

Chapter 28

Searching for Opportunities and Trust in International Markets: Entrepreneurial Perspective of a Traditional Industry SME

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ABSTRACT

Internationalization has been adopted by many companies, regardless of size, to boost their growth. Although the Uppsala model and the network approach have been extensively used to analyze how small firms internationalize their operations, this chapter addresses how a small firm of the clean carpentry industry managed to overcome an economic slowdown of its domestic market and boosted its growth. This chapter uses a case study approach that is framed on a literature review covering internationalization of SMEs, entrepreneurship, the importance of the network approach, the search of opportunities and trust, and relationship orientation to show how a firm abandoned its passive behavior and its focus on the domestic market to proactively address the international market following an entrepreneurial perspective.

INTRODUCTION

Internationalization is a hot topic nowadays, and no longer can it be associated solely with large companies.

The globalization of markets and production, as well as technological change (based on the use of microprocessors, telecommunications and internet) makes businesses, whether large, medium or small, deal with international competition, even in their local markets.

As occurs in large companies, SMEs also have the intention to grow and increase its profitability; as such, they see the internationalization a means to achieve this goal. However, they have to be clear what internationalization strategy to adopt and be aware of the implications and difficulties that an internationalization process entails.

According to Moreira (2004), the firm's internationalization process has to be framed in accordance with the firm's competencies and competitive advantages, developed in the do-

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mestic market, and seen from a broad perspective taking into account a wider market competition. Thus, internationalization refers to the growing involvement process in international activities (Welch & Loustarinen, 1988) and relates to how the company explores international markets and its export intensity. Many of the theories that address internationalization analyze the process of internationalization based on the Uppsala model and on the resource based-theories. The former advocates a gradual and continuous evolution, through which companies acquire experience, knowledge and progressively greater international involvement (Johanson & Wiedersheim-Paul, 1975); the latter considers the internationalization process in terms of resource allocation (Reid, 1982; Aharoni, 1966).

Despite the several theories put forward, some consider that internationalization theories do not fully clarify the internationalization process of a company, being relevant to consider the entrepreneur as it is seen as the strategist that combines the organizational strengths and weaknesses, with the opportunities and threats of the environment (e.g. Ruzzier, Hisrich, & Antoncic, 2006). This line of thinking lead to the concept of international entrepreneurship, defined as the combination of innovative and risky behaviors that cross national borders and aim to create value for the company (McDougall & Oviatt, 2000). According Hilal and Hemais (2002), international entrepreneurship addresses the international markets enter modes based on the entrepreneur's figure.

International entrepreneurship is thus connected to networks, a key component used by many companies to establish network-based relationships (internal or external) with individuals and/or companies that have the resources, experience and knowledge (Johanson & Mattsson, 1988). These relationships are very important, because they allow companies, including SMEs, to develop relationships with partners, allowing them to reach foreign markets.

In the business context, and even more importantly in the context of SMEs, to start a internationalization process is an entrepreneurial act, as the company starts operating out of its comfort zone (domestic market) and needs to adapt its strategy and the how it responds to the market.

This chapter is a case study of a Portuguese SME of the clean carpentry sector, supplying the construction industry, that due to the economic situation Portugal is facing, decided to internationalize to grow, extending its range of business and increase its profitability. Based on an opportunity seeking strategy, this company – for confidentiality reasons hereafter is going to be called ALFA – first established a business relationship with a French partner, seeking to gain trust with it in order to learn and acquire knowledge of the French market, and consequently, to penetrate and expand its activities afterwards in the French market.

The present chapter is divided in nine sections. After this introduction, which composes section 1, we find the literature review on internationalization on section 2. Section 3 presents the definition of small and medium-sized firms while section 4 presents the network-based perspective of internationalization. Sections 5 and 6 address topics as international entrepreneurship and relationship orientation. Section 7 presents the research methodology used in this chapter, while section 8 addresses the case study. Finally, conclusions are presented on section 9.

INTERNATIONALIZATION

A few years ago economies were closed, which limited trade to a very limited geographical space. However, the explosive growth of information technology allowed the connection amongst people and places. The dilution of trade barriers and financial deregulation, the economic restructuring and liberalization that followed the fall of socialism in Russia and Central / Eastern

Europe and the expansion of emerging economies – such as China, India and Brazil – meant that the markets were increasingly global and the impact of distance business was increasingly reduced (Ruzzier et al., 2006).

These factors reflect the globalization of markets, which according to Ruzzier et al. (2006) is defined as a stage in which the firm's operations are managed on a global scale, not in just a few selected countries, being characterized by worldwide integration of ever more competitive markets and companies facing global competition. Thus, the internationalization of firms, including the SMEs, arises in order to bridge the international competition as in a global market no single firm is immune to the influence of international surrounding forces.

Internationalization refers to the process of increasing involvement in international activities (Welch & Loustarinen, 1988). Thus, internationalization means the company's operations in different markets/countries, both in terms of production factors and capital transfers, as well as the development of projects in cooperation with foreign partners or simply marketing their products in other countries (Moreira, 2004).

The internationalization of firms is an activity that has become increasingly important to the economy, as in an increasingly competitive economic context, foreign markets are an important alternative for growth and survival for many firms, regardless of their size (Dicken, 1992; Adda, 1996; Moreira, 2009a).

There are three types of approaches in the firms internationalization processes: (1) those that advocate an evolutionary, sequential, linear model with increasing international participation, known as the Uppsala Model of (Johanson & Wiedersheim-Paul, 1975; Bilkey & Tesar, 1977); (2) analyzing the internationalization from the resource based-view of the firm (Aharoni, 1966; Reid, 1982) and (3) addressing the internationalization from the network point of

view (Håkansson, 1982; Håkansson & Johanson, 1984). However, there are other theories that explain the internationalization processes based on innovation (Morgan & Katsikeas, 1997) or in rapid internationalization processes (Oviatt & McDougall, 1994).

The Uppsala model argues that firms follow a sequential path in their international operations. Basically, it is possible to identify four stages that differ regarding the company degree of involvement in the market (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977): no regular export activities, exports through agents, sales through wholly owned subsidiary and international production subsidiaries. The degree of risk and commitment of resources increase as the internationalization process progresses.

This process is based on a linear cumulative path in which the absence of international experience reduces the propensity of the firm to engage in unknown markets (Moreira, 2009b). So, the firm initially focuses its activities on the national market in order to avoid unnecessary risks. After that the firm gains experience in foreign markets and manages to internalize the knowledge gained, it is willing to underpin its subsequent stages committing more resources and controlling its operations abroad (Loustarinen, 1979; Johanson & Vahlne, 1977).

According to Johanson and Vahlne (1977), the progression of the firm's activities to foreign markets can be explained using the concept of psychic distance, which involves differences in culture, languages, education, industrial development, political systems, among other things. They argue that SMEs normally internationalize to low psychic distant markets in the first movements abroad and once they gain experience in these markets they expand their activities to more psychic distant markets.

The network approach is another way to analyze a firm's internationalization. Johanson and Mattsson (1988) argue that the internationalization of a

firm is the result of the development of (internal and external) network relations with individuals and/or firms who have resources and experience/knowledge.

This approach was popularized by Håkansson (1987) with his interactive approach on the Industrial Marketing and Purchasing Model. According to Moreira (2009b), the participants (suppliers, buyers, competitors or other institutions) in the process and the environment of an interaction affect the way in which firms interact. The complementarities of the participants enable the creation of a network of relationships in which the internationalization takes place when the network is extended abroad.

