

# Chapter 16


## Does Theory Really Fit Real Life Situations?

### A Case Study on the Internationalization Process of a Technological Service–Based Firm

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#### **ABSTRACT**

*This chapter analyzes the strategic international formulation of a SME technological service-based firm to perceive the internationalization theory that best suits the company throughout its history. The literature review of the most studied internationalization patterns—Uppsala Model, Born Globals, Born Again Globals, and Born Regionals—allowed comparison of the main characteristics of each theory vis-à-vis the firm's internationalization. A synthesis table summarizes the main characteristics of the internationalization process of each model and presents a clearer view of the particularities of each. Analysis of the primary data and interviews provided by the company's CEO made it possible to compare the internationalization process adopted by the company with those characteristics, facilitating the process of identifying the strategy followed. The present case study took into account the theoretical model with the greatest similarity of characteristics with the path followed by the firm, as well as its learning and future plans.*

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## **INTRODUCTION**

With the globalization process, firms have changed their international behavior according to the dramatic shifts in the international environment. As such, the understanding of internationalization has been changing over time as a result of different interpretations of frameworks, theories, and basic assumptions (Ribau et al., 2015; Ietto-Gillies, 2012). Due to the growing international competition, several models and theories of internationalization have been used to categorize firms, namely small and medium-sized firms (SMEs), according to their internationalization behavior.

In their account on the evolution of internationalization, Ribau et al. (2015) provide a schematic analysis of the main internationalization theories, their focus and their underlying assumptions following a historical timeline. From this account, it is clear that economic theories have given way to behavioral theories and that the entrepreneurial perspective is emerging as a critical viewpoint in explaining the internationalization of SMEs.

If the Uppsala model has been extensively used, scale, scope, and speed are now essential tools used to categorize firms as born globals (BGs), born regionals or born again globals (BAGs), complementing traditional perspectives as the Uppsala model or the network-based approach. However, it is not uncommon nowadays to realize that some firms are labelled as INV, BGs, micro-multinationals, BAGs or born regionals – as if they really were – and soon afterwards, one realizes that the firm has been improperly labelled. Although no single theory exclusively explains the strategic behavior of a firm, taking into account a single case study, OMEGA, the objective of this chapter is to approach and relate four different internationalization typologies to a real-life situation in order to highlight the importance of adequately designating the typology of the international strategy the firms are really following. For the main characteristics of four theories of internationalization are going to be analyzed in order to identify which one matches OMEGA's internationalization profile.

OMEGA is an SME that is specialized in communications technologies. It is characterized by substantial capabilities and experience in wireless applications and systems that are integrated and customized to the needs of each client. Founded in 2000, OMEGA is a communications engineering company with an active Research and Development (R&D) component. Thus, this firm serves as an excellent example for the discussion of the four different typologies of internationalization that have been used to characterize the firms – Uppsala model, BG, BAG, born regional – in order to identify which theory would best fit the internationalization pattern of OMEGA. For that, this chapter analyzes OMEGA's external and internal contexts, as well as its internationalization strategy. To do this, a literature review regarding the most studied models and with which ones the company shares characteristics related to its internationalization process (*e.g.*, Uppsala Model, Born Global, Born Again Globals and Born Regional) will be carried out in order to compare and contrast the characteristics of each theory in relation to the OMEGA process.

The chapter is divided into the following six major sections: (1) the introduction, (2) the literature review, (3) the methodology, (4) the case study, (5) the discussion of the theories applied to this case, and (6) the main conclusions.

## LITERATURE REVIEW

### Uppsala Model

The diversity of topics covered, the different contexts in which SMEs operate, the different SMEs definitions, and the perspectives of analysis make the internationalization of SMEs a multifaceted theme (Ribau et al., 2018). Nevertheless, this theme has evolved and has been extensively studied in the last decades. Among the different perspectives that explain the main drivers influencing the internationalization of SMEs, the Uppsala Model stands out among the authors studying the concept of internationalization of SMEs as a process (Ribau et al., 2015; 2018).

