer to how a firm, through its human capital, manages and utilizes various forms of information for its benefit, encompassing implemented processes and the interconnectedness among available resources. Thus, defining a business based on its capabilities, or what it can do, might offer a more sustainable foundation for strategy than defining it solely based on the needs it aims to fulfill (Grant, 2001).

An analysis of small and medium-sized enterprises (SMEs) reveals the presence of strategic resources and capabilities that can create competitive advantages. Customer trust and perceptions of quality are common characteristics of many SMEs. Additionally, such firms often possess unique ways of doing business, including specialized technology or business know-how that sets them apart from competitors. These rare, valuable, invisible, and imperfectly imitable resources and capabilities

empower SMEs to develop, choose, and implement strategies that their counterparts lacking such assets cannot replicate (Cabrera-Suárez, 2001).

The core objective of resource-based strategic formulation lies in comprehending the relationship between resources, capabilities, competitive advantage, and ultimately, profitability. Specifically, it involves understanding the mechanisms that enable firms to sustain their competitive advantage over time. This necessitates creating strategies that fully exploit the unique characteristics of each individual firm (Grant, 2001).

Resource Dependency Theory

Pfeffer and Salancik (2003) proposed the Resource Dependence Theory (RDT) to explain the managerial role in mitigating external dependencies and acquiring control over crucial resources (Hillman et al., 2009). This theory acknowledges the influence of external factors on a firm's behavior, prompting the formulation of strategies to reduce resource dependence and enhance power (Hafiz et al., 2022). Nicholson and Kiel (2007) highlight the absence of a universally accepted definition of "important resources" within RDT, as it draws from diverse fields like sociology and management (Jackling & Johl, 2009).

RDT emphasizes the inherent dependence of organizations on external resources, such as raw materials, labor, or partners, for their operation (Hafiz et al., 2022; Schnack et al., 2022). This dependence intensifies for "critical resources," indispensable for organizational functioning (Pfeffer & Salancik, 2003). Such dependence creates uncertainty, prompting organizations to manage their resource environment to mitigate it (Nienhüser, 2008).

Collaborative environments, where organizations mutually support each other through resource sharing and information exchange for mutual benefit, naturally lead to reduced uncertainty (Pfeffer & Salancik, 2003). Recognizing the high level of uncertainty inherent in dynamic and complex environments (Yeager et al., 2014), Davis and Cobb (2010), building upon RDT, argue that organizations are not passive actors at the mercy of their environments. Additionally, Christensen and Bower (1996) suggest that external observation can help identify patterns in new ventures where firms leverage their resources. To address associated risks, organizations adopt various strategies, including adapting to or avoiding environmental influences, pursuing cooperation, engaging in growth, or exerting political influence (Nienhüser, 2008).

Acs et al. (1994) argue that SMEs are particularly susceptible to environmental dependence. Hessels and Terjesen (2010) note that SMEs, with limited fixed resources compared to multinationals, are expected to be highly dependent on resources available in their home country. This dependence can render them vulnerable to the national economic context, particularly concerning access to financial, technological,

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and production resources (raw materials) necessary for export (Hessels & Terjesen, 2010). Conversely, abundant domestic resources can benefit SMEs.

While the RBV emphasizes the significance of partners' resources and assets, RDT highlights that the partners' level of control and power over the SME determines the nature and formation of the partnership (Street & Cameron, 2007).

Uppsala Model

The Uppsala model is based on inductive studies of Swedish multinationals that begin their internationalization by focusing on markets close to their domestic market, especially in terms of psychic distance, opting for gradual entry into more distant markets (Johanson & Vahlne, 1977; Vahlne & Johanson, 2013). The Uppsala model is particularly important especially in activities involving the commercialization of complex and knowledge-intensive products (Vahlne & Johanson, 2013).

The Uppsala Internationalization Model rests upon four fundamental concepts: market knowledge, market commitment, commitment decisions, and current activities (Johanson & Vahlne, 1990; Forsgren, 2002). The model posits that a firm's level of market knowledge and market commitment at a given time influences its commitment decisions and subsequent activities, which in turn shape its future market knowledge and commitment. Based on these core concepts, the Uppsala model predicts two key patterns in firm internationalization:

- **Incremental Internationalization:** Firms tend to initiate and maintain investments in a single or a few neighboring countries, rather than venturing into multiple markets simultaneously (Johanson & Vahlne, 1990).
- **Sequential Learning-Based Expansion:** Investments in a specific market unfold cautiously, with a sequential progression and concurrent learning by the firm's personnel operating within that market (Johanson & Vahlne, 1990). This necessitates entering new markets with progressively increasing psychic distance, with market investments following the so-called "establishment chain" (Johanson & Vahlne, 1990).