Johanson and Mattsson (1988) argue that network relationships in foreign markets play an important role. So, according to them, there are two types of networks: internal and external. The external network refers to all relationships within the firm's subsidiaries with business partners such as, suppliers and research institutions among others (Andersson, Forsgren, & Holm, 2002). The internal network refers to all relationships within the firm's subsidiaries (Bjorkman & Forsgren, 2000). This explains why some firms do not often follow sequential entry mode.

The internationalization of the firm means that the establishment and development of positions in relation to other counterparts in a foreign network. So, the internationalizing firm is initially engaged in a network which is primarily domestic and then further develops business relationships in networks in other countries (Ruzzier et al., 2006).

Johanson and Mattsson (1988) defend that the number and depth of relationships increase among clients, suppliers, distributors and competitors as firm internationalize. According to them, this occurs in three different ways: firstly, building relationships with companies in new countries (international expansion); secondly, increasing commitment in international networks (inter-

national penetration), finally, integrating their position in networks in several various countries (international integration).

From the network approach, the internationalization strategy of a firm can be characterized by the need to: minimize the need for knowledge development; minimize the need for adjustment; and exploit established network positions (Johanson & Mattsson, 1993).

In recent studies on internationalization, factors like firm size, government incentives and multilingualism have been losing their influence; other factors like technology mastery (Burgel & Murray, 2000), knowledge and networks (Coviello & Munro, 1997), entrepreneurial orientation (Ibeh & Young, 2001) and sociocultural background (Leonidou & Katsikeas, 1996) have been growing in importance.

However, there are many factors that influence the process of internationalization of SMEs (Young, Hamill, Wheeler, & Davies, 1989; Moreira, 2004): the type of products and activities; the international modes of entry and operation; the types of markets; internal competencies; the ability to manage cooperative relationships; financial constraints; and organizational structure. As SMEs have very limited resources, establishing relationships with their clients can be a form of resource acquisition and international penetration (Neergaard, 1998).

Holmlund and Kock (1996), following the network approach, emphasize the existing unequal relationship in the supply chain, where suppliers (usually small firms) are dominated by clients (usually large companies). In a subsequent study, Holmlund and Kock (1998) and Moreira (2007) also point that, despite the importance of the supplier-client dyadic relationship, the client plays a crucial role in the relationship with the suppliers as well as in the supplier internationalization path.

In conclusion, this network approach can shed light on how the resources, activities and actors

within networks affect the different dimensions on the process of internationalization of SMEs whether at the level of individuals firms or group of firms (Håkansson & Snehota, 1995). However, although the network of a firm is capable of providing the context for international activities, further study is required on the resources and development strategies used by firms (Ruzzier et al., 2006).

SMALL AND MEDIUM-SIZE ENTERPRISES (SMEs)

One unique definition of SME does not exist. The majority of countries uses different concepts to define SME, taking under consideration various criteria, making statistical data differ from one country to another due to: different methodologies; separation of industrial production, service and agricultural production bases; the usage of different concepts such as company or establishment; the usage of various criteria such as employment or sales volume level (Moreira, 2009a).

According to the criteria defined by the European legislation, as can be seen in Table 1, a micro, small and medium-sized enterprise is defined as an organization that employs less than 250 people and whose annual turnover does not exceed 50 million euros or the total annual balance does not exceed 43 million euros (2nd article, line 1, of the attachment, title I the Commission’s Recommendation 2003/361).

In this category, the concepts of small and micro enterprises are also clarified. Small enterprise is a company that employs less than 50 people, whose

annual turnover or total annual balance does not exceed 10 million euros. In turn, a microenterprise is a company that employs less than 10 people and has an annual turnover under 2 million euros (article 2nd, lines 2 and 3 of the attachment, title I of the Commission’s recommendation 2003/361).

SMEs represent 99.9% of the business community in Portugal; from these, 95.4% are microenterprises, 4% are small companies and only 0.6% are medium enterprises (Table 2).

As it is perceived in the SBA File of 2014¹, the Portuguese SMEs, similarly to the other State-Members of the EU, are crucial for the development of the economy, representing almost 79% of the employment and 66.5% of the added value (SBA File, 2014). Furthermore, it is also referred in this document that, the majority of these small and medium-sized enterprises operate in the service, manufacturing and commerce industry.

Although the size factor is important when it comes to approaching the market, the truth is that the SMEs possess other characteristics that confer them with other advantages in relation to large companies. They are: the huge capacity to adapt, because of having a lighter organization structure, which allows an easy conversion of the business or activity; the relative ease with which they adapt to the economic and social changes, trying, not rarely, to explore markets not yet explored by large companies; better resistance to crises, because they possess different strategic positioning requirements and financial volatility.

However, a lighter organizational structure reflects an important problem: they do not give so much importance to management and strategic

Table 1. Limits and Definition of SMEs categories

Type of Firm	Employees	Sales Volume	or	Balance Sheet
Medium	< 250	≤ 50 million Euros		≤ 43 million Euros
Small	< 50	≤ 10 million Euros		≤ 10 million Euros
Micro	< 10	≤ 2 million Euros		≤ 2 million Euros

Source: European Commission (2006)

Table 2. SMEs in Portugal and in the UE: Main data

	Number of Enterprises		Number of Employees		Value Added	
	Portugal	EU-28	Portugal	EU-28	Portugal	EU-28
Micro	95.4%	92.4%	42.8%	29.1%	22.4%	21.6%
Small	4.0%	6.4%	20.4%	20.6%	22.6%	18.2%
Medium-sized	0.6%	1.0%	15.4%	17.2%	21.6%	18.3%
SMEs	99.9%	99.8%	78.7%	66.9%	66.5%	58.1%
Large	0.1%	0.2%	21.3%	33.1%	33.5%	41.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: European Commission: SBA – File (2014).

planning; moreover, some firms still continue to feel difficulties in financing their operations, despite the efforts made by the State and the EU to make community funds available. On the other hand, their reduced size does not let them take advantage of economies of scale and experience, increasing the difficulty to compete with the big organizations, in the big markets (Moreira, 2009a).

For the last six years until now, both the economic crises and the consequent public debt highly affected the growth and development of many SMEs. Only between 2008 and 2013 350,000 jobs were extinct in Portuguese SMEs, representing a 13.5% reduction of the SMEs labor, in relation to 2008. Also the total number of SMEs, as well as their added value suffered a reduction (SBA File, 2014).

Before this difficult context, many SMEs are forced to act and put into practice recovery strategies; others adopt a passive strategy of “wait and see”; others reduce costs, looking forward to increasing efficiency; others invest and expand themselves to existing markets and/or new markets.

There is a myriad of projects/programs that allocate funds to empower SMEs growth and expansion into international markets. PME Investe, PME Crescimento, Fundo de Apoio à Internacionalização e Exportação (FAIE), are just some examples of Portuguese programs, beyond Commission funds, in which Portuguese enterprises can rely on.

In this sense, many SMEs follow the internationalization path as a way to expand their businesses, diversify their clients and increase profitability. According to Moreira (2009b), the role of SMEs in this context, have been multifaceted, acting as partners in strategic alliances and in Merges and Acquisitions; as specialized suppliers in multinational company’s supply chain; or as a part of a network of both classical and cutting-edge technology-based firms.

Taking into consideration the weight that these SMEs exert in the growth and development of the Portuguese economy, many are the governmental initiatives developed to help boost their growth and consequently, their internationalization path.

As referred in the SBA File (SBA File, 2014), Portugal “has a training program for companies that wish to create and intensify their internationalization or exportation activity. Beyond this, under the «new exporters» initiative, firms have access to a specialized and personalized consultant, as well as the adequate training to develop an international commercial plan (...)” that permit them to enter into new markets.