Following an evolutionary perspective, the Uppsala model depicts the internationalization of SMEs as a gradual process based on a knowledge/commitment relationship, where market knowledge leads to a deepening of the internationalization of SMEs, leading to more excellent knowledge of the market, which in turn leverages the internationalization process. The Uppsala model is based not only on the characteristics of the organization but also on the management methods and on the characteristics of the environment that influence the transactional costs that lead companies to internationalize.

Originally, the Uppsala model describes the characteristics of the internationalization process of a firm, in addition to analyzing the ideal entry mode, which often starts with exports. It also analyses the costs, risks, and resources of the company (Karabulut, 2013; Johanson & Vahlne, 1977; 2009). According to this model, the company gradually seeks to incorporate its representatives into foreign markets, which would later be replaced by the company's own sales team until operations are established in the target market (Johanson & Vahlne, 1977; 2009). In addition, the Uppsala model argues that internationalization usually begins in foreign markets geographically and culturally close to the domestic market (*i.e.* those with low psychic distance) (Johanson & Vahlne, 2009). As the international market grows, the company gradually migrates to more distant markets both psychically and culturally.

With increasing knowledge about new markets, companies tend to increase the level of commitment and scope of operations, which may eventually lead to foreign direct investment (FDI) activities (Karabulut, 2013). The expansion and entry into foreign markets are perceived as a risky action and, as such, companies would need to acquire knowledge about target markets, reducing the potential risk of failure (Karabulut, 2013; Johanson & Vahlne, 1977; 2009).

The revised version of the original Uppsala model adds the business networks' perspective and their implications (Johanson & Vahlne, 2009). As referred above, the original Uppsala model is based on the assumption that developing knowledge is fundamental to the firm's internationalization and, in particular, that knowledge grows from international experience, being crucial to the learning process and the development of operations abroad. Given the recent business network perspective, the concept of relationship-specific knowledge developed through interaction among partners was added to the original model and includes knowledge about the heterogeneous capabilities and resources of network partners (Johanson & Vahlne, 2009). From the standpoint of business networks, previous management team relationships result in essential knowledge for internationalization (Johanson & Vahlne, 2009).

The revisited Uppsala model (Johanson & Vahlne, 2009) includes the internationalization business network and can be used to study both resource-seeking and market-seeking internationalization. Generally, the resource-seeking internationalization refers to the proactive action of the firm to internationalize in an attempt to obtain resources in better conditions (cheaper labor and natural resources). Although also proactive, market-seeking behavior aims at conquering international markets (to ensure or increase

market share), and may be the result of domestic market saturation or previous export experiences. In this proposal, the organization is seen as a unit of knowledge exchange and not only as a production unit.

## **Born Globals**

The development and increasing speed of information and communications technologies and the information exchange in real time have paved the way to globalization (Dicken, 2015). In the economic context, these changes give rise to a set of strategies that have allowed both large multinationals and SMEs to be present in international markets (Ribau et al., 2015, 2018; Coviello, 2015).

Globalization has given rise not only to a global geographic market, but also to global competition for global trade and investment (Zander, McDougall-Covin, & Rose, 2015). Also, it has created new competitive positions, where BGs and INVs stand out as examples of internationalization based on rapid internationalization processes where innovation plays a fundamental role in the early stages of the firm's internationalization process (Ribau et al., 2015).

The number of companies that conduct international business since its establishment is growing significantly throughout the world (Weerawardena, Mort, Liesch, & Knight, 2007; Coviello, 2015). BGs are companies that expand to international markets, taking advantage of both new global contextual conditions and new needs, which are founded on rapid internationalization approaches (Ribau et al., 2015). These new phenomena, which marked the beginning of the 21st century, have been studied by researchers seeking new theories to describe firms' internationalization (with particular attention to SMEs), trying to circumvent the ineffectiveness of the traditional theories of internationalization. However, the research that has been developed so far does not seem to be enough to anchor a new consensual theory about the definitions of new internationalization phenomena (Ribau et al., 2015). Despite the scarce financial and human resources that characterize most SMEs, born globals have been heavily involved in international business very early on. In short, BGs are business organizations that, from the outset, seek competitive advantages from the use of resources and the sale of products in several countries (Weerawardena et al., 2007; Coviello, 2015).