Family businesses often exemplify the Uppsala model. They typically commence their internationalization journey with export activities in geographically and culturally close nations. As they accumulate knowledge and resources, they incrementally expand into more distant markets (Kontinen & Ojala, 2010; Pukall & Calabro, 2014).

In 2009, Vahlne and Johanson (2009) further developed their core argument by incorporating research on entrepreneurial networks. They propose a two-stage model:

- **Networks as Market Structures:** The model asserts that markets function as networks of relationships, wherein firms are interconnected in intricate and largely invisible ways. Consequently, “insidership” in relevant networks becomes crucial for successful internationalization, while “outsidership” presents a challenge (Vahlne & Johanson, 2009).
- **Networks for Learning and Trust Building:** The second stage emphasizes that relationships offer opportunities for learning and establishing trust and commitment, both of which are essential prerequisites for internationalization success (Vahlne & Johanson, 2009).

Network-Based Theory

Emerging as an extension of the Uppsala Internationalization Model, network internationalization theory analyzes the industrial markets of SMEs as networks of firms. This theory builds upon the foundation of the RDT, which posits that actors (firms) rely on resources controlled by other entities (Ribau et al., 2015).

Networks are increasingly recognized as crucial elements in a firm’s internationalization journey. In contrast to the firm-specific advantage approach, network internationalization theory emphasizes that a firm’s ability and extent of successful internationalization hinge on its network of relationships (Coviello & McAuley, 1999). According to Johanson and Mattsson’s (1988) model, internationalization is initiated through the development of relationships with other firms within a foreign country’s network. These cross-border firm relationships act as bridges to new markets (Johanson & Vahlne, 1990). The core objective of network theory lies in leveraging acquired information to gain insight into the target market and the firm’s resource mobility capabilities (Rexhepi et al., 2017).

While the network-based theory does not explicitly address the impact of geographical or psychic distance on market entry or the influence of network relationships on entry mode selection (Johanson & Mattsson, 1988; Johanson & Vahlne, 2003), numerous studies on the internationalization of knowledge-intensive SMEs (Coviello & Martin, 1999; Ojala, 2009; Sharma & Blomstermo, 2003; Zain & Ng, 2006) highlight the significant influence of networks on both market selection and entry mode choices. However, even without direct communication channels, firms may be influenced by the internationalization decisions of others, exhibiting a “bandwagon Effect” in strategic outcomes (Bonaccorsi, 1992; Hadley & Wilson, 2003). This tendency arises from decision-makers using “reference points” to guide their choices, especially in high-risk scenarios.

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Relationships with customers and suppliers are pivotal and develop over time through interactions. These interactions foster mutual understanding of one another's needs, capabilities, and strategies, ultimately leading to trust. However, a potential downside is adapting to each other's practices, which could hinder the resources needed to nurture the relationship. The interconnectedness of businesses extends beyond immediate dyadic relationships, encompassing customer's customers, supplier's suppliers, consultants, competitors, additional suppliers, intermediaries, and public or semi-public agencies. This interconnectedness underscores the crucial role of networks in shaping the relative stability of markets (Forsgren, 2002).

METHODOLOGY

This chapter is based on a case study of an SME firm—ALPHA—whose core business is on the metallurgic industry with headquarters in Vale de Cambra, Portugal. The chapter involves a qualitative analysis based on both an interview carried out with ALPHA's CEO and previous knowledge of the firm, gained from public presentations and recognition. The choice of ALPHA was based on its commitment and success both at national and international level. Moreover, taking into account the company's 69 years of existence, it was thought to be interesting to understand the company's entire relational strategy that allows it to be an international success story.

Qualitative research is particularly useful when aiming to understand complex phenomena, like firm internationalization, which involves a multifaceted interplay of factors (Durão & Moreira, 2019; Vissak & Francioni, 2013; Silva & Moreira, 2019). Moreover, the case study method is recognized by enabling the analysis of particular situations. Although quantitative studies tend to support “what” happened (e.g., sales figures increase after entering a new market), qualitative studies, through interviews and observations, help uncover the “why” behind the numbers (Durão & Moreira, 2019; Yin, 2008). They can reveal the decision-making processes, cultural considerations, and unforeseen challenges encountered during internationalization.