NETWORK- BASED VIEW OF INTERNATIONALIZATION

The network-based view, developed by Johanson and Mattsson (1988), tries to explain the interna-

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tionalization of firms by considering the environment as a business network and market. When industrial firms are embedded in interorganizational networks the firm’s strategy is influenced by the position the firm has in the networks, as it is the range of opportunities and constraints the firm faces (Johanson & Mattsson, 1988). As such, the more profound the relationships are, the greater the firm’s involvement in international markets, which is associated with the way the firm manages and internalizes the knowledge generated in international markets (Axelsson & Johanson, 1992).

Firms involved in foreign internationalized networks are more capable of developing relationships that lead to further linkages with other actors (Axelsson & Johanson, 1992). However, highly internationalized firms enjoy strong direct relationships with internationalized network actors (Johanson & Mattsson, 1988). So, the position of the firm in the network (market) is the most important driver for internationalization, and this position is defined based on two principal elements: degree of internationalization of the firm, and degree of internationalization of the network (market) (Hosseini & Dadfar, 2012). According to Johanson and Mattsson (1988), the internationalization of the firms, as shown in Table 3, can characterize in four different situations: the Early Starter, the Late Starter, the Lonely International and the International among Others.

The Early Starter possesses a low degree of both firm level and market level internationalization.

Furthermore, this type of firm has weak links with foreign networks (Johanson & Mattsson, 1988). The relationship that the Early Starter has within the international network is considered important for accumulation of knowledge.

The early starter’s low level of involvement with overseas actors, either directly or indirectly, deters the acquisition and internalization of knowledge. As a consequence, knowledge feedback directly from foreign markets to the Early Starter is limited as the firm has hardly any experience operating in international markets and has weak relationships with international firms.

Lonely International firms have as advantage their high degree of internationalization, which provides them with greater levels of experiential knowledge in international markets. As the firm might be present in various relationships, the firm taps into knowledge resources from several partners. The main disadvantage of this type of firm is an internationally inexperienced network.

The Late Starter firm possesses low level of commitment and activity international markets and high levels of international experience. However, it has some direct relationships overseas. Late Starters enjoy a knowledge advantage when compare to Early Starter as they are more committed to international operations and acquire knowledge from an international wider network (Holm, Eriksson, & Johansson, 1996). As a consequence, the participation in international networks gives Later Starters a valuable experience to develop and coordinate their position in a foreign market.

Comparing Late Starters and Lonely Internationals is something complex, based on the advantage of being a more highly internationalized firm, the Lonely International might exhibit higher levels of internationalization knowledge and foreign institutional knowledge than a Late Starter firm. However, due to the disadvantage of not residing in a highly internationalized network it might exhibit a lower level of foreign business knowledge than a Latter Starter firm.

Table 3. The network model of internationalization

		Market Level Internationalization	
		Low	High
Firm Level Internationalization	Low	Early Starter	Late Starter
	High	Lonely International	International Among Others

Source: Johanson and Mattsson (1988).

Finally, the International among Others enjoys a high degree of internationalization (Johanson & Mattsson, 1988). This type of firms has established and developed positions and resources in foreign markets. Furthermore, like the Lonely International, the International among Others also has a highly internationalized macro-position, which provides it with higher levels of experiential knowledge, when compared with the Lonely International. Also the regular participation in cross-border activities enables the International among Others to deploy the capabilities to coordinate, and integrate international networks.

Therefore, the International among Others exhibits high levels of overseas institutional knowledge and business knowledge *vis-à-vis* the other three types of firms.

INTERNATIONAL ENTREPRENEURSHIP

Andersson, Johanson, and Vahlne (1997) consider that the theories of internationalization are not exempt of criticism when explaining the company's internationalization process, since it is a complex movement that involves a variety of exogenous factors. As such, he claims that the entrepreneur plays an essential role in the process of internationalization, especially in the case of SMEs internationalization process.

The term entrepreneur was used around 1800 by Jean Baptiste Say, when explaining the set type of individual who can transfer economic resources of a low productivity sector to for a high productivity sector with and higher yields (Drucker, 1987). As such, the entrepreneur can be seen as a strategist who combines what the firm can do (organizational strengths and weaknesses) based on the exogenous factors he/she faces (external opportunities and threats) (Foss, Knudsen, & Montgomery, 1995). Schumpeter

(1961) considers the entrepreneur as the responsible for the process of creative destruction and the fundamental impulse that sets and keeps the capitalist society in motion, constantly developing new products, new production methods, new markets, overriding old less efficient and more expensive production methods.

It is in this context that international entrepreneurship arises, which is an extension of the Uppsala model but giving the entrepreneur's role a significant weight: it considers the entrepreneur the sparking engine of the company's internationalization process. So, according to McDougall and Oviatt (2000) international entrepreneurship is a combination of innovative, risk-seeking behavior that crosses national borders and is intended to create value in organization.

As shown in Table 4, McDougall and Oviatt (2000) have noted there has been a substantial body of research in entrepreneurial firms in domestic markets (quadrant I), in large firms established domestic markets (quadrant III) and large firms established in international markets (quadrant IV). Although research in quadrant I has been the focus of entrepreneurship scholars aiming to deep the knowledge of the entrepreneur and the small firm, research in quadrant IV has been based on the analysis of international business activities based on large multinational firms. However, quadrant II (entrepreneurial organization international) has been sparsely studied (Ruzzier et al, 2006).

Table 4. The domain of international entrepreneurship

		Geographical Scope	
		Domestic	International
Type of Organization	Entrepreneurial	I	II
	Large, established	III	IV

Source: McDougall and Oviatt (2000).

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The definition of entrepreneurship has also given some room to discussion. Some refer entrepreneurship to refer to all small business and others are more conservative referring only to new firms created. However, this term is more inclusive than some have thought of as entrepreneurship is also present in well-established large firms, being an important element for their organizational and economic development (Ruzzier et al., 2006)

According to Oviatt and McDougall (2005) entrepreneurship is a combination of innovative, proactive and risk-seeking behavior, in which the entrepreneur takes an outward opportunity seeking behavior. Lumpkin and Dess (1996) emphasize a variety of entrepreneurial orientation dimensions, stressing the launching of a new venture or the entry in new markets. However, Shane and Venkataraman (2000) sustain that the creation of new firms, while possible, is not a necessary condition. They claim that the study of entrepreneurship includes the examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated and exploited. According to this definition entering new markets abroad can be considered an entrepreneurial act.

Shane and Venkataraman (2000) consider that entrepreneurship has two parts: opportunities and individuals who strive to take advantage of them; because entrepreneurship is increasingly focused on opportunities as they may be bought and sold, or they may form the foundation of new organizations.

Based on the definition of entrepreneurship defended by Shane and Venkataraman (2000), Oviatt and McDougall (2005, p. 540) adopted a new definition of international entrepreneurship:

Discovery, enactment, evaluation, and exploitation of opportunities – across national borders – to create future goods and services”. This definition “focuses on opportunities; permits but does not require the formation of new organizations; allows for corporate entrepreneurship; renders unneces-

sary a debate over how many dimensions entrepreneurial orientation include; and highlights entrepreneurial activity across national borders.

International entrepreneurship has been very important to the internationalization process of firms as some decisions of how and where process internationalization occurs, depends on entrepreneur's profile. Furthermore, networking is very important to international entrepreneurship, and a powerful tool for the entrepreneur, because it affects opportunity development and exploitation in international entrepreneurial firms and leads to an increase in international performance (Dimitratos & Plakoyiannaki, 2003). So, Hilal and Hemais (2002) defends that the internationalization process of firms depends not only on foreign resources, but also on the networks the firm has been established.