BGs have the following main characteristics: a global vision from the beginning of their business activity, managers with international experience prior to the internationalization of the company (making them aware of international opportunities), access to international networks, and a strong technological foundation with strong capabilities (Ribau et al., 2015).

BGs are young, entrepreneurial companies with a strong culture of innovation and a strong tendency to internationalize, eventually achieving a sustainable performance in foreign markets (Knight & Cavusgil, 2004). In fact, BGs may be characterized by a shortage of both financial and human resources, and may also lack equipment and other physical resources. However, they possess important essential intangible skills based on understanding foreign markets since the very beginning of their international evolution. It should be noted that BGs have a great ability to acquire knowledge, which is a crucial success factor for achieving superior international performance (Knight & Cavusgil, 2004). What gives BGs a competitive edge is the capacity to consistently acquire the new capabilities they need to compete in a variety of markets and to support their international expansion (Knight & Cavusgil, 2004).

A possible definition of a BG can be an early adopter of internationalization, such as firms that expand into foreign markets and show great capacity regarding international business and high performance from their foundation or immediately after (Knight & Cavusgil, 2004). Firms take advantage of their capacity to innovate, as well as their knowledge and internal capabilities to achieve notable success in

### ***Does Theory Really Fit Real Life Situations?***

foreign markets at the beginning of their development. As an example, exports have accounted for at least 25% of their sales within three years of starting up (Knight & Cavusgil, 2004).

Most BGs do not follow the traditional stages of the internationalization process since they were already “born” with the objective of operating in international markets (Ribau et al., 2015). Therefore, the main focus of BGs is on how early they become international, rather than their size (Oviatt & McDougall, 1994).

By adopting a proactive international strategy, these SMEs are mostly found in the areas of technology and services, but they can likewise appear in a variety of industries (Oviatt & McDougall, 1994). In this aspect, the more knowledge-intensive the industry is, the higher the dependence on local research infrastructure to internationalize the innovations arising from regional industrial clusters (Andersson, Evers & Griot, 2013).

The internationalization process does not necessarily use direct foreign investment, but instead strategic alliances in order to use foreign resources as a production or marketing capacity (Oviatt & McDougall, 1994). Moreover, a Born Global does not just enter global markets from the outset but does so by using local networks to obtain resources and accelerate the internationalization process (Andersson et al., 2013). Those networks directly influence SMEs’ internationalization, mainly local and cluster networks, which influence the way Born Globals are generated, thereby accelerating the whole process (Andersson et al., 2013).

### **Born Again Globals**

BAGs are well-established firms in their domestic market. Although generally without great motivation to begin the internationalization process, they can follow this path with speed and determination (Bell, McNaughton & Young, 2001). BAGs are companies that are focused on their internal market, but as soon as they undergo a strategic change, they adopt a global focus (Schueffel, Baldegger, & Amann, 2014). When compared to BGs, BAGs are organizations that only give less importance to local networks, as soon as they internationalize as a result of pressure from international networks (Andersson et al., 2013).

Typically, at the time of the internationalization process, BAGs behave in two ways (Kuivalainen, Saarenketo, & Puumalainen, 2012). At the initial stage, they do not obtain significant competitive advantages from using their resources and product sales in international markets. After the strategic change, BAGs begin to seek a significant competitive advantage from using their resources and competencies internationally. Consequently, sales of their products in international markets exceed 25% of international sales *vis-à-vis* their total sales within the three years following the strategic change.

