

## Chapter 4

# Born–Again Globals: A Case Study of a Non–Linear Internationalization Behavior

**Ana Vieira**

*University of Aveiro, Portugal*

**Ema Fonseca**

*University of Aveiro, Portugal*


**Inês Oliveira**

*University of Aveiro, Portugal*

**Joana Lobo**

*University of Aveiro, Portugal*

**António Carrizo Moreira**

 <https://orcid.org/0000-0002-6613-8796>

*University of Aveiro, Portugal*

### **ABSTRACT**

*Based on the literature on the Uppsala model, born-again globals, non-linear internationalization model, and late market entry, this chapter aims to portray the history, changes, and adaptations of OMEGA's internationalization process. This transitioning firm manufactures furniture and wooden hockey sticks. This chapter identifies that OMEGA follows a non-linear internationalization process and late entry into international markets. The principal added value of the case study presented here is related to presenting OMEGA's non-linear internationalization process, which displays reactive internationalization behavior in response to a saturated domestic market, typical of the Uppsala model, and which subsequently ends in a rapid internationalization process, as a born-again global, as a result of a change in its top management. During its internationalization process, OMEGA changed its internationalization pace, modes of entry, and export actions by adapting to the external environment and then changing its strategic focus.*

DOI: 10.4018/978-1-7998-4303-0.ch004

## INTRODUCTION

When Small and Medium-sized Enterprises (SMEs) seek to exploit their competitive advantages they explore several types of internationalization strategies to enter overseas markets (Ribau, Moreira, & Raposo, 2018; Stanisauskaite & Kock, 2016). The internationalization process is related to the way companies explore international markets, as well as their export intensity. There are reactive and proactive reasons that lead to companies' internationalization, with different results as export performance is better among active internationalizers than reactive internationalizers (Ribau et al., 2017). Ultimately, companies seek to survive and grow in today's competitive markets, as well as increasing their profitability, in order to be able to expand to foreign markets (Carvalho & Moreira, 2016).

Despite several competing theories explaining the different internationalization strategies used by SMEs (Ribau et al., 2015; 2018), one traditional theory is used extensively to explain the incremental perspective SMEs tend to use to become gradually involved in international markets through a series of evolutionary stages (Bell, McNaughton, & Young, 2001; Ribau et al., 2015). This is known as the Uppsala theory, which is useful to expand the behaviors of most small and medium-sized, family-owned companies. Although exporting is one of the least risky modes of entry to international markets, it can be very difficult for many companies as it is a dynamic and complex process involving buyers and sellers from different countries.

If it is easy to claim that companies need to be aware of international business contexts and keep abreast of international market trends, many non-exporting companies seek challenging objectives, such as export-led sales growth and increased profits from foreign markets. However, to internationalize those companies need to develop their capabilities and competitive advantages and assume a proactive behavior (Ribau et al., 2017; 2019).

Market globalization has been accompanied by the emergence of internationalized, more agile and flexible companies, known as born globals, based on early and rapid internationalization strategies that questioned the traditional internationalization models (Coviello, 2006; Coviello, 2015; Englis & Wakkee, 2015; Ribau et al., 2015). Other firms, internationalizing rapidly, albeit at a later stage in their life, are commonly referred to as born-again globals (Bell, McNaughton, & Young, 2001; Pinto, Ribeiro, & Moreira, 2018; Vissak & Francioni, 2013; Welch & Welch, 2009).

According to Kontinen and Ojala (2010), there are three main determinants of internationalization: the level of commitment to internationalization; the financial resources available; and the ability to commit and use these financial resources. The concept of born-again globals has been challenging the traditional pattern of internationalization, differing from other models in terms of pace and degree of internationalization. Born-again globals are typically well-established companies in their home markets that suddenly embrace rapid internationalization (Bell et al., 2001; Pinto et al., 2018), responding to critical events forcing them to shift their local focus to overseas markets, resorting to new networks and resources, engaging in multiple markets at the same time and adapting their products to foreign demand (Graves & Thomas, 2008; Pinto et al., 2018).

With an increase in export-led activities to face economic downturns in the domestic market and embrace overseas markets as a means of economic expansion, some firms are not only seeking to diversify their business and embrace international new markets. As such, this chapter aims to investigate the internationalization of a Portuguese company – named OMEGA for confidentiality reasons, established in the market since 1966 but only starting its internationalization path in 1999 – that manufactures furniture and wooden sports goods (hockey sticks). As a Portuguese company, OMEGA belongs to the groups

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of “intermediate economies” that have received little attention. As Portugal is a peripheral European country that is not at the forefront of innovativeness at global level, OMEGA might be considered a successful case of a national company growing through international markets, based on innovation and quality strategies in a relative technologically mature sector.