According to Oviatt and McDougall (2005) networks help entrepreneurs identify international opportunities, establish credibility and often lead to strategic alliances and other cooperative strategies.

RELATIONSHIP ORIENTATION

Market orientation, customer orientation and relationship orientation are certainly not new. They are central elements of the management philosophy of the marketing activity (Jaworski & Kohli, 1993; Deshpandé & Farley, 2004).

Market orientation is a relational philosophy which aims at complementing the internal resources and capabilities of the firm in the generation of added value for the customer (Deshpandé & Farley, 2004). Kohli and Jaworski (1990) and Slater and Narver (1994) were the pioneers regarding the market orientation concept.

While Kohli and Jaworski (1990) conceived market orientation in terms of specific behavior including the set of activities, processes and be-

haviors resulting from the implementation of the marketing concept, Narver and Slater's (1990) concept includes orientation for customers, for competitors and the inter-functional coordination, which follows a behavioral perspective. They developed two scales: MKTOR (Narver & Slater, 1990), which includes consumer orientation, competition orientation and inter-functional coordination, and MARKOR (Jaworski & Kohli, 1993), which includes three major market intelligence factors: generation, dissemination and response.

Although customer orientation seeks to increase the customer's long term satisfaction, commitment orientation seeks to focus the attention on a dyadic relationship that two firms are trying to create. As, such customer orientation is more focused than market orientation, and commitment orientation reduces even more the focus of the orientation and the importance of the stakeholders.

Brown, Lusch, and Nicholson (1995) claim that commitment has four dimensions: (i) a normative dimension that involves the party's belief that it needs to remain in the partnership; (ii) an instrumental dimension that involves the analysis of the cost related to exiting or maintaining the relationship; (iii) an affective dimension that involves favorable feelings about the continuity of the parties in the relationship; and (iv) a behavioral dimension that is the perception that both parties will mutually support it if necessary.

The commitment orientation is clearly a dependent to the mutual interest of both parties to continually working together to adapt to new situations, both intrinsic and extrinsic to the partnership, as well as working together to meeting each other's expectation. In order for firms to achieve a relational perspective both parties need to be committed and cooperate in order to generate trust, commitment and reciprocity to achieve their common goals.

METHODOLOGY

The case study methodology, proposed by Yin (1984), is one of the ways to accomplish a study in social sciences. This study is designated as an empirical study that investigates a contemporary phenomenon within its real life context, especially when the limits between the phenomenon and the context are not clearly defined. As such, this type of methodological approach is particularly adequate when we look forward to understanding, exploring and describing events and complex contexts, in which are diverse factors are simultaneously involved and in which researchers have a weak control over the real occurrences (Yin, 1984).

Beyond this, Yin (1984) considers that the case study methodology is the most indicated to respond to questions like "how?" and "why?" this way assuming an exploratory character.

According to Easton, Wilkinson, and Georgieva (1977), this type of methodology is also appropriate to investigate industrial networks and international market entry strategies because of its complexity and dynamism, which limits the application of positivist studies. Positivism appeared in the XIX century and exalts the observation of facts, defending that reality is what our senses are able to perceive, in other words, that the explanation or theory about a phenomenon should be translated in a way that will make it possible for it to be observed and tested empirically, using logic and mathematics (Ribeiro, 2003).

The positivist current gave birth to a quantitative paradigm, where the reality is objective, the language is formal and mathematical, making the investigator have no influence over the results of the study. However, this theory was contested, where its scientific exemption and objectivity was criticized, because quantitative research is not enough to explain several of the problems of the social sciences. This boosted the appear-

ance of the qualitative methodology that starts from the experience and searches to interpret a reality considering its diverse potential points of view. This type of methodology does not try to find ultimate truths, but to report open accounts to data obtainment, analysis and interpretation (Burner, 1990).

This way, while quantitative methodologies are seen as studies that fundament themselves on empirical data processed quantitatively, gathered and worked on in an objective and neutral way, qualitative methodologies are seen as the pursuit of new paths to realities more and more complex and dynamic, knowing that they start off from a social reality and its complexity to a construction of accurate methods to capture and transform that reality (Demo, 1989).

In the literature, many authors consider that there are different types of case studies. This way, in the light of what is defended by Otley and Berry (1994)², the present case study can be considered illustrative, once it has as its starting point the existence of a previous theory (internationalization) and investigates based on that theory the ALFA internationalization process.

Hereupon, and as Yin (1984) mentioned, this work aims to respond the question “how is the ALFA internationalization process running?” whereby the object of the analysis will be the referred organization.

This work had as its first task the gathering and analysis of information about the company (history, mission, resources, evolution, etc.) and its accounting documents/reports. For this, interviews and the direct observation was used to obtain information. Moreover, the interviewees were willing to provide all the documents necessary to achieve a more accurate analysis and were also willing to answer clarify all subsequent doubts. Beyond this, information available on the Internet about the firm was also used to shape the case study during the interviews.

Despite that in literature a case study is always is considered that a holistic research (systematic, comprehensive and integrated), that aims to preserve and understand in a profound and detailed way the case as a whole and in its uniqueness (Miguens, 2007), the final goal of this chapter is to contribute for the understanding of internationalization of SMEs and in how trust and relationships created with business partners, facilitates the internationalization path.

CASE STUDY

Presentation of the Company

ALFA is a SME from the civil construction industry, namely from clean carpentry³. It is located in Sever de Vouga, Aveiro, and started its activity in 1991, with three employees, providing services in carpentry and flooring.

In 1999, after assuming the form of limited company, and with only two associates and six employees, it dedicated itself not only to providing services, but also to wood processing and application.

Recently, as a result of its performance and exponential growth, it increased of its societal capital and currently is constituted by four associates. It is a company guided by the following values: competences, accuracy, responsibility, compromise, quality and transparency. Its mission is to “develop solutions and products where the raw-product «wood» assumes the nobility of its origin”.

In order to reach this proposition, it possesses an accredited technical staff of eighteen elements, divided by for functional areas. It is important to refer that the majority of its human resources has between 30 to 60 years of age, although the company is also receptive to younger people, even if unexperienced, giving them training and practical experience in the carpentry industry.

The company is formed by an industrial plant with about 1000 m², provided with all the necessary equipment to execute all jobs/products related with carpentry and furniture and a finishing section with around 700m², for varnishing and lacquering; as such, it is able to supply which ever work/product completely finished in the factory.

As it has already been referred, ALFA dedicates itself to the manufacturing and application of wood and in this sense, it is possible to highlight their know-how when it comes to working with phenolic resins (WC cabins, phenolic doors, arcs, baseboards, dressers, lockers, counters), outdoor carpentry (front coatings with phenolic resin, viroc; equitone/euronit, decks), and indoor carpentry (doors, panels, stairs, baseboards, wall and ceiling coatings, kitchen cabinets, dressers and other type of furniture).

Recently and as a way to fulfil a national and international market need, ALFA implemented the production of wooden exterior windows with a high level of thermo-acoustic effectiveness; this product has the CE mark, according to the NP-EN 14351-1:2008 standard.

As a strategic option, ALFA did not seek having an intensive manufacturing line; it only aims to cope with and fulfil certain niche markets needs that were not being attended by traditional manufacturers. This means that, by producing these articles, ALFA tries to offer personalized and innovative solutions according to their client's requirements, in terms of measurements, models, type of wood, etc. Although it is a recent project-based strategy (six-twelve months old), it is already possible to understand its success and profitability, knowing that it already represents about 10% of the company's global sales volume.