This change has been explained by the influence of “critical incidents” such as reformulation of the management team, the focal firm being acquired by a competitor, acquisition of a firm with international operations, and customer influence, among others (Bell et al., 2001).

BAGs usually begin their internationalization process incrementally (Baum et al., 2015) with the main motivation for entering external markets being to exploit new resources and networks (Bell et al., 2003). These organizations usually are ‘late internationalizers,’ but when they do, they do it quickly, choosing to enter various markets at the same time and to adapt their products for those markets (Bell et al., 2003). Distribution is carried out through partners’ or clients’ networks via the creation of licensing contracts or the development of alliances with their stakeholders (Bell et al., 2003). For BAGs, the primary means of entry is the acquisition of subsidiary distribution firms that allow their internationalization (Andersson et al., 2013).

Many BAGs operate in knowledge - or technology-based industries (Kuivalainen, Saarenketo, & Puumalainen, 2012; Baum et al., 2015) or provide services in retail, and tourism industries (Bell et al., 2003). There is no time criterion associated with BAGs' internationalization. However, they internationalize between two and five years after their first international involvement (Bell et al., 2001), which can be between 15 and 50 years after the company's foundation (Andersson et al., 2013; Pinto et al., 2018).

In BAGs, the percentage of foreign sales is lower than in Born Globals but more significant than in firms that internationalized according to the Uppsala model (Baum et al., 2015). There is no specific number of markets in which BAGs have to do business with in order to gain this classification. However, to be considered true BAGs, they should form commercial relationships with at least five countries (Kuivalainen, Saarenketo, & Puumalainen, 2012). There is evidence that these firms are present in a low number of foreign markets, with the institutional distance from those markets being high and the cultural distance from international markets being intermediate (Baum et al., 2015).

## **Born Regionals**

The internationalization pattern of Born Regionals is quite similar to that of Born Globals.

Born Regionals internationalize shortly after their creation (a characteristic that both BGs and Born Regionals share in common), but focus their internationalization activities on countries in the same geographical area with a similar culture and/or business approach (Baum et al., 2015; Lopez et al., 2009). The reasons for SMEs choosing this path could be various. One example is the firms' ability to exploit the organization's specific advantages in its region, and so the need to operate abroad is minimized (Baum et al., 2015). In the case of small developing countries, in which internal markets are small, born regionals seek larger foreign markets in order to grow (Lopez et al., 2009).

Management's previous international experience is one of the most valuable resources in defining an internationalization strategy in Born Regionals, as managers' experience in global operations in their previous posts will have enabled them to coordinate multiple operations in different countries. Therefore, Born Regionals with managers experienced in working abroad have an advantage in achieving more efficient market penetration and exploiting growth opportunities, as business practices abroad and the needs of international consumers are better known and understood, allowing rapid growth in foreign markets (Baum et al., 2011). Concerning knowledge intensity, Born Regionals opt for differentiation strategies. Firstly, these are a vehicle for rapid entry to foreign markets in the early stages of the organization. Secondly, they serve as a source of competitive advantage. Nevertheless, BRs are also dependent on significant international income to amortize the cost of adapting products (Baum et al., 2011).

Born Regionals are less likely to be oriented towards learning, as they do not have to spend so much time getting to know the markets they wish to enter, as it occurs among BGs due to their geographical proximity (Baum et al., 2011).

Regarding turnover, firms choosing this internationalization path obtain more than 25% of their sales' volume from abroad (Kuivalainen, Saarenketo, & Puumalainen, 2012).

There is no information clearly specifying the main industries BRs focus on when internationalizing. However, there is a strong presence of technological firms (Lopez et al., 2009). As for the most common forms of entry, there is little information currently available. However, exports are a typical pattern in BRs' internationalization (Lopez et al., 2009).