Qualitative studies provide rich, detailed data. Case studies can offer a deep dive into a specific firm's experience, supporting previously unknown factors that might influence internationalization success. Moreover, qualitative research allows to explore the context surrounding a firm's internationalization efforts. Through case studies, it is possible to examine the interplay between a firm's internal particularities, external pressures, and the specific market dynamics that influence its strategies (Eisenhardt, 1989; Ribau et al., 2019; Yin, 2008).

Other important factor that supported the decision to use a qualitative study is that case studies allow for a comprehensive examination of an unique firm's internationalization process, in which it is possible to explore and understand the

firm's strategic choices, operational challenges, and adaptations, providing a holistic understanding of the situation, showcasing real-world experiences. Although not statistically generalizable to a whole population, insights from a well-chosen case study can be applied to similar contexts, offering valuable lessons for firms in analogous situations (Eisenhardt, 1989; Yin, 2008).

As such, it was selected to analyze ALPHA, in order to address the main theories that could explain specific situations under analysis. ALPHA was selected based on three important requirements for this research (Patton, 2015): (a) it is involved in international business activities; (b) it has a core activity applied serving different market segments; and (c) half of its sales activities serve international markets. Typical of a qualitative methodology, a semi-structured interview was arranged with ALPHA's chief financial officer (CFO) to collect primary data. Secondary information was sought after to complement primary data from the interview. Some public sources—such as the firm's website, marketing information from industrial associations and previous public presentation—were consulted to ensure the validity and reliability of data (Ghauri, 2004). The interview was complemented by a visit to ALPHA's premises to get a deeper understanding of their operations. The interview was helpful in understanding the B2B market strategies and underpinned the understanding of the internationalization activities testing the different theoretical perspectives covered in the literature review section.

PRESENTATION OF ALPHA

The Metallurgic and Metalworking Sector

The Portuguese metallurgical and metalworking sector comprises 15,000 companies and 250,000 workers (OBSERVADOR, 2022). These companies specialize in various subsectors, including production technologies, technical parts, automotive and aeronautical components, metal tableware and cutlery, and metallic structures.

A recent news report by Agência de Notícias de Portugal, S.A. (ECO SAPO, 2022), titled is “Metallurgy and metalworking hits record exports in March”, highlights the positive performance of the Portuguese metallurgy and metalworking industry. The report reveals that the sector achieves its year “best record in history” in March 2022 with exports reaching a staggering €1.983 billion euros. This figure surpasses the previous record set in March 2020 by 5% (ECO SAPO, 2022).

The Associação dos Industriais Metalúrgicos, Metalomecânicos e Afins de Portugal (AIMMAP) credits the export growth to a surge in demand from European Union countries. The first quarter of 2022 saw a 10.9% increase in exports to the EU, with Spain (7.3%), France (15.4%), and Germany (18.1%) leading the

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charge. AIMMAP also emphasizes the accelerating rise in exports to the US, with year-on-year growth jumping from 70% (February, accumulated over two months) to 100% (March, accumulated over three months).

AIMMAP's vice president acknowledges the "very difficult" economic climate companies face due to the pandemic and the war in Ukraine. However, he emphasizes the "remarkable" performance of Portuguese metal companies, highlighting their "positive performance and the assertive way they work." He further emphasizes that the sector has consistently been the biggest contributor to Portugal's Gross Domestic Product (GDP) between 2011 and 2021.

Rafael Campos Pereira underscores the sector's remarkable resilience. Despite the enormous constraints caused by the COVID-19 pandemic, including restrictions, workforce shortages, raw material price hikes, rising energy and fuel costs, and logistical challenges, companies were able to "reinvent themselves and adapt to the market." This adaptability, Pereira concludes, reinforces the position of the metallurgy and metalworking industry as "the most dynamic in the country."

History and Values

By 1958, they had secured their own facilities and expanded into new markets, specifically food processing for dairy products, wines, beers, soft drinks, and water. Over the years, ALPHA has prioritized continuous growth, investing in production capacity, facility expansion, and technological modernization.

A significant achievement came in 1992 when this family-owned SME earned quality certification according to NP EN ISO 9002 standards. This certification fueled their pursuit of national and international business consolidation.