ALFA has been essentially operating in the Portuguese market and has as its main costumers civil construction companies that, after analyzing the proposals/budgets, they adjudicate the clean carpentry activities of the jobsite that they have to execute.

Meanwhile, the difficult economic environment, allied to the crisis the civil construction sector Portugal has been through (Tavares, Pereira, & Moreira, 2014) and the offshoring strategies implemented by large companies "forced" ALFA to search for new clients in new locations/markets. In this sense, and as developed further, ALFA started analyzing the opportunities of internationalizing its activities and grabbed an opportunity that showed up abroad, as a carpentry service provider.

Its short-term business strategy is to consolidate trust in this client-supplier relationship with its French partner, in order to be able to penetrate and enter the French market.

Analysis of ALFA (2010 – 2014)

Since its beginning, ALFA has been managed to grow satisfactorily, which led to an increase of its human resources competences, more modern technical equipment and a growth of its physical facilities.

According to the data gathered in 2010, ALFA employed an average of 26 people, knowing that in the months of June, July, August and September, as a result of Summer/Holiday job, it got up to 29 employees.

At the end of 2010, with only 14 clients it reached a business volume of 1.5 million euros. This value is partly a consequence of the renewal and modernization school program initiated by the Portuguese government, which predicted the requalification and modernization of over 300 schools from 2007 until 2015.

During the next year, ALFA counted with an average of twenty-five employees and reached a business volume of 1.1 million euros, 26% above the value reached the year before. However, it increased its number of clients, making business with three new companies.

In 2012, ALFA continues to bet on its wide competences and know-how, increasing once

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again its number of clients, reaching at that time twenty-four clients in total. However, the company's administration, assuming a short-medium term vision, considered that, based on the work volume they had scheduled for that year (number of jobsites adjudicated), they had too many employees, which would lead to an underutilization of their workers. In this sense, ALFA went from 25 to 18 employees.

During this same year, the turndown in the construction and public investment started to be noticed, affecting construction companies and their subcontractors. This alerted ALFA that the national construction market had started to become saturated and that one of the ways to overcome the crisis, giving continuity to the growth and development of the company, would be to start exporting its know-how and operate in markets abroad.

Under these circumstances, a client (Metalworking Company) with which ALFA had established its first contract in 2011, gave ALFA an offer to provide a service in Spain. After thinking about the offer, ALFA decided to proceed, seeing in this job an opportunity to gain experience and knowledge regarding how to act in foreign markets and specially the particularity of the Spanish market, because being a geographically close market, it could be a country to consider in ALFA's future internationalization strategy.

This opportunity was reflected with a sales volume of approximately 39,000€, reflecting a business volume of 1.03 million euros by the end of 2012. It is important to refer that in 2012 ALFA was distinguished as a PME Líder¹²⁴, because of its economic, and financial performance and its risk profile.

In turn, in 2013 ALFA decreased its human resources again, ending up with an average of 15 employees. The year 2013, from the five years analyzed, was the worst year for ALFA because,

although it increased its number of clients, it was a year with a decrease in sales volume, reaching only 0.93 million euros.

This off coursing can be explained by the economic and financial crisis Portugal was going through, that had a strong impact on the construction and real estate sectors, considered a vital sector for the development of a country, involving not only the civil construction companies, but also all the other underlying companies. This way, 2013, also called "black year" was characterized by a decrease of the number of adjudicated jobsites, by bigger limitation to obtain credit, by uncountable insolvencies, culminating in a high extinction of jobs and consequently, in an increase of the unemployment rate.

According to Reis Campos, president of the industrial association of civil construction and public works (AICCOPN), the year 2013 "was a year where the sector lost about 7000 companies, knowing that in the last three years it lost 26000 companies. In all, it lost about 240 thousand workers."⁵ Considering this, many construction companies were forced to internationalize and look for new markets in order to be able to continue in the market and generate profit.

ALFA is one of many companies that were affected by the crisis, haven felt the reduction of the number of jobsites adjudicated and some delay on the reception of the payment of the jobs already concluded in previous jobsites. As a way to overcome this situation, ALFA tried to increase the number of clients and decided to analyze the possibility of internationalize, acting firstly as a subcontractor of other companies that already worked in the markets.

In this sequence, it is once again challenged by its client, for whom in 2011 ALFA executed a one time job in Spain, to develop another job in a worksite in France. Using the experience and knowledge acquired in the Spanish market and in

the relationship that the company had with this client, ALFA decided to execute the job considering this opportunity a good way to deepen their knowledge about how to negotiate in international markets and in how to act in the French market (a market that the company considers interesting to pursue with its possible internationalization strategy).

It is important to highlight that, despite the difficult year for the sector and the slight reduction on profits, ALFA renewed once again its statute as PME Líder and considering its results from the year of 2012, it was distinguished as PME Excelência' 13⁶.

In 2014, the construction industry in Portugal continued in crisis. However, it was possible to witness a slowdown in the turndown trend, when compared to the previous year, making businessman feel more confident in the industry's recovery. Also during 2014, the company continued to bid on its competences and know-how, becoming more predisposed to provide services abroad and to acquire new national and international clients.

As a result of its work in France and its relationship with its metalworking client, ALFA was able to establish contact with another construction company that already operated in in France for some years. This way, when that same construction company found out that ALFA was working in France, a country where it was actually interested in working, it proposed to ALFA to finish three clean carpentry jobs that it had already contracted, ending up adjudicating those jobs.

This new client generated near 70 thousand € of sales, becoming the second best client in a total of 29 clients in 2014. With this work increase, the ALFA needed to contract more employees to work in clean carpentry, increasing the team to 18 members.

On the date when the data was gathered, it was not possible to know the exact sales volume of ALFA; however, it was possible to see that 2014's sales volume was of 1.07 M€, a 32% increase in comparison to 2013. It is also important to highlight that this year ALFA renewed, one again, its status of PME Líder' 14.

In short, and looking at Table 5, during the five years ALFA's sales volume was not uniform, having years that, due to the above mentioned factors, it was able to pass 1 million € threshold and in others years it was not able to reach that level. We should also denote the reduction of human resources and the increase of the number of clients. Regarding their customer portfolio, it is possible to verify that the company, although it increased the number of clients, most of the sales volume continues come from one or two clients, a fact that will change with this new strategy on foreign markets, according the company's consideration.

Opening up to International Markets

As referred in the previous sections, the company analyzed works essentially in the Portuguese market. However, the economic instability and the civil construction's sector sharp decline made

Table 5. Synthesis of ALFA's activity (2010-2014)

	2010	2011	2012	2013	2014
Sales Volume	1.5 M€	1.07 M€	1.03 M€	0.93 M€	1.07 M€
Nº of employees (annual average)	≈ 26	≈ 17	≈ 18	≈ 15	≈ 18
Nº of clients	14	17	24	31	29
Sales volume of main client	1.4 M€	0.359 M€	0.53 M€	0.41 M€	0,75 M€

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ALFA rethink its strategy, seeking to diversify its client portfolio and bidding on new markets. By grabbing the opportunity of providing and supplying services in Spain and France, the company was able to acquire experience and knowledge in how to act in markets abroad and that brought ALFA the possibility of tightening their strands with these clients and instill a more conscious internationalization strategy, that is able to reach clients' needs and fulfil the company's human resources capacity.

The jobs, the experience and the contacts established until that date were translated into an increase in interest and in a predisposition to work in the French market. In turn, the company never discarded the possibility of expanding and internationalizing the business to other markets/countries.