Born Regionals and Born Globals are closely related, as both internationalization patterns are applied to companies that internationalize shortly after their creation. Indeed, many firms consider themselves

## ***Does Theory Really Fit Real Life Situations?***

BGs, but in truth, their behavior is much closer to that of a Born Regional. As they choose to do business with countries that are geographically and culturally close, as in the case of SMEs, it is difficult to have the necessary resources to set out on a truly global strategy at such an early stage of the organization's life (Lopez et al., 2009). The same occurs with multinational firms that are often considered global. However, a more detailed analysis of the markets where firms do business with reveals that 80.3% of their total income comes from the domestic region of the European Union, North America, or Asia triad (Rugman & Verbeke, 2004).

Based on the analyzed literature, it is noted that few studies focus on the long-term results obtained by SMEs (*i.e.*, there is a shortage of studies that would allow clear confirmation of the internationalization pattern bringing the best long-term results for organizations) (Kuivalainen, Sundqvist, Saarenketo, & McNaughton, 2012).

INVs are also seen to be a heterogeneous rather than homogeneous group, and their internationalization strategies cannot be chosen at random, but rather as a result of firms' inherent characteristics (Baum et al., 2011).

## **METHODOLOGY**

This empirical study investigates a contemporary phenomenon within a real-life context, in which the limits between the phenomenon and the context are not clearly defined. The case study method, proposed by Yin (2004), is one of the most common research methods used in social sciences. In this chapter the case study method is particularly appropriate as the aim is to understand, explore, and describe certain unique events that are complex, and where researchers have no control over the real occurrences taking place (Yin, 2004).

The case study methodology is particularly indicated to respond to questions like "how" and "why" (Yin, 2004), clearly indicating the exploratory nature of the research being carried out. Moreover, this case study method is based on a qualitative methodology particularly useful to explain complex and dynamic realities (Malhotra, 2017).

This chapter seeks to gather and analyze information about the company (history, mission, resources, evolution, etc.) known hereafter as OMEGA, whose real name cannot be disclosed for confidentiality reasons. Therefore, an interview was held with the CEO of the company at the premises of the company. The interview lasted for two hours and was carried out in May of 2018. The interview involved a structured questionnaire with open-ended questions, as the primary data collection method. The topics covered involved information regarding the history of the firm, leading products, main markets, and regarding their internationalization process - modes of entry, sales volume abroad, central markets, the timing of internationalization and motives for internationalization.

The qualitative analysis of data followed an inductive process, observing the recommendations of Morse (1994) and Lindlof (1995). This type of methodology does not try to find ultimate truths, but to report open accounts of data and information obtained, analyzed and interpreted. The validity of this one-case study is also supported by George & Bennett (2005), in a process-tracing approach, adequate either to uncover evidence of causal mechanisms at work or to explain outcomes in complex interactions, but can be particularly useful at examining the kinds of specific sequences in learning and diffusion processes.

In order to triangulate the information given during the interview, the data collection process included different sources of information (interviews, background information and secondary). The analysis of

secondary data included data available on the firm's website, as well as brochures and stationary material used for the dissemination of its services to its different stakeholders. Besides this, information available on the Internet based on two television interviews held with the CEO was also utilized. Moreover, the interviewee was willing to disclose information about the company, and subsequently, clarify all doubts that emerged *en route*.

Considering the exploratory nature of this research, the case study method was deemed appropriate to address the objective defined at the beginning of the chapter. The firm was chosen because it exhibited contextually rich data on the internationalization processes, supporting empirical research in the real-world setting (Eisenhardt, 1989).

The primary objective of the interview with the CEO was to understand the principal motivations that led the company to internationalize its activities, what markets the company was serving, and in what markets it is currently present. This information would be vital in order to classify the company according to the internationalization models analyzed. After the information was collected, the following models of internationalization were analyzed: Uppsala Model, BGs, BAGs, and Born Regionals.