Based on the literature on internationalization, the born-again global theory, the nonlinear internationalization model and late market entry, this chapter aims to examine the nonlinear internationalization process of OMEGA from a historical perspective and debate the intricacies of the following main internationalization theories: the Uppsala model and the *born-again* theories, addressing their specificities in the case of OMEGA. This case study explores how due to a lack of internal resources, OMEGA’s internationalization is characterized by a late and nonlinear process. Moreover, the company’s three different business areas embrace different internationalization processes with different market entry modes, involving a growing learning process. Finally, the company was found to opt for foreign markets when it experienced difficulties in its saturated domestic market, and during its internationalization process, the involvement changed – in terms of pace, selection of countries and export actions – as adaptation of the three business areas to changing business environments differ. To complement this main objective, the following complementary objectives were defined:

1. To analyze how this company has evolved over time in the international arena.
2. To analyze how this company embraced new opportunities in international markets.
3. To analyze what led this company to choose its international growth strategy.
4. To contribute to a better understanding of how small companies competing in mature industries in intermediate countries manage their internationalization process.

The chapter is structured in six sections. After the first introductory section, the second section reviews the literature on internationalization covering the following topics: different types of internationalization, main modes of entry, motivations for internationalization and selection of target markets. The third section presents the methodology used. The fourth section briefly describes OMEGA and the main aspects covered by OMEGA’s three core businesses. The fourth section presents the results obtained, with the fifth section discussing them. Finally, section six presents the conclusions.

## **LITERATURE REVIEW**

### **Internationalization Process**

Since the 1960s, the world has witnessed rapid internationalization of markets, industries and companies. Different authors deal with concepts of internationalization based on incorporating several contextual understandings over time. As such, the topic has incorporated a wide range of theoretical perspectives as well as several analytical influences (Ribau et al., 2015; Ietto-Gillies, 2012). Internationalization might be understood as a business activity across countries (Olejnik & Swoboda, 2012) and is considered an important innovative and entrepreneurial activity. The various working definitions encompass different phenomena and involve the following activities (Chetty & Campbell-Hunt, 2003): spot and continuous export activities, cross-border collaboration, alliances, Greenfield investments, and the establishment of subsidiaries, branches and joint ventures.

Globalization of the economy and intense competition stimulate companies to explore forms of internationalization and contribute significantly to the economic development of countries, industries and productivity. Small and medium-sized enterprises (SMEs), playing a significant role in economic growth, face international competition in their domestic markets and are forced to compete overseas (Korsakiene & Tvaronavičiene, 2012). Even if SMEs are becoming active players in international markets, outward internationalization is a risky process even for experienced large firms (Meyer & Gelbuda, 2006). SMEs face two main challenges during internationalization (Johanson & Vahlne, 2009): liability of outsider-ship, which is lack of knowledge about international target markets and their players, and liability of foreignness, which is the psychic distance, covering factors such as laws and language barriers. Despite the risk assumed when competing abroad in unknown environments, the decision not to internationalize is seen as a riskier decision (George, Wiklund, & Zahra, 2005) as firms that do not internationalize can lose competitiveness and rely excessively on a single and / or domestic market (Hilmersson, 2014).

Internationalization decisions not only involve managerial commitment and are difficult to change, but also have long-term consequences for the company (Harms & Schiele, 2012). Despite various approaches and definitions of internationalization, this chapter assumes that internationalization is the expansion of the company's operations to foreign markets and may be the result of singular and independent decisions.

Following a historical timeline, Ribau et al. (2015) provide a schematic analysis of the main internationalization theories, their focus and underlying assumptions. Accordingly, it is clear that behavioral theories embracing an entrepreneurial perspective are emerging as the main perspectives explaining SME internationalization. Moreover, scale, scope and speed emerge as essential tools in explaining born globals, born regionals and born-again globals, complementing the traditional perspectives of internationalization used by the Uppsala model.

The Uppsala model deals with the acquisition of knowledge and how organizations internalize knowledge about foreign markets as they commit more resources to those markets (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977; 2009). This model is based on four fundamental concepts – market knowledge, market commitment, commitment decisions and current activities – and on three basic assumptions (Forsgren, 2002). The first assumption is that lack of knowledge is a serious obstacle when companies seek to undertake international activities. The second assumption is that the uncertainties of international markets affect the decision to make investment abroad. Finally, the third assumption is that knowledge is difficult to transfer to other contexts and individuals, which normally hinders internationalization activities. As such, it is expected that companies internationalize first to close, culturally familiar markets, and afterwards to distant and culturally different markets, as occurs for example between Czech and German firms (Novotná, Martins, & Moreira, 2017).

The Uppsala model can be considered to propose that the greater the company's knowledge and market commitment the more the company will embrace the different stages of the internationalization path (Geldres-Weiss et al., 2016). As such, knowledge plays a decisive role: as soon as companies acquire the necessary knowledge, they will generate new opportunities and reduce uncertainty, which will support them in their quest for new knowledge to enter new external markets thereafter (Geldres-Weiss et al., 2016).

If most small and medium-sized family-owned companies internationalize according to the Uppsala model, some of them choose to internationalize rapidly, despite having remained for quite some time in their domestic market. These are considered born-again globals.