According to Bradley (2004), the decision of selecting a market starts with an incentive that should be agglutinated to a conscious of specific market opportunities. This consciousness can arise in three forms: opportunistic, systemic and mixed. There is an opportunistic form when there are stimulus that catch the attention to an external market opportunity, making the company enter the market to respond to the opportunity. The systemic form is found when there is a comparative analysis of various markets, using pre-defined criteria that can be intrinsic or extrinsic to the company. The mixed involves the two forms already mentioned, evolving from an opportunistic approach to a systemic approach.

Initially, ALFA used and opportunistic approach, knowing that its entrance into the French and Spanish markets, relatively close markets in geographical and cultural terms, was due to an occasional order or consultation. However, and knowing that it craves to consolidate its position in the international market, the company follows a systemic approach, using an evaluation tool as a resort, which implies (Tookey, 1975): establishing a criteria for market selection, search the potential

markets, classify them according to the established criteria and selecting the most adequate.

Given this, and following a systemic selection approach, Table 6 presents the results of the market selection matrix, where a group of countries/markets with relevance for ALFA as a service provider was analyzed considering their attractiveness and the risk they represent. To refer that this is a complex tool and at the same time subjective, whereby the results shown are only elucidative of which are the best options for the company to consider. To complement this analysis other elements most also be considered to make the internationalization process conscious, responsible and successful.

In this sense, the first task to do is to select the countries/markets that are likely to be interesting for ALFA to follow its activity, from an economic, geographic and social point of view. Taking into consideration the company's resources and the presence abroad of its prime clients, ALFA wishes to follow a cultural and geographic proximity strategy. As such the following countries were considered in this systemic selection process: France, Spain, Brazil, Mozambique, Algeria, Morocco, Belgium and Angola. Next, indicators

Table 6. Synthesis of the market entry analysis

RISK	<i>Low</i>			France	
				Belgium	
				Spain	
	<i>Medium</i>			Algeria	
					Morocco
			Angola		Mozambique
			Brazil		
	<i>High</i>				
	<i>High</i>	High	Low	<i>Low</i>	
		<i>Medium</i>			
	Attractiveness				

that characterize the markets will be gathered considering the industry and sectorial potential. Those indicators are divided according to an attractiveness and risk analysis.

In a third phase and after gathering the data, the complete matrix is elaborated, usually named as taxonomic matrix. Constituted by a group of three tables, raw data, homogenized data and weighted data, it considers the attribution of a weight to each indicator analyzed, considering the influence it exerts in the company's productivity and profitability. This is a very subjective task, knowing that it depends on the analysis of the person that is elaborating the matrix.

This way, in the raw data table, the data is gathered independently of the unit of analysis; in the homogenized data table the raw data is made uniform to make them comparable and to create coherent conclusions; and in the weighted data table it is presented the importance that each indicator exerts in each one of the analyzed countries, being, this way, very dependent of the weights given to each indicator in the beginning of the matrix.

In ALFA's case the indicators gathered were: total population (total population of each country, in units, based on 2013); gross domestic product (GDP) per capita (the country's GDP divided by the total population, in dollars in current prices and based on 2013); real growth rate of the GDP (growth percentage of the GDP of a specific country in 2013); the contribution of the construction sector in the growth rate of the GDP (contribution of the construction sector in the GDP growth of a determined country, in percentage terms, based on 2014); jobsite construction license (number of authorizations conceived by the municipal council, under the specific legislation of construction execution, based on 2014); price/m² of construction in the capital (price per square meter to buy a house in the center of the capital city of the country in analysis, based on 2014); business start-ups (number of companies operating legally

in the country in analysis, based on 2013); index of governmental transparency (transparency of the government, according to the information about its constitution, functioning and management, being relative to the year 2010 and measured in a scale of 0 (high corruption) to 10 (high transparency)); global risk (includes diverse risks related to safety, macroeconomics, labor market, infra-structures, finance, legality, etc. being measured in a scale of 0 to 10 and relative to the year 2014); social instability (threat rate that the social protests represent to the government, being this referent to 2009/2010 and being presented in percentage); tax over profits (percentage of taxes and contributions that a SME should pay during a determined year, based on 2014); exchange rate (price of a monetary unit of a currency in monetary units of another currency); exchange rate volatility (exchange rate variation of each country in relation to the average of the used period, based on 2014).

As referred above, the indicators were divided with the aim of measuring the country's attractiveness and risk. As such, the first seven indicators refer to the attractiveness of the markets in analysis, while the rest of the indicators are relative to the risk inherent to operating in these same markets.

It is important to refer that, the most important indicators, and because of that with higher weights in the attractiveness category were: contribution of the construction sector in the growth rate of the GDP; jobsite construction licenses and price/m² of construction in the capital; and in the risk category: global risk, governmental transparency index and taxes over profits.

In order to analyze the results obtained, we categorized the criteria using a scale from 0 to 1, where zero (0) represents little attractiveness and one (1) very attractive; in the risk criteria we have zero (0), representing high risk, and (1), representing low risks.

This way, the results of the taxonomic matrix are presented in Table 6, making it possible to verify that according to the attractiveness criteria,

the most attractive markets/countries are Brazil and Angola, with values around 0.5; and the least attractive are Morocco and Mozambique, with values around 0.3. When it comes to assessing risk, the most interesting markets/countries are Belgium, France and Spain with a low level of risk (with value over 0.7) and the least interesting are Brazil and Angola that, when compared to other countries in analysis, possess a higher level of risk (rounding 0.5-0.6).

In this sense, we conclude that the countries that reconcile a good level of attractiveness and risk are France, Belgium and Spain, curiously markets where the company already had interest in operating. We should also highlight that although Angola and Brazil are attractive markets for the company, due to the low cultural distance, they have a medium risk associated to them, which indicates that if ALFA wants to bet on these markets, it would have to do so in a very conscious and responsible way in order to not “throw everything away”.

From Opportunity Analysis to the French Market

As it was possible to understand by the taxonomic matrix, the market that better reconciles both risk and attractiveness for ALFA to expand its business is the French market, knowing that it presents a medium attractiveness and a low risk. This was already a market in which ALFA was interested in and in which, coincidentally, the company has already some knowledge.

However, other markets are identified as very attractive for the company, such as Angola and Brazil. As reported, these were the markets that grew the most, on a civil construction level, being markets that attracted many Portuguese construction companies and human resources. Angola is a country that has evolved, during the last 10 years, from a war economy to an economy very

dependent of the oil industry. This way, the civil war that devastated the country in 2002 made the Angolan Government invest in the reconstruction and expansion of the infra-structures, which was reflected in an economic growth per capita of 1% between 2003-2007⁷. This, associated to the oil price inflation, made Angola considered one of the world's most growing countries on a worldwide level.

All these aspects, allied to the historical, cultural and linguistic proximity and to the sharing of social references makes Portuguese companies see Angola as a very tempting country. Angola is one of Portugal's most important trading partners, mainly as an exportations and investment location, knowing that the industries with the most Portuguese investment in Angola are wholesale and retail distribution, finance activities and construction. However, it is a country, as presented in the taxonomic matrix, that bears much risk and this is corroborated by Angola's market file, developed by AICEP, which indicates that the general, political and economic risk was B⁸, at the date of June of 2014. Moreover, according to the data of COSEC- May 2014, on a scale of 1 (low risk) to 7 (high risk), the credit risk is 5.