For each internationalization strategy, it was decided to analyze the following characteristics, in order to assess how they fit according to each strategy: the moment of internationalization; motivation for internationalization; sales volume abroad; markets where the firm was present; speed of internationalization; and modes of entry. The characteristics are described below:

- Moment of internationalization, which seeks to assess how soon after its inception the firm internationalizes and its primary mode of international entry;
- The motivation for internationalization, which seeks to address if the firm seeks for resources in international markets or seeks to expand their sales volume abroad. This information is complemented by the passive or active involvement in international markets;
- Sales volume abroad. This information would support the rate of penetration in international markets that helps to characterize born globals and born regionals;
- Markets where the firm was present, which gives an idea of how international the firm is and, when complemented with the mode of entry, would support to categorize the international strategy the firm is following;
- The speed of internationalization. This information is vital to disclose how rapid the firm has entered in international markets; and
- Modes of entry, which clarifies the degree of involvement and risk in international markets the firm is willing to embrace.

These characteristics helped to match the type of strategy OMEGA follows. It is worth noticing that the aim is not to defend that the internationalization strategy is prescriptive regarding the characteristics of this strategy but instead to analyze and identify what characteristics match the four strategies analyzed.

## **CASE STUDY PRESENTATION**

This section contains a brief presentation of the company, its primary business activity, the industry in which it operates, some relevant indicators, and the markets it has been serving.

## **The Company**

Created in 2000, OMEGA is a communications-engineering firm located in Aveiro, Portugal, founded by four researchers at the Aveiro Institute of Telecommunications and alumni of the University of Aveiro. Today it focuses on the planning and construction of wireless networks, radio links, and other technologies in the field of unified communications. OMEGA is positioned in the market as a firm specializing in the services it provides, namely high technology wireless networks. For this reason, it has undertaken countless large-scale projects and managed to develop them in both the internal and international market. Its client portfolio consists of firms in various business areas, including health, local authorities, transport, utilities, energy, sports, and services.

OMEGA has strong technological competences in Wi-Fi networks, providing services and turnkey solutions for business-to-business markets, such as business firms, municipalities, hotels, retail outlets, logistics firms, hospitals, or high-density user locations. OMEGA works with all forms of technologies in wireless networks such as microwave connections for utilities or telecommunications operators, private networks or Internet of Things (IoT) networks. Therefore, it has become a specialized company in wireless technologies, directly or indirectly integrated into many national projects in this area, being an active, innovative firm involved in the development of new applications. Since its inception, corporate strategy has been based on the development of new technologies in order to provide innovative and value-added solutions to leverage its clients' competitive advantages in their areas of operation.

OMEGA's Business Plan for the 2016-2018 period defined ambitious goals, particularly concerning income from the international market in the areas of wireless and Unified Communications. Investment in R&D is predominant in the firm, shown in two ambitious projects to develop microwave radio and UHF, and in a single platform of Unified Communications, such as FScloudplatform, which is an open source solution directed to Carriers and Contact Centers, one of the priorities when aiming for a global market.

Currently, OMEGA provides its services and support to customers in Europe, Africa, America, and Asia. It has representations in Spain, Angola, Mozambique, Cape Verde, and Brazil.

OMEGA's increased visibility and recognition have been influenced by its continuous innovation and the desire to present the market with new solutions and knowledge in the field of information technology, making innovation one of the company's main strategies. This recognition is despite working with the technology integrators it used in developing its projects up until 2007. Since 2007, the company has provided its services through technology developed in-house.

With one of the firm's main strategies being to launch innovative solutions in the market, over the years OMEGA has created spin-offs with a view in generating independent technologies. OMEGA's first spin-off emerged in 2009, and the firm currently has four successful ones.

## **Analysis of OMEGA's Structure**

OMEGA is organized in five functional departments: a new product development department, commercial department, business development department, operations department, and business support department.

To be able to explain and organize thinking regarding the initial and evolutionary process of OMEGA's internationalization, the firm's timeline is presented in Figure 1. The primary objective of the figure is to facilitate analysis and understanding of the path this company followed in its markets.