The literature on born-again globals explores a particular perspective as they adopt unique internationalization approaches: instead of gradually entering low-risk markets with close cultural, geographi-

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cal and psychic ties, they rapidly become involved in new international markets, but at later stages of their life cycle (Schueffel et al., 2014). Born-again globals tend to explore their competitive advantages competing in their domestic markets, displaying quite the opposite behavior of born global companies, which normally seek to internationalize rapidly right after their inception (Schueffel et al., 2014). The internationalization of born-again globals is often triggered by certain “critical incidents” occurring within the firm or provoked by external partners that ultimately ‘force’ the company to adjust its internationalization activities significantly (Schueffel et al., 2014). Typical examples of critical incidents are a change of ownership or management or CEO of the company, which triggers a sudden change in company strategy, leading to a new internationalization process (Schueffel et al., 2014).

This is the main model that has challenged the traditional pattern of internationalization and differs in terms of pace and degree of internationalization with respect to the company’s background and characteristics, respectively. The following two variables are emphasized regarding born-again globals: time interval between inception and exporting and foreign sales percentage. The time interval between inception and exporting is a key element that has been used to differentiate born-again globals from traditional exporting SMEs. This dimension is also important in identifying these companies, which differ from born-globals by starting the internationalization process much later. The second important feature is the percentage of foreign sales, since this has often been used to indicate the degree of internationalization performance (Olejnik & Swoboda, 2012).

In conclusion, born-again globals are characterized as being completely focused on their domestic markets and being able to change their strategic focus radically by exploring foreign markets in order to increase sales. They differ from both traditional companies and born globals, since they omit certain traditional internationalization stages and present a different trajectory from born globals.

## **SMEs and Internationalization Characteristics**

Critical events that often force SMEs to internationalize may be related to changes in management or ownership, sudden changes in the business environment and other factors (Vissak & Francioni, 2013). As internationalization is influenced by critical events, we can assume those critical events lead to nonlinear strategic behaviors, for example, the situation in which a company is: switching international entry modes; experiencing substantial changes in export actions; or in the pace of internationalization (Vissak, 2010).

The motivations that lead a company to internationalize can be subdivided into two types, proactive and reactive (Westhead, Ucbasaran, & Binks, 2004; Ribau et al., 2017). Proactive motivations are related to the idea of anticipating internationalization, i.e., firms initiate the internationalization process drawing on their own internal competencies or market opportunities, whereas reactive motivations to internationalization are closely linked with a passive attitude on the part of the company, as it only reacts to some events. Some examples of proactive motivations are the following: the creation of unique products for certain target markets; managerial commitment to entering new markets abroad; and a clear focus on product/market diversification. Reactive motivations are the result of competitive pressures, excess production capacity and saturation of the domestic market (Westhead, Ucbasaran, & Binks, 2004; Ribau et al., 2017). Although both types of strategies are common among SMEs, the performance of proactive internationalizers is better than that of reactive internationalizers (Ribau et al., 2017).

The ability to recognize opportunities in markets and networks is essential for companies to venture into new foreign markets and networks, emphasizing the important role of links in the internationalization process. Successfully entering new overseas markets depends on the company’s position in the network

and the relationships it has managed to establish in the current market (Santangelo & Meyer, 2017). International networks are crucial for enhancing knowledge creation among businesses in inter-organizational relationships. In the same vein, local networks are regional-based networks, where companies can benefit from having close relationships with research institutions, universities, capital markets and specialized suppliers, among others (Andersson, Evers, & Griot, 2013).

Selecting target markets is a crucial task for successful internationalization. The best strategy for building new markets and the best market entry project plans are useless if the wrong markets are chosen (Grünig & Morschett, 2017). After this selection, it is time for companies to choose the international entry modes to reach their foreign markets. According to Grünig and Morschett (2017), exporting means that the manufacturer sells to any type of customer in a foreign country and they list five types of export activities: (a) to retailers or end consumers; (b) to retailers or end consumers represented by an agent; (c) to distributors; (d) to retailers or end consumers supported by their own representative office; and (e) to a self-selling subsidiary.

Modes of internationalization differ according to the needs of each company. There are two main types: indirect and direct export. Firms export indirectly when the exporting firm uses independent intermediaries located in its country of origin, whereas direct export is the operation in which the exported product is invoiced by the producer to the importer (Grünig & Morschett, 2017). According to Keller and Kotler (2006), the former has the following advantages: easier initial penetration; lower representation costs; and lower risk perception. The main disadvantages are the following: less control and information about the market; and the absence of an entry strategy. Direct exports have the advantages of greater market information, greater control of distribution channels, total or partial control of the strategic marketing plan, and greater protection of the brand, patents and other intangible properties, despite the greater difficulties with initial penetration, higher structural costs and risks.

Whatever the mode of internationalization adopted, there are barriers that prevent companies from entering foreign markets. Internal barriers may include limited information about foreign markets, difficulties in contacting customers, language and cultural problems, lack of adequate export staff, insufficient production capacity, insufficient capital, inability to meet export requirements and a lack of reliable foreign distributors. External barriers include the complexity of export procedures, issues with payment collection abroad, high transportation costs, unfavorable local government regulations, political instability in markets, strong foreign competition and currency fluctuations (Haddoud, Onjewu, Jones, & Newbery, 2018).

## **METHODOLOGY**

This chapter focuses on a case study – OMEGA – and involves qualitative analysis of an SME based in Oliveira de Azeméis, Portugal, whose core business is based on wood processing and transforming activities. The choice of OMEGA was based on the fact that it is already operating in international markets and the desire to analyze an organization that operates in several areas of activity.