Beyond this, it is a country with a low rate of private investment, very dependent of the profits coming from oil and as in the economies that are rich in natural resources, their local currency is over-valued, consequence of the local industry's loss of competitiveness and lack of incentive to produce in other sectors. Including to these aspects the following factors: high bureaucracy; lack of transparency; large political instability; deficient and/or inexistent regulation; payment difficulties; currency inconvertibility; difficulty in controlling what is going on in the Angola market; and reduced internal market and weak purchase power were some of the reasons that made ALFA weigh well the advantages and disadvantages of entering the Angolan market. As such, ALFA decided not

to enter this market, considering that this market would not be ideal on for a first experience abroad (the company's comfort zone).

On the other hand, Brazil is now the first Latin American economy and the seventh among major worldwide economy ranking, having registered in the last decades growth rates superior to those verified in the previous last three decades⁹. Furthermore, it is a complex market and sometimes of difficult access because it is very protectionist, promoting development and growth of national companies and making it hard for foreign companies to enter and establish themselves in the market (high taxes over importation and high waiting periods in the customhouse), factors that decrease investor's confidence.

On the other hand, the progress of economic reforms, the comfortable conditions on an international level and the investment on social projects boosted the economy's growth, knowing that the realization of the Soccer world cup and the Olympic games of 2016 have generated a considerable growth of the civil construction sector, attracting many construction companies. However and considering again the matrix developed, it is possible to witness that this market has a medium risk associated to it. This data is confirmed in the country's market file made by AICEP in March of 2014, where the general, political and economic structure risk is BBB; and the credit risk is 3, two levels below Angola during the same period (COSEC, May 2014).

With a better economic and financial situation than Angola, the Brazilian market has some fragilities that discourage the internationalization of the company to this market, being them: the extreme protectionism; the complex financial system with importation taxes calculated in cascade; a high tax burden on importation; high operational and logistic costs; high tax rates; the complexity of the legal system; high bureaucracy; considerable costs of the labor market with a complex, rigid and

high turnover; the precariousness and deficiency of the infra-structures in some states of the country (North, North-East and Central-West states) and the high cost of living.

Beyond this, it is important to remember that although there is cultural and linguistic proximity, the business world in Brazil is different from the one in Portugal and that the establishment of partnerships, as well as a constant presence following closely the operations in the market is crucial for a successful presence in the market.

Given this, ALFA decided to start its internationalization process betting firstly on the French market, taking advantage of the opportunity that came up and seeing things as a form of learning, acquiring knowledge and establishing contacts and relationships, which in the future can enable an effective internationalization in this market, by establishing a branch, for example.

However, other factors were pondered and analyzed. One of them was the geographic, historical and cultural proximity, concluding that the fact both countries share the same European space makes things easier because of the free circulation of goods and people. Moreover, the numerous and respected Portuguese community that lives in the French market is a permanent link/union between the countries and a reason to dialogue. Another factor was that the risk of the country, when compared to other attractive countries (Angola and Brazil) was low, at the date of August 2014: risk of the country and economic structure A and political risk AA¹⁰.

On the other hand, another relevant factor to consider was the legislative and legal framework, verifying that France promotes and incentive policy in foreign investment, that is reverberated in its stable legal framework during the installation of a company in the country, having many solutions when it comes to statutes, depending on the sector of the company and its overall business strategy. Furthermore, investors can eventually

obtain some financial and tax support given by the French government, taking into consideration the fostering of economic development of different regions of France.

Other advantages that evoked the internationalization of ALFA to this market were the fact of the country having strong business structures with a high capacity to resolve problems; a relevant presence of the Portuguese banks and companies in the country; a dense and effective transport network and a good telecommunications network.

However, there are some aspects that ALFA should take into consideration, seeking to adapt itself in the best possible way, such as: the establishment of businesses in French language, demanding that the administrative and management staff can cope with correct written and spoken French language; the strong competitors of the Eastern European countries, due to their geographic proximity; and the difficulties in public procurement, knowing that the majority of them are won by French companies.

As a way to reduce these difficulties, ALFA considers that constructing and maintaining partnerships is important. In this sense, the company's goal is to consolidate its relationships with its French client/partner, in order to be able to create a solid position and gain market share, in order to sustain its future the expansion in that market, by establishing a branch.

CONCLUSION

Internationalization is a phenomenon that has been intensively researched over the last few decades from a variety of viewpoints, including: organization theory, marketing, strategic management, international management, and small business management (Ruzzier et al., 2006).

The beginning of the internationalization of research was focused on international activities of large multinational companies, resulting in main theories like: the internationalization

theory (Hollenstein, 2005), the transaction of cost theory (Coase, 1937; Buckley & Casson, 1976), the eclectic paradigm (Dunning, 1980) and the monopolistic advantage theory (Faeth, 2009). Only recently SMEs and their internationalization activities have been given closer attention in the academic literature. According to Ruzzier et al. (2006), this reflects the fact that several countries, particularly those experiencing balanced of payment deficits, have attempted to increase the international activities of their SMEs in order to boost economic growth, cut unemployment and create mini-MNEs in the future.

However, Crick and Spence (2005) argue that there is not a single theory explaining the process of internationalization and strategies adopted by a firm. Based on this perspective, this chapter sought to explain ALFA's internationalization process based on several theories: the network-based theory, the relationship orientation and entrepreneurial internationalization.

Awuah, Gebrekidan, and Osarenkhoe (2011) defend that the internationalization process occurs in an interactive environment that is established by a network of companies that include local and external actors. They also argue that the interaction of these actors in networks can help firms acquire activities, resources and the information necessary to engage in internationalization processes.

The international network approach developed by Johanson and Mattsson (1988) explains a process of internationalization based on business networks. They defend it is the relationships that a firm has with its customers, distributors, suppliers, competitors and government that underpin the internationalization of the firm; moreover, in this case study, ALFA was embedded in a network and its internationalization process was influenced by it, as shown in Table 7 that synthesizes the case study.

According to Johanson and Mattsson's (1988) typology, ALFA could be defined as an Early Starter, based on its recently expansion on overseas markets, its low degree of internationalization and

Table 7. Synthesis of the case study

	ALFA
Number of employees	18 (2014)
Type of products for the construction sector	Interior woodwork (doors, panels, furniture) and external coating.
Exports (%)	7% (2014)
International profile	Small and medium-sized firm. According to Johanson and Mattsson (1988) it can be considered an Early Starter, as a consequence of its limited knowledge of foreign market and recent experience in foreign markets; it has low degree of internationalization, operating in Portugal and recently in France.
International mode of entry	Opportunity driven perspective through medium-sized firms; ALFA had already had successful partnerships with them in the domestic market.
Entrepreneurial orientation	Entrepreneurs with a clear market oriented perspective. Entrepreneurs with a keen sense of opportunity seeking perspective. Well though strategy, setting aside interesting markets and betting on low risk market strategies.
Relationship orientation	The market entry in Spain and France has still to be nurtured. The relationship with its clients abroad is important in order to achieve a bi-directional perspective, in order to implement a win-win strategy. The relationship needs to be nurtured through a trust-commitment bond with its actual clients abroad. Once the experience is internalized, new ventures abroad might be tried.
Trust	Medium level of trust with its clients and suppliers in the construction sector.
Commitment	High level of commitment with its customers based on relational, long-term relationships.
Importance of Network	Very important, because ALFA, due to its recent internationalization, has not yet much knowledge about external markets, and it is easier to operate in these markets if ALFA is embedded in networks.
Main Resources	Human capital and strong technical skills. Strong entrepreneurial base.
Influence of the Client in the market selection	High. The construction sector and civil engineering firms have a strong influence on the market selection, because ALFA began its internationalization process through market opportunities.
Factors that strengthen the relationship	Long-term relationships. Trust and commitment. Close psychic distance (similarity of language, culture and customs).
Internationalization Future Perspective	Grow up its network relationships, create new customers/partners and maintain current relationships with its customers. Strengthen the firm performance in French market, with possibility of create a branch. Internationalization to other markets based on other market opportunities.

low degree of network involvement. However, as Johanson and Mattsson (1988) defend, Early Starter firms might be encouraged to internationalize by distributors or in close contacts with customers in foreign market. This situation occurred with ALFA as several business proposals were put forward by several potential clients operating abroad, namely in Spain and France. As such, after weighing the advantages of internationalizing to overseas markets, as Brazil or Angola, ALFA decided to by opportunity driven and acquired knowledge and experience in foreign markets as Spain and France.