According to the literature, the first significant contract obtained by OMEGA in the domestic market was the project developed for the National Statistics Institute in 2001.

OMEGA considers that its international experience followed the usual path of Portuguese SMEs. According to the administration, entering international markets was a very complicated process, mainly because the cultural difference between countries was challenging to overcome, despite common language being a facilitating element initially. OMEGA thought that entering the PALOP (Portuguese-speaking countries) market would be a relatively easy process, but this was not the case due to these countries displaying a very different culture from Portugal. An example demonstrating this limitation would be the firm's experience in Brazil. Despite, the initial impression indicating nearly 100% success based on positive feedbacks from meetings, the final decision showed otherwise as no single business was concluded.

The OMEGA's sales volume in the international market is represented in Table 1.

### Analysis of the Interview With the CEO

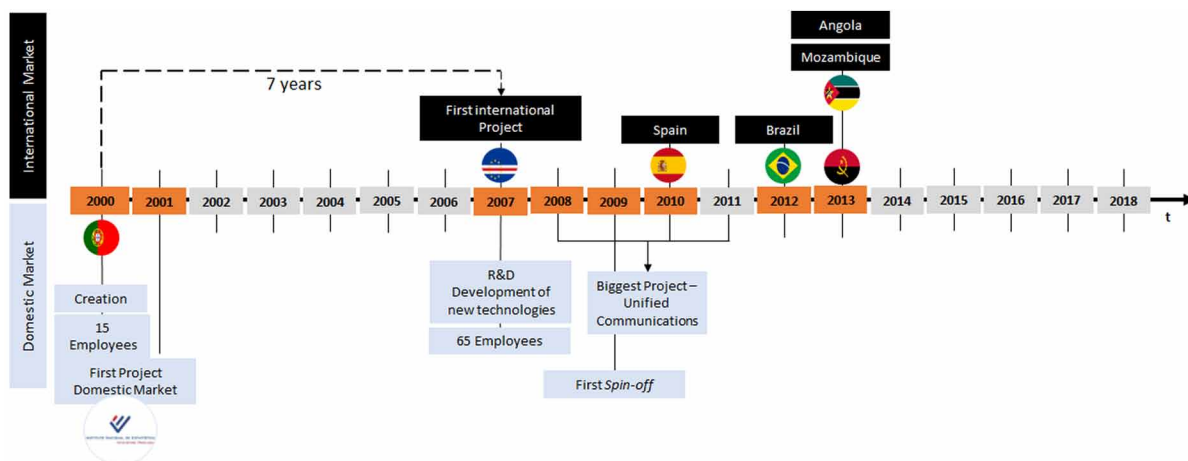
Although OMEGA has grown over the years, it is still an SME with sixty-five employees at present. At the beginning of the internationalization process, the firm had a staff of only fifteen individuals.

According to the CEO, OMEGA began to negotiate with international clients based on a meaningful relationship it had with a significant client at a time when the firm was growing. This negotiation occurred when the firm had existed for almost eight years. The first country where it had a presence was Cape Verde, a PALOP country. Currently, the firm is present in two continents, and conducts business in Spain, Angola, Mozambique, and Cape Verde (countries that are linguistically very close to Portugal)

Table 1. Sales volume in thousand euros

	2017	2016	2015	2014	2013	2012
Total Sales volume	4,520	4,542	5,783	2,631	2,854	3,406
Sales volume in International markets	858	2,114	2,911	559	974	1,130
% of sales volume in International Markets	18.98	46.54	50.35	21.24	34.11	33.16

Figure 1. Time line of OMEGA



### ***Does Theory Really Fit Real Life Situations?***

and has nearly 100 clients. The CEO mentions that internationalization processes outside the European Union have created several barriers for OMEGA.

Concerning modes of entry into foreign markets, the primary expansion strategy used by OMEGA was the creation of contract-based partnerships, both with local entities in the host country and with entities taken from Portugal to the foreign country. The company created an internationalization plan for each foreign country where it provides services since there is nothing in common between them and the specific nature of the project/service provided.