The research method selected was the case study, as this allows the analysis of specific situations, the combination of previously developed theories with new empirical results, investigating phenomena within their real life contexts, the analysis of retrospective information and the development of new theoretical and practical insights (Chetty, 1996; Eisenhardt, 1989; Ghauri, 2004). Since nonlinear internationalization is a complex process, the case study method is also best suited for a longitudinal perspective (Vissak &

Francioni, 2013; Welch & Welch, 2009). This chapter is based on a single case study, which helps the depth of the analysis (Piekkari et al., 2009; Voss et al., 2002). Moreover, the case study methodology used a research method with inductive / deductive approaches, which were considered to be the most appropriate in this research as it involved explanatory and exploratory aspects (trying to deal with the ‘why’ and ‘how’), and most appropriate to uncover relational aspects developing over time (Yin, 2008), around the focal firm’s internationalization process.

OMEGA was selected based on judgmental/purposive sampling (Patton, 2015), which involves the selection of cases that meet three important requirements for this research: (a) experience of the idiosyncrasies associated with international business activities; (b) being an SME involved in manufacturing activities; and (c) having several core businesses aimed at different market segments.

In data collection, a qualitative methodology was used, through a semi-structured interview with the head of OMEGA’s financial area in May 2019. Data collection involved gathering primary and secondary information obtained from interviews and public sources, such as the firm’s website, marketing information from industrial associations and multiple observations. Obtaining information from different sources was important to ensure the validity and reliability of data (Andersen & Skaates, 2004; Ghauri, 2004). The interview lasted approximately one hour and thirty minutes, complemented by a visit to the company production units of both home and hotel furniture and hockey sticks. The interview and complementary visit allowed us to study managerial actions regarding internationalization of activities and supported our goal of studying the evolution of internationalization activities. This procedure helped the interviewees feel more comfortable while speaking in their own environment and enabled events to be observed in their natural setting, instead of relying solely on pre-arranged single interviews. The researchers maintained a passive and unobtrusive presence, not to interfere with on-going events and activities.

The visit to the manufacturing unit was important for the interviewers to familiarize themselves with both the different types of products and the production unit environment. In this way, the researchers were able to improve their understanding of the examples given by the interviewees. After each visit, the researchers’ impressions were attached to the summary of each interview.

The interviewers began by explaining the research, guaranteeing anonymity and requesting authorization to audio-record the interview. The interview script sought to explore the evolution of international paths and activities used by the firm in its internationalization process. The interview script included questions to triangulate the information obtained from informants with additional information obtained through the firm’s website and public sources (e.g. firm size, age, international presence/experience, export ratio, export markets, current markets, etc.).

Data from all sources were collected and transcribed into a single case story, helping to identify missing information.

## **PRESENTATION OF THE COMPANY**

### **Contextualization**

In Portugal there are around 1,626 micro, small and medium-sized companies producing wooden furniture, among which OMEGA stands out in several aspects. Analyzing the sectoral data of the Bank of Portugal, the percentage of OMEGA’s external sales volume is currently found to be higher than the industry average, since OMEGA’s percentage is about 65%, while the industry average is 46%.

OMEGA is a 100% Portuguese brand, originally founded in 1966 and headquartered in Oliveira de Azeméis, Portugal. The company started by producing loose pieces in house carvings (for example showcases and hangers) and grew with the desire to create, produce and export Portuguese furniture. The first experience in foreign markets coincided with the 1994 economic crisis in Portugal. The founder's passion for roller hockey as well as the local tradition of the sport led the company to manufacture hockey sticks. Its current own brand appeared only in 2012, with the passing of the owner-manager. In 2019 OMEGA has around 50 employees, some of whom have been working for OMEGA for 42 years, as the interviewee mentioned. Currently, the company has a total area of 9,460 m<sup>2</sup>, with its manufacturing area of 5,309 m<sup>2</sup>.

Having started its operations over 50 years ago, the company now has three distinct core business areas: OMEGA FURNITURE – upscale home furnishings, OMEGA CONTRACT – hotel furniture and OMEGA SPORT – manufacturing hockey sticks. The company has internationalized only in the last two business areas, where it is positioned as one of the main Portuguese players (OMEGA CONTRACT) and as the Portuguese market leader (OMEGA SPORT). It exports to more than 20 countries. As the company seeks to produce unique, customized parts according to clients' specifications, it supports its customers during the design, building and maintenance of each part made using the latest technologies. Tradition and timeliness are OMEGA's main values, which combined with the know-how acquired over the generations, have allowed the company to outcompete main players in high-end market sectors. Nowadays, it is trying to reposition its portfolio incorporating ecological and sustainable lines, which reveals the company's capacity to face the new demands of a more environmentally responsible world.

## **Production Processes**

The company competes in three distinct core business areas, although it has two major production processes, namely, the home and hotel furniture unit and the sports unit.

The home and hotel furniture unit involves several phases before the furniture is assembled on site. After leaving the drawing board, several types of boards or solid wood are used in the machining phase. Afterwards, various cutting techniques are applied in the woodcraft phase so that the different pieces/lots are assembled to prepare the furniture and disassembled again to enter the final phase of varnishing and finishing. In the dispatch phase the furniture is sent to the customer in several parts, and assembled on site.