Nowadays, ALPHA is a global leader, exporting to over 90 countries. They specialize in designing and manufacturing engineered solutions across various sectors, including dairy products and beverages, oenology (winemaking), chemicals and petrochemicals, automation, and baby food. Their offerings encompass stainless steel equipment, turnkey engineering projects, and control software for equipment automation.

Beyond its core business, ALPHA is committed to sustainability and social impact. As an eco-friendly company, they actively integrate environmental, social, and economic best practices. They continuously strive to minimize the environmental footprint of their operations.

ALPHA operates under a well-defined code of conduct grounded in a core set of ethical principles. These values include:

- (1) Innovation—adding value in their core business areas;
- (2) Rigor—high technical, productive, and commercial standards;
- (3) Trust—exceeding the expectations of customers, partners, and suppliers;

- (4) Passion—delivering complete dedication to projects;
- (5) Social responsibility—sustainable economic, social and environmental development;
- (6) Talent development—encountering and promoting knowledge and skill growth within the company;
- (7) Market-orientation—prioritizing customer needs and market trends.

RESULTS

Established in 1953, ALPHA is a family-owned, third-generation managed, medium-sized company with around 150 employees and a €12 million annual turnover. Approximately 45-50% of the turnover originates from external markets.

The CFO prioritizes profitability over increased turnover, aiming to reduce debt while focusing on market penetration within the expanding Spanish pharmaceutical industry. This sector, characterized by high-quality standards, aligns with ALPHA's capabilities, making it a strategic target market. While expressing no aversion to neighboring markets, ALPHA's global export reach is attributed to accumulated experience.

Employees adhere to core principles of hard work, meticulousness, and maximized quality and efficiency instilled at the company's foundation. These principles are instrumental in building long-term trust essential in B2B markets.

ALPHA prioritizes close collaboration with clients who provide unique project specifications. Each project involves technical uniqueness, customization, and bespoke technical solutions. This approach caters to demanding clients like Danone and Tetra Pak, who, in turn, drive ALPHA's continuous development and excellence, facilitating network expansion and attracting new clients.

Despite acknowledging the importance of marketing for positioning and differentiation, ALPHA currently invests minimally in this area. The CFO emphasizes the absence of a deliberate strategy to increase market share.

The industry faced significant challenges due to the London Metal Exchange suspensions and subsequent metal price surges. These disruptions, coupled with the last years' logistical difficulties (transportation issues, overloaded ports, and rising raw material costs), have impacted ongoing projects. To mitigate potential setbacks and meet deadlines, ALPHA maintains a significant margin of maneuverability throughout its manufacturing process, from raw material procurement to final finishing.

Internationalization was not initially an objective but developed organically due to ALPHA's success. Initial forays into international markets, mirroring a common path for Portuguese companies, began with Spain. ALPHA utilizes a single-entry

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mode for international expansion. Export share fluctuations across different continents over the past five years are depicted in Table 1.

Table 1. Exports Percentage by Continent

	2017	2018	2019	2020	2021
Africa	34.2%	23.8%	10.4%	12.4%	4.3%
America	13.1%	14.0%	16.1%	11.9%	3.1%
Europe	52.1%	57.7%	66.9%	63.4%	89.1%
Asia	0.6%	4.5%	6.7%	12.3%	3.5%

A notable surge in exports to Europe is evident during the COVID-19 pandemic (2020-2021), despite border closures and disrupted international relations. Although exports spanned several continents, Asian markets experienced growth (excluding 2021), while African and American markets witnessed relatively consistent declines.

The CFO confirms the diverse export destinations, reaching all continents and approximately 90 countries. Key markets in 2021 included Algeria, Egypt, Libya, Nigeria, Senegal, USA, Argentina, Chile, Panama, Belgium, Denmark, Spain, France, Ireland, Switzerland, Sweden, and the United Arab Emirates. While ALPHA has previously exported to Korea, Japan, Canada, and Russia, these markets are currently inactive.

ALPHA acknowledges past concerns regarding Portuguese companies' technical capabilities in delivering high-quality products and services. However, the company has established its international reputation for quality standards. Another acknowledged challenge, prevalent globally, is meeting delivery deadlines. The interviewee attributes this partly to the broader Portuguese culture, but emphasizes that unforeseen circumstances beyond their control can also contribute to delays. Recent delays primarily stem from logistical issues, material shortages, and skilled labor gaps. To mitigate delays, ALPHA incorporates safety margins into production schedules. The CFO acknowledges that delays can damage company image and potentially incur financial penalties depending on contract terms.