Finally, the CEO refers that on average, OMEGA obtains 33% of its total income from abroad.

### **Analysis of Other Interviews**

Secondary data from multiple sources was relevant, in order to compare and complement information released by the company. Therefore, two interviews with the CEO were analyzed: (1) on the “Mentes que Brilham” (Brilliant Minds) program on a regional TV channel and (2) on the “Network Negócios” (Business Network) program on a widely seen national TV channel.

In 2013, the CEO said in the first interview that the “*internal market is not sufficient for the firm’s ambitions,*” and so they decided to turn to international markets, particularly “*traditional markets for Portuguese companies, such as Spain, the PALOP countries.*”

In the second interview conducted in January 2018, the firm’s internationalization process was analyzed in some detail, namely the markets where it has had a presence, the projects in which it participated in, and data provided about the financial importance of these markets for OMEGA.

The company reports it is present in Spain, Angola, Mozambique, Cape Verde, and Brazil, but it has carried out projects in other countries such as China, Jamaica, Italy, England, Equatorial Guinea, and Romania as a sub-contractor of large national companies investing in those countries.

Concerning future internationalization plans, the CEO mentions that the priority is to make OMEGA an Iberian company, as he believes that by doing in Spain what they are doing in Portugal, could “*give a ten-fold increase in the firm’s business*”, since “*the world is too big*” and “*Spain is right next door*”. The company’s priority is, therefore, seen to include geographically adjacent territories.

## **DISCUSSION**

### **OMEGA’s International Experience**

With the discovery and help of the various searches and interviews, the coherence between the information found in the literature and provided in the interview stands out. According to the CEO in one of the interviews given, OMEGA grew with the support and reinvestment of its associates’ capital. The company’s first international project and experience was in Cape Verde, in 2007 (*i.e.*, seven years after its foundation). From the information given by the CEO, OMEGA decided to open a company in that country to respond to that project, originating from an application to an international competition organized by the World Bank.

It is noted that in the interval between the two television interviews, OMEGA’s strategy concerning internationalization changed. Although in the interview held in 2013, the CEO spoke of the need for internationalization as a form of growth, the 2018 interview demonstrated more prudence in approaching

international markets, particularly in the choice of markets for the firm to intensely focus on, as seen in the expression “*the world is too big.*” The bad experience in Brazil may have been the critical moment for the firm to change its focus to markets that are geographically closer, without closing the doors to possible opportunities that may arise in other markets.

Based on the characteristics of internationalization indicated in Table 2 – the moment of internationalization, motivation, income from abroad, markets where OMEGA is present, speed of internationalization and forms of entry – it was possible to make a more profound analysis not only of the firm’s plan and intention in internationalizing but also of the evolution and events occurring during the process.

**Moment of Internationalization**

The moment of the firm’s internationalization is one of the most determinant aspects concerning theoretical models. As observed in Table 2, in the Uppsala model, this occurs after developing the domestic market. In OMEGA, the firm’s first international project and experience was in Cape Verde, seven years after its foundation, in response to an application to an international competition held by the World Bank, and according to the CEO, because the “*internal market [was] not sufficient for the company’s ambitions.*”

Before the emergence of the defining concepts of BGs and BAGs, the literature indicates that in most cases the international paths followed by companies are characterized by a set of processes, phases, and patterns. That is, companies are assumed to follow different stages in their internationalization process (Kuivalainen, Saarenketo, & Puumalainen, 2012) and, therefore, a much more traditional orientation. Concerning the theory of BGs, the firm did not internationalize right at the beginning of its activity, and its orientation was not global. For that reason, OMEGA does not fit in with this approach.

*Table 2. Synthesis of theoretical models*

Characteristics	Uppsala Model	Born Globals	Born Again Globals	Born Regionals
Moment of