The manufacturing process in the sports unit is much more complex and time-consuming than in the home and hotel furniture unit. Therefore, a more detailed, guided tour of this area was necessary to understand it properly. Briefly, the process involves laminating the wood, gluing the various strips to the blades and inserting them into a mold where they stay for about two days. After preparing the hockey handles and placing a denim-like fabric in the middle of the two blades – process phase known as milling, relying heavily on robots – a protective coat is applied to facilitate painting, varnishing and carving. Finally, advertising is printed on the stick.

## **Main Competitors**

Over time, OMEGA has been competing in the market with several national and international manufacturers. Nevertheless, it has managed to increase its market share. When asked to identify its main competitors, the company was spontaneous in mentioning the following: YPSILON as the main competitor

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to OMEGA SPORT, ALPHA as the main competitor to OMEGA FURNITURE and BETA, ALPHA, GAMMA and ETA as the main competitors to OMEGA CONTRACT.

YPSILON is a Spanish company, located in Cerdanyola del Vallés, Barcelona, Spain. It is YPSILON's main competitor in the roller hockey industry. Currently led by Josep Viguera, YPSILON has over fifty years of history and is defined as "the brand of sticks". It has such great visibility in this market that the Portuguese Skating Federation and the Royal Spanish Skating Federation use YPSILON's hockey sticks in their official competitions (Spain and Portugal are the two main world roller hockey contenders).

ALPHA was created in 1994 as a handmade furniture manufacturing company. Headquartered in Paços de Ferreira, Portugal, the company offers a turnkey service, manufacturing exclusive customized furniture pieces. Its mission states "Our limit is the customer's imagination". This company has clients worldwide mainly in hotels, restaurants and luxury villas.

BETA was created in 1952 by Viriato Rocha. Beta can be defined as one of the few companies manufacturing furniture and offering a customized decoration services on a worldwide scale. It has technical capacity to develop turnkey projects on a worldwide basis. Beta supplies major hotel chains such as Marriot, Sheraton, Meridien, Intercontinental, Hilton, Pestana, Club Med, among many others.

GAMMA was founded in 1970, by António Brito. It has around 70 workers and is headquartered in Porto, Portugal. In addition to being a reference company in the furniture market in Portugal, it has a strong international presence, exporting more than 80% of its production. It is present in countries like France, Germany, Italy, Belgium, United Kingdom, Brazil, USA, Russia, China, India, Egypt, Morocco, among others. Over the past 10 years, it has had a global turnover of around €60 million.

ETA was founded in 1949, with headquarters in Paredes, Portugal. It is currently led by Manuel Campos. It started its internationalization in 1995 and international markets represent 70% of its turnover.

## **RESULTS**

OMEGA was created in 1966 with its own brand name, which was modified in 2012. Originally, OMEGA produced only household furniture and sold it in the domestic market and manufactured hockey sticks only due to the owner-manager's particular interest, with these two activities representing 100% of its revenue. In 1994, with the crisis felt in the domestic market, OMEGA began its international activities with domestic furniture. Afterwards, the hotel industry was targeted, and finally, the sports market, which also led to the change to its current brand name, with the main objective of facilitating brand awareness. The main reason for targeting markets abroad was reactive, as the domestic market was starting to shrink. As such, OMEGA felt the need to explore new international markets to exploit its unique skills across borders.

Table 1, presenting the overall sales volume and the breakdown into domestic and foreign markets over time, shows that sales have grown almost systematically since 1999, especially in 2012 (from €1,845,515 to €3,231,820), which is justified by the change in management bodies, with the former owner-manager stepping down his activity of managing partner and the stepping up of the new CEO, who brought innovative ideas and new projects. It is worth mentioning that the growth of the overseas market is due to implementation of the internationalization strategy and registration of the new brand. In general, foreign sales have gradually been replacing domestic sales since 1999. Although there has been a slight decrease in foreign markets since 2013 to the present, these values are twice as much as those of the domestic market.

*Table 1. Sales volume of OMEGA by types of markets (in Euros)*

	<b>Internal market (€)</b>	<b>EU market (€)</b>	<b>Other markets (€)</b>	<b>Total Sales Volume (€)</b>	<b>% of Internal market</b>	<b>% of Foreign market</b>
1999	1,113,701	-	-	1,113,701	100.0	-
2000	1,575,053	1,348	-	1,576,401	99.0	0.1
2001	1,556,227	2,246	59,376	1,617,849	96.2	3.8
2002	1,631,401	514	20,239	2,652,155	98.7	1.3
2003	2,393,674	34,583	26,762	1,455,018	95.8	4.2
2004	1,383,398	63,609	-	1,447,006	95.6	4.4
2005	1,657,768	106,140	-	1,763,908	94.0	6.0
2006	1,699,918	93,875	18,080	1,811,843	93.8	6.2
2007	1,100,443	190,005	2,686	1,296,733	84.9	15.1
2008	1,713,150	220,887	187,148	2,121,185	80.8	19.2
2009	595,797	555,995	46,191	1,197,983	49.7	50.3
2010	1,096,576	516,486	28,329	1,641,390	66.8	33.2
2011	642,542	1,160,138	42,835	1,845,515	34.8	65.2
2012	417,712	2,418,362	395,745	3,231,820	12.9	87.1
2013	470,970	2,699,272	48,253	3,218,495	14.6	85.4
2014	652,223	2,429,505	394,671	3,476,398	18.8	81.2
2015	983,446	3,204,028	572,814	4,760,289	20.7	79.3
2016	1,005,560	2,391,972	197,530	3,595,071	28.0	72.0
2017	1,206,825	3,023,916	49,943	4,280,683	28.2	71.8
2018	1,231,882	2,190,785	118,878	3,541,545	34.8	65.2

On entering international markets, OMEGA began to concentrate its three core businesses, bringing together production activities into two major groups: a) furniture, which concentrates OMEGA FURNITURE and OMEGA CONTRACT; and b) OMEGA SPORT. As these two business areas have huge differences in the production processes, they are separated from each other within the company. Hotel projects reach OMEGA already clearly defined, according to hoteliers' wants and needs, and the company only needs to produce exactly what is agreed upon with them. Home furnishings are produced according to the catalog and the hockey sticks are essentially a standard product, although, on request, exceptionally they can be customized. The strategies to enter international markets also differ. On the one hand, furniture areas are characterized by participation in trade fairs, individualized marketing efforts (for example, through queries and requests on the site) and targeting architectural offices abroad. On the other hand, the sport area has more direct marketing approaches, i.e., there are contacts from clubs and / or retailers, as well as brand awareness and presence at international events (such as the European and World hockey championships) is mandatory.

Table 2 summarizes the weight of each area in both national and international markets and the respective monetary value for some reference years.

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Table 2. Furniture and Sports market sales (in Euros)

	2000	%	2009	%	2012	%	2017	%	2018	%
<b>Furniture</b>										
<b>Internal market</b>	1,575,053	99.1	595,797	49.7	396,826	12	844,777	20	999,824	28
<b>External market</b>	1,348	0.1	602,186	50.3	2,673,402	83	2,151,701	50	1,870,827	53
<b>Sports</b>										
<b>Internal market</b>	-		-		20,886	1	362,047	8	234,057	7
<b>External market</b>	-		-		140,705	4	922,158	22	438,836	12

## OMEGA FURNITURE AND OMEGA CONTRACT

As the Portuguese market in these two areas is very small (the quality of the furniture is well above average and a high-end product makes the price too high for the majority of the Portuguese public), OMEGA tried to enter the foreign market in 1994, with the company showcasing its home furnishing products at the international fairs of Madrid and Valencia, in Spain. The presence in those exhibitions supported OMEGA in 2000, i.e., six years later, in exporting its upscale home and hotel furnishing products to Spain. Although it took several years, this was important, since from 2000 to 2009 foreign markets grew quickly, with furniture representing 100% of its international performance. After those entries OMEGA decided to participate in trade fairs in Italy, Algeria and France.

As soon as OMEGA started serving markets beyond the Iberian Peninsula, it began to attend international trade fairs as a way to increase brand awareness in the furniture markets. OMEGA realized that it needed to be present in international fairs (currently, the most relevant ones for the company are those of Paris, France and Milan, Italy) to exploit the home furnishings market and that they needed to increase their representatives in foreign countries to expand their sales in the hotel industry, with contacts with architectural offices. This is related to the production processes of the two areas being different: while that of home furniture is characterized by the production of order-based parts, which are standardized and cataloged, that of the hotel industry is characterized by unique, customized furniture for specific customers.

From 2012 onwards, with the increased exports of OMEGA SPORT, the furniture business areas ceased to represent 100% of the company's international performance. Even so, this accounted for about 95% of total sales, of which 83% went to the foreign market (2,673,402 €). In 2017 and 2018, the same business behavior occurs, although the turnover value of furniture has not changed substantially. Still, the foreign market has always remained larger than the domestic market. OMEGA is currently responsible for supplying these products to customers worldwide.

## OMEGA SPORT

OMEGA began to internationalize its sports business in 2009, reaching around 4% of foreign sales in 2012 – corresponding to 140,705 € of sales, i.e., 5% of the company's turnover – which indicates that

three years after starting its export activities, OMEGA SPORT already had a significant share of its sales overseas. It is important to note that in 2017 and 2018, despite some variations in the turnover associated with this sector, the percentage associated with the external market is always higher than that of the domestic market, demonstrating that OMEGA is essentially an exporter. In this business activity, hockey stick production has been intensified for about 10 years and nowadays OMEGA is able to customize the player's hockey stick.

The typical mode of entry into foreign markets involves essentially brand awareness investments. OMEGA is able to export to foreign markets through contacts with hockey clubs and foreign dealers. Hockey clubs place orders directly, because they already know the brand and OMEGA invests in a direct relationship with them. The countries to which the company exports its sports products are mainly in Europe, but also include the USA, Angola, Colombia, Egypt, Argentina, Brazil, Chile and Australia.

## **DISCUSSION**

For years following its foundation, OMEGA focused exclusively on the domestic market, and only after 1994, with the economic crisis affecting the Portuguese economy, did it feel the need to explore international markets. If its internationalization process began slowly (in 2004 international sales accounted for only 4.4% of all sales), OMEGA experienced a rapid turnaround when in 2009, about four years later, foreign sales already represented a significant 50.3% of the company's total sales. The time needed to invest in establishing networks abroad, which was longer than expected, is one possible explanation for this modest initial engagement in entering new international markets. This networking experience was also influenced by foreign clients' positive acceptance of its products. However, after OMEGA's initial success, it was easier for them to develop those markets abroad. In general, OMEGA's behavior can be considered reactive, as the decline in domestic sales led to the need to resort to markets abroad. Only then did OMEGA actively look for potential customers / markets, as shown in their presence in international trade fairs in order to make their products known to potential international clients. After analyzing OMEGA's internationalization path, one can conclude that it shows, in the initial stages of the internationalization process, the specific characteristics of a typical sequential/linear Uppsala model of internationalization and, afterwards, clear signs of a typical born-again global.

OMEGA serves its international markets producing on an exclusively domestic basis. The company is frequently present in specialized international fairs in the furniture sector, and most of their international contacts come from those networking activities. In furniture for the hospitality industry, which works on a project-by-project basis with tight budgets, OMEGA has a wide range of resellers which are mainly architectural offices. Export activities in OMEGA SPORT are made directly in close contact with customers.

In short, the company is seen to carry out direct exports, namely through OMEGA FURNITURE and OMEGA SPORT, and indirectly through OMEGA CONTRACT.

One can conclude that international sales were fluctuating over time (for example, in 2009 foreign sales accounted for 50.3%, in 2010 it decreased to 33.2% and the following year it rose again to 65.2% of the company's total sales). According to the company's manager, this fluctuation is the result of necessary adaptations to sudden market changes, which force the company to withdraw from some markets and to aggressively compete in others. Several difficulties/barriers were pointed out, such as the great opening by the Algerian government when the company was trying to enter this market, and the creation of barriers

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to foreign companies soon afterwards (if there is indigenous capacity for assuming production locally, the government gives almost exclusive preference to national production and creates numerous barriers to external suppliers). Another difficulty noted was the increasing competition from countries such as Poland and India that have cheaper labor forces and high customs duties. The way OMEGA managed to overcome some of the barriers mentioned above was using its product quality advantage, complemented with constant innovation (they are currently developing a hockey stick with a built-in sensor) and the possibility of customizing their products at customers' request, which is a clear indication of strong core competencies that support OMEGA's international competitiveness.

When choosing its target countries, OMEGA takes several factors into account. In some countries, such as Brazil or Chile, excessive custom charges – between 30% and 40% – make it impossible for OMEGA to try to enter them. Since export is its mode of entry into various countries / markets, the company seeks to operate in countries where the rates applied are more affordable to avoid high transport costs to the destination country.

A curious example was provided during the interview, namely the case of a Colombian client with a representative in Hong Kong. Instead of shipping hockey sticks directly to Colombia, as its Colombian customer has a delegation in Hong Kong, OMEGA was able to invoice its products in Hong Kong at affordable rates when compared to those they would have paid if shipping the products directly to Colombia. Thereafter, the Colombian customer is responsible for transporting the hockey sticks to Colombia. A win-win situation for both companies.

OMEGA SPORT seeks resellers abroad who want to work with the company, so that their products have easier access to the end customer in several international markets.

Within the group of countries in which OMEGA operates, France, Belgium, Luxembourg, Saudi Arabia and Algeria are the hotel markets that stand out. More recently, they have managed to start several projects in French Polynesia.

It is also important to emphasize OMEGA's preference for European Union countries, as they allow free movement of people, goods and capital, on the one hand, making it easier to reach several target markets and, on the other, because of the smaller geographical distance, which limits transportation costs and lowers travel costs for company representatives and customers.

Finally, especially in the hotel sector, another difficulty OMEGA has experienced is in creating a relationship based on trust and commitment, which is very laborious and time consuming. Since these contacts take place through architectural offices that already have a project previously designed with the end customer – to create and adjust the furniture to the customer's taste / need or the architectural plan – several visits are required, both from the client to the company and from company representatives to the destination sites, which makes the entire process time-consuming and costly. Indeed, even if OMEGA's end customers were located in Europe, although the business-to-customer distance is less than to certain locations outside Europe, the process remains lengthy as a result the multiple visits necessary to define the final product.

Since OMEGA's work base is customizing the product according to the customer's wishes, mainly in the hotel business where they work on a project-by-project basis, there is hardly any strategy of product standardization. However, different markets use different types of furniture. For example, classic furniture is desired in Saudi Arabia, while modern furniture with straight lines is the most common in Europe. Communication is through the local dealers, who end up adapting the communication slightly to the receiving country's culture and language. Otherwise, communication is very similar for all countries.

Concerning prices, the business policy remains unchanged and the same price is charged for all markets. For example, the price for hockey sticks varies between 60 and 70 €.

This case study could be highlighted as a good example of how there are growth opportunities based on innovation and quality-based competitive strategies, even in intermediate countries and mature industries (Molero & García, 2008). Moreover, OMEGA shows that the Portuguese furniture industry, at industry level and in terms of innovative dynamism and national relative specialization, can be considered a stationary specialization, as the host country shows technological advantages but the industry shows scarce technological dynamism to compete at worldwide basis, which is tuned to García-Sánchez, Molero, & Rama (2016).

## **CONCLUSION**

The OMEGA's case study clearly reveals that the company can be classified as having two main types of behavior: firstly, as a typical family-owned firm embracing a linear, sequential internationalization path, driven by decreasing sales in its domestic market, which is the typical behavior of firms following the Uppsala theory; and as a born-again global, because it entered the foreign markets quite late after its inception as a result in top management changes, which reflects an active process of internationalization, quite different from the previous one. If the decreasing sales in its domestic market can be considered a push factor in inducing an outward internationalization path, very typical in firms following a passive internationalization behavior, the stepping up of the new CEO is the main critical event associated with the rapid sales in overseas markets as a born-again global, which is an active internationalization behavior. Therefore, one can conclude that the internationalization of OMEGA is characterized by being a nonlinear process and the company started it in a late period of its market operations.

Regarding international markets, OMEGA has been using active strategies: (a) international trade fairs as the main strategy to promote the brand name and invest in networking activities; and (b) direct exports to furniture architecture offices. In the latter mode, OMEGA CONTRACT has been more successful than OMEGA FURNITURE. The company has invested in promoting its brand name through advertising sports events and through marketing and advertising in social networks. It has recently invested in local foreign resellers in order to increase the sale of hockey sticks abroad. In order to reach their foreign clients, they use indirect exports, mainly in OMEGA FURNITURE and CONTRACT, and direct exports in marketing OMEGA SPORT's hockey sticks.

As their foreign markets are very volatile, largely due to their order-based type of business, the time elapsing between orders can fluctuate over time. Despite OMEGA's willingness to embrace a smooth internationalization process, a nonlinear internationalization process is prevalent.

In the three areas OMEGA is involved in – FURNITURE, CONTRACT and SPORT – the main similarities between them are the fact that all areas are active in foreign markets, both in the European Union and elsewhere. This clearly indicates that OMEGA, that belongs to an intermediate country, which can be considered a stationary specialization in the furniture industry at national level, managed to explore their capabilities to embrace growth opportunities based on innovation and quality-based competitive strategies.

Regarding the uneven business areas, it is noted that not only is the process of preparing and producing the final products quite different, but they also serve completely different needs. There are also significant differences in their sales volume: the two business activities related to furniture have always had larger

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sales volumes than the sports business unit. Finally, the areas of home furnishings and hotels were the company's first attempts at internationalization, with hockey sticks entering foreign markets much later.

Table 3 provides a summary of the topics covered throughout the chapter concerning the internationalization of OMEGA.

Table 3. Overview of the case study

<b>Number of Employees</b>	50
<b>Main core businesses</b>	OMEGA FURNITURE, OMEGA CONTRACT and OMEGA SPORT
<b>Exports (%)</b>	65.2% in 2018
<b>Main markets</b>	England, Northern Ireland, Netherlands, Germany, Austria Luxemburg, France, Spain, Italy, Algeria, Egypt, Russia, Gibraltar, USA, Angola, Colombia, Argentina, Brazil, Chile, Uruguay, India, Japan and Australia.
<b>Critical events</b>	The company has above-average quality furniture at premium prices, which in a time of crisis led to a decrease in sales. OMEGA started evolving progressively in international markets until the stepping down of the owner-manager and the stepping up of the new CEO was a critical event that sparked OMEGA's sudden rapid growth in international markets.
<b>Uppsala model</b>	One can classify the company as a typical company following a progressive evolution in international markets as a result of a passive internationalization behavior triggered by decreasing sales in domestic markets and the appointment of a new CEO.
<b>Born-again globals</b>	One can classify the company as a born-again global as a result of a rapid growth in international markets. This is the consequence of the stepping down of the owner-manager and the stepping up of the new CEO.
<b>Non-linear internationalization</b>	The company has clear levels of fluctuation in its annual export volumes as a result of the need to "divest" in one country and entering another, as well as the need to overcome emerging barriers in the process.
<b>Main motivations</b>	The new CEO brought about different perspectives about marketing and internationalization strategies. Those new ideas generated new projects.
<b>Target market selection</b>	OMEGA takes into account customs tax rates for deciding the success of the internationalization process for each country.
<b>Marketing approach</b>	Presence in international trade fairs in order to reach new clients and improve networking activities. Direct contacts with targeting architectural offices abroad. Strong presence in social networks. Involvement in major ring hockey sports events.
<b>Modes of entry</b>	Exports are the main mode of entry.

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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.

**Born-Again Globals:** They are characterized as being focused on the domestic market and suddenly being able to radically change their strategic focus in order to increase their sales volumes in 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.

**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.

**Uppsala Model:** It has been one of the most discussed dynamic theories in Nordic School and International Business Studies. It explains the process of internationalization of companies. It explains how organizations learn and the impact of learning on the companies’ international expansion. This theory defends that the companies’ internationalization process is carried out in stages, from non-regular exports to the establishment of companies abroad.