ALPHA identifies excellence in technical capacity, pursuit of quality and rigor, and customer request flexibility as key success factors. While acknowledging intercultural differences, they prioritize concerns about working in countries with higher economic and financial risks, particularly in Africa. Financial policies in some countries create payment barriers. Despite cultural and communication differences, ALPHA reports building strong relationships with Algeria, Egypt, Libya, Nigeria, Senegal, and the United Arab Emirates in recent years.

Regarding cultural adaptation, the CFO emphasizes ALPHA's extensive experience in international markets, largely attributed to employee longevity. Accumulated knowledge facilitates international interactions. However, the interviewee

acknowledges the difficulty or impossibility of transferring soft skills, suggesting they are acquired individually.

The CFO highlights the significant influence of internationalization on product quality improvement. Constant exposure to market trends and technical details from diverse international projects necessitates continuous learning and innovation to remain competitive. Currently, their involvement in an industrial project with American and German technicians fosters a stimulating environment for continuous improvement. The CFO expresses pride in his team's ability to address international colleagues' queries, emphasizing the importance of exporting to leverage the company's capabilities.

ALPHA prioritizes customer guidance over independent selection of international markets, ensuring profitability regardless of export type. They choose not to explore alternative entry modes due to the perceived lack of additional benefits.

ALPHA adapts product/service offerings according to customer demand, tailoring technical specifications to specific needs. This requires employee training investments, particularly in welding, radiography certification, and microcrack detection, ultimately leading to improved quality, productivity, and technical capabilities. Having closed Lisbon offices 15-20 years ago, all current operations are centralized at the Vale de Cambra headquarters.

ALPHA prioritizes close collaboration with major long-standing customers like Tetra Pak, Danone, and Nestlé. They also leverage intermediary engineering companies, which will be called AGENT, which handle extensive customer accounts and manage product design and development. However, this collaboration necessitates profit margin concessions in exchange for security and stability. As such, ALPHA is in a dependent position *vis-à-vis* AGENT, since ALPHA clearly dominates the technical dossiers, but is far away from the market relationships that are so important for leveraging direct relations with final clients. As a result, ALPHA hardly has direct access to relationships with end clients and is therefore dependent on AGENT to leverage its market position. On the other hand, AGENT does not give up its commercial relationship with clients, positioning itself as a technological intermediary, maintaining its upstream relationship with ALPHA and its relationship with the end clients. Finally, building win-win relationships with suppliers is also fundamental, emphasizing the importance of fulfilling responsibilities within all stakeholder relationships.

DISCUSSION

ALPHA, established for over half a century, possesses maturity and industry knowledge. However, its growth trajectory was not linear. Initially a micro-enterprise, it progressively scaled into a small and then a medium-sized company with a substantial export volume. The CFO's mention of a "natural and gradual" foreign market entry aligns with the Uppsala model by Johanson and Vahlne (1977).

The focus on the Spanish pharmaceutical industry indicates an interest in establishing and maintaining relationships with geographically and culturally close markets, a common practice among family-owned businesses that prioritize minimizing risk and familiarity (Fonte). Although the interviewee referred to numerous export destinations, most of them are from the European Union, further supporting the preference for proximity.

Despite continuous improvement efforts, ALPHA prioritizes the market and customers over competitor analysis, emphasizing service improvement. This cultural emphasis fosters healthy network relationships. During the interview, long-standing international customers like Danone, Tetra Pak, and Nestlé were highlighted. These renowned companies prioritize excellence in both products and values, particularly relevant in the food industry.

While not explicitly mentioned, ALPHA's network likely developed through the intrinsic primacy it enjoys, leveraging word-of-mouth recommendations from major clients like those mentioned above to potential customers. This aligns with Johanson and Mattson's (1988) model which emphasizes the role of "relationship bridges" to new markets. As these networks mature, they foster higher ambitions and differentiation, further aligning with network-based theories in ALPHA's strategy. ALPHA values close, long-term relationships with stakeholders, considering them 'partners' and 'allies' within its overall business strategy. Building trust and cooperation is crucial, ensuring fulfillment of mutual responsibilities, a natural characteristic of B2B markets. These relationships can become both business and personal, especially in long-standing partnerships where trust transcends other factors, becoming a valuable intangible asset built over time. They facilitate access to new international opportunities and foster mutual learning through a win-win approach, ensuring survival in a competitive and dynamic environment.

The interview corroborates the literature review regarding the lack of technical capacity as a significant internationalization barrier. However, the reasons differ. While the literature highlights size-related difficulties faced by SMEs due to limited resources compared to larger corporations, the interviewee emphasizes the lack of a proven market track record, linked to Portugal's negative technological image in international markets. This has been naturally overcome through continuous improvement and sustained growth over the years.

International experience, particularly for key decision-makers, is crucial for international success. However, it is a gradual process acquired through participation in various company endeavors. As Cavusgil (1984) suggests, increasing international experience fosters higher expectations, stricter processes, and a greater ease of adapting to diverse international cultures. Combining the interviewee's emphasis on international experience with their focus on technical capacity and continuous quality improvement further aligns ALPHA's strategy with the Uppsala model. According to Johanson and Vahlne (1990) and Forsgren (2002), this model emphasizes knowledge and commitment to the market, commitment decisions, and current activities as its four central pillars.

As mentioned in the literature review, exporting plays a critical role in boosting productivity through internalizing new knowledge and work methods. This aligns with the CFO's explanation of how exporting influences the company's problem-solving approach by staying updated on market trends through participation in diverse projects across various markets. Furthermore, it serves as a source of pride and motivation for personal and professional development for all employees. While acknowledging the importance of customer-derived know-how from a RBV perspective, the interviewee suggests that executed projects can fulfill goals, but competitive advantage is only achieved through fostering trust-based B2B relationships built over time.

Companies like ALPHA prioritize acquiring new technologies and employee training, ensuring skilled human capital and aligning with the RBV perspective. Essentially, they fulfill market and customer expectations while consistently striving for excellence. Trust built in customer relationships reinforces the importance of intangible resources that foster commitment, which reemphasize trust-based relationships, essential in B2B markets.

Regarding the RDT, ALPHA exhibits limitations and dependencies typical of an SME. While intermediary relationships offer advantages, as is the case of the relationship with AGENT, they can also constrain profit margins when accessing international markets. Reliance on companies like AGENT, responsible for relationships with large companies from product development to supply partner selection, relegates ALPHA to a passive role. Furthermore, it would be difficult for ALPHA to have privileged access to AGENT's clients, otherwise it could lose the trust it has gained in the meantime and the relationship it has with AGENT. As such, it seems that ALPHA would continue to have a relationship of dependence with AGENT.

A sound product strategy, while not guaranteeing success, increases the probability of achieving it. ALPHA prioritizes producing according to customer demand. Although standardization has undeniable advantages, differentiation plays a key role in catering to customer needs and maximizing resource utilization. Table 2 presents the relationship between the results and the literature review.

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Table 2. Relationships Between Findings and Theoretical Background

Results	Literature support
<ul style="list-style-type: none"> • ALPHA's case contributes to understanding the limitations and dependencies faced by SMEs in international R&D activities, often relying on intermediaries like AGENT. This is typical among SMEs. 	Resource Dependence Theory
<ul style="list-style-type: none"> • Tangible and intangible resources (successfully-based relationships) are important competitive advantages. • Generational know-how • Relational capital to deal with clients on win-win relationships. • ALPHA utilizes customer-derived knowledge and employee training to build human capital and achieve a competitive advantage. 	Resource-based Theory
<ul style="list-style-type: none"> • ALPHA's internationalization path aligns with the Uppsala model's stages, particularly gradually expanding to geographically close markets, through exports, based on a relational perspective. • The focus on the Spanish pharmaceutical industry and the preference for European markets, reflects a typical risk aversion and cultural proximity. 	<i>Uppsala Model</i>
<ul style="list-style-type: none"> • ALPHA seeks to leverage relationships with major clients like Danone and Tetra Pak, to access new markets, which is aligned with the network-based theory. • The growth of the contact networks fosters internalization knowledge, continuous improvement, product quality and efficiency. 	Network-based Theory
<ul style="list-style-type: none"> • trust-based relationships with clients and suppliers are important success drivers in B2B markets. Successful B2B relationships facilitate access to new opportunities, knowledge sharing strategies, and trust building among parties involved. 	B2B relationships

CONCLUSION AND LIMITATIONS

An analysis of ALPHA, informed by the interview with the CFO, suggests a two-stage explanation for its internationalization journey. Early on, ALPHA's gradual and close geographically market entry aligns with the Uppsala model of internationalization (Johanson & Vahlne, 1977). This is further supported by the emphasis placed on "natural and gradual" growth and the importance of international experience as a success factor.

However, the company's later internationalization efforts demonstrate elements of network-based theory. While ALPHA does not actively pursue membership in formal international networks, its focus on maintaining strong B2B relationships with key clients and suppliers mirrors the importance of network bridges highlighted by Johanson and Mattson (1988). These relationships play a crucial role in facilitating access to diverse international markets.

The case study emphasizes the significance of trust-based relationships for success in B2B markets. ALPHA leverages its long-standing partnerships with major customers (such as Danone and Tetra Pak) to gain access to new opportunities and

market knowledge. Additionally, strong supplier relationships ensure reliable access to resources needed to fulfill customer demands.

The case study suggests that exporting plays a vital role in keeping ALPHA at the forefront of technological trends and market developments. Exposure to diverse client projects across various international markets fosters continuous learning and innovation. This emphasis on market responsiveness aligns with the Resource-Based View (RBV) perspective, where knowledge gained through exporting strengthens the company's internal resources.

ALPHA's production strategy exemplifies its high degree of market responsiveness. By initiating product development upon customer order, the company can tailor its offerings to specific needs. This approach enables ALPHA to adapt to a constantly changing market environment, increasing its probability of long-term success.

The case study acknowledges that ALPHA's success is influenced by external factors like national and international economic conditions, project allocation by clients, and technological advancements. Additionally, the scarcity of skilled labor presents a persistent challenge. Nevertheless, ALPHA's established reputation, built over several decades, serves as a valuable asset in overcoming such challenges.

Despite its success in international markets, ALPHA's internationalization process primarily aligns with the traditional Uppsala model and network-based theory. While the company might lack a strong strategic focus on expanding market share, it demonstrates a pragmatic and efficient approach. This is reflected in the CFO's adherence to the "if it ain't broke, don't fix it" philosophy. However, the case study underscores the importance of continuous improvement within existing processes and adapting to maintain strong client relationships. The focus remains on establishing win-win partnerships where trust is a key resource.

While the RBV perspective highlights the importance of ALPHA's investment in internal resources, its reliance on intermediaries like AGENT for relationships with large international companies introduces limitations, despite all the advantages it brings to ALPHA, as ALPHA will certainly find it difficult to move away of the dependent position it has in this relationship. This dependence places ALPHA's success with major accounts at the mercy of the intermediary's relational resources.

A primary limitation of this case study lies in its reliance on a single interview. Conducting additional interviews with other company personnel could provide a more comprehensive picture. Furthermore, comparative research with companies in the same industry, particularly those with a higher degree of internationalization, or even national companies from different sectors but similar size, would offer valuable insights. Such comparisons could shed light on the contrasting approaches companies take and their underlying rationales for internationalization.

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KEY TERMS AND DEFINITIONS

Case Study: A case study is a qualitative research methodology commonly employed in the social sciences. It aims to interpret a specific phenomenon or situation through a chosen lens. This approach is particularly suited for addressing questions focused on “how” and “why” phenomena unfold. Case studies are often used within a constructivist research framework, which emphasizes the subjective nature of knowledge and the importance of understanding lived experiences.

Globalization: Globalization refers to the multifaceted process of increasing interconnectedness across the globe, encompassing economic, financial, trade, and communication spheres. This phenomenon often manifests as a reduction in trade barriers between nations, facilitated by free trade agreements. Globalization entails a shift from local and nationalistic perspectives to a broader understanding of an interdependent world. This interconnectedness fosters the free flow of capital, goods, and services across national borders, potentially leading to increased investment opportunities.

Internationalization Process: The internationalization process describes a company's trajectory as it transitions from a domestic market to engage in foreign markets. This process typically involves various entry modes, such as exporting, foreign direct investment (FDI), or franchising. The chosen entry mode plays a critical role in shaping the company's subsequent internationalization path and associated costs. Two prominent theories that illuminate the internationalization process include the Uppsala model and the network-based approach, which will be discussed further (see below).

Uppsala Model: The Uppsala model is a dynamic theory that has garnered significant attention within the field of International Business Studies, particularly within the Nordic School of thought. It seeks to explain the gradual process by which firms internationalize. This theory posits that companies learn and adapt as they navigate international expansion. The Uppsala model emphasizes the staged nature of this process, suggesting that firms progress from limited international exposure, such as non-regular exports, to establishing a more robust foreign presence through subsidiaries.