As Johanson and Mattsson (1988) argue the internationalization process of the firm might be developed in three steps: extension, penetration and integration. As such, based on its recent internationalization pattern, it is possible to claim that ALFA's internationalization path is clearly based on extension, that is the first step carried out by ALFA to construct the network, either by itself or by attaching itself to an existing network. In this steep, the firm is involved in new types of immaterial investment (information, contractual relationship and partnership) that will connect the firm to its foreign partners (Lin, 2009).

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As noted throughout the chapter, ALFA is a SME, more specifically a small firm, that when it was established did not have as a strategic goal to produce or supply clean carpentry activities for international markets. However, the economic and financial crisis felt in the domestic market, and later in the construction sector, led ALFA to consider this possibility because it felt it has human resources, financial, technological and technical capabilities to succeed in international markets.

ALFA is aware that its only weakness is its lack of experience and knowledge in foreign markets. Based on this, ALFA preferred to be opportunity driven and work with clients it is already acquainted to and belong to a familiar network than venture in unfamiliar markets as is the case of Angola and Brazil, in which the risk are higher.

ALFA followed their domestic clients into the international markets. Clearly, it preferred to operate in low psychic distance markets, i.e. with similar characteristic relative to culture, industrial development and political systems. This means that, despite having customers in much more attractive markets (as is the case of Angola, for example), ALFA preferred to engage in geographically closer markets and at the same time more stable economic and political point of view, such as France and Spain.

As Hilal and Hemais (2002) argues, the firms internationalization process depends not only on foreign resources, but also on the networks that firm has been established, as networks make companies more interested in expanding internationally, interacting personally and professionally with their counterparts, achieving a lower level of difficulty in internationalizing.

The entrepreneur's role in the internationalization process is very important. Clearly, it can be noted that in the case of ALFA, once the precariousness of the domestic market emerged, the prospect of new opportunities detection came into play. France, Belgium, Algeria, Spain, Angola, Mozambique and Brazil were just some of

the markets systematically analyzed in the search for new opportunities. Within the entrepreneurial perspective, the act of internationalization can be considered as an entrepreneurial act. In the case of ALFA, the search for new opportunities was analyzed in a pragmatic way, trying to minimize risk and maximize profits. Moreover, knowledge in relationships is often concentrated in one person within the firm, so the entrepreneur plays a distinctive role in the internationalization process, which was the case of ALFA. As such, the involvement of the entrepreneur in external networks paved the way in the identification of international opportunities, and in establishing credibility for future, more intense relationships as Oviatt and McDougall (2005) claim.

If the entry into the French market has been achieved, ALFA is already facing new challenges: ALFA anticipates following a relationship-based strategy in order not only to maintain these relationships in abroad, but also to deepen them to take further advantage of the network in which it operates. In an entrepreneurial perspective, if the market entry has already been achieved, the relationship has to be deepened, in order to give the strategy a mid-term perspective.

Finally, it is possible to conclude that the internationalization process is very important to all firms, given not only the growth of international trade and the globalization of markets, but also what they represent in terms of new windows of opportunities. For an SME such as ALFA, when well-planned and structured, it is a boost in its growth and increased profitability. It also represents local development and jobs creation, which otherwise could have been lost. However, this process requires some caution, since it also involves some risks and costs, such as the difficulty in overcoming entry barriers, the appropriateness of the quality and versatility of the company's resources to the new market conditions and the dispersion of the company's efforts across markets (Moreira, 2004).

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KEY TERMS AND DEFINITIONS

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

Commitment: There is commitment, when both parties will invest in the relationship with aim of maintain and strengthen that relationship.

International Entrepreneurship: It is an approach that considers the internationalization of firms has a strong influence of the entrepreneur and the networks the entrepreneur has established with foreign actors. It usually follows an opportunity seeking approach typical from an entrepreneurial perspective.

Internationalization: It is a strategy carried out by firms that decide operate in foreign markets. It involves cross border transactions of goods, services, or resources between two or more firms or organization that belong to two different countries.

Network-Based Approach: It considers the internationalization process of the firms through their integration into networks and relationships. Following this perspective, the internationalization process occurs in interactive environments where a well-established network of firms includes local and external actors.

Relationship Orientation: It is a concept that addresses how firms seek to interrelate to each other. It is more specific than market orientation or customer orientation. It includes high level of trust, commitment and reciprocity and requires, not only that firms (buyers and suppliers) cooperate closely, but also that they have to overcome all its conflicts, in order to achieve common goals and benefit from a synergistic cooperation.

Small and Medium-Sized Enterprises (SMEs): Although there are plenty of definitions across the world, the working definition used in this document is the one that was created by the European Commission, to permit a coherent and effective access of SMEs to European community funds.

Trust: It is the belief that in an existing relationship, the actors or partners will act with the sole purpose of both parties have benefits with relationship.

ENDNOTES

¹ The SBA (Small Business Act) informative files are a part of the EU initiative that aims to support Small and medium-sized enterprises. They are published annually and are intended to promote a higher knowledge of the recent tendencies and national policies that affect SMEs (European Commission: SBA File, 2014).

² Otley and Berry (1994) identify four types of case study: exploratory study (that consists of the description and posterior analysis of data, looking to associate the description of the data to its theoretical explanation); the critic study (in which the analysis of a group of phenomena and with their confrontation with a theoretical proposal, makes it possible to analyze the adequacy or the consistency of those theoretical proposals); the illustrative study (in which starting from an existing theory, explores a concrete situation using that theory); and the accidental study (which is initiated accidentally, because of the inexistence of a previous research plan, or because of working with restrict data of a more broad study object).

³ This area is responsible for the execution, assembly and settlement, in the proper location, of wooden structures and elements or related products like doors, windows, frames, stairs, baseboards, wainscots and flooring, using manual and mechanical tools or machine tools. Source: cdp.portodigital.pt/profissoes/profissoes-com-futuro,2015

⁴ The PME Leader status is a reputation stamp for enterprises, created in 2008 by IAPMEI (Institute of support to small and medium-sized firms and investment), Tourism of Portugal and partner banks, to distinguish the merit of the national SMEs with superior performance, considering the

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best performance rating and risk profile of the companies. Source: IAPMEI

⁵ Source: interview to Antena 1 on the February, 5th of 2014.

⁶ The status PME Excelência the statute SME excellence is an initiative of IAMPEI, having as partners the banks and Tourism of Portugal, that aims to distinguish, based on the universe of SME leaders, the group of small and medium-sized companies that evidence the best performances and risk profiles, in the context of the national busi-

ness structure. In this sense, the companies are selected based on PME Líder criteria, fulfilling additionally other economic and financial criteria.

⁷ http://economico.sapo.pt/public/uploads/especiais_sp/angola.pdf

⁸ The risk of a country ranges from AAA, minor risk, and D, major risk.

⁹ Source: Brazil-Market File, May 2014, AICEP- Portugal Global.

¹⁰ Source: France-Market File, September 2014, AICEP- Portugal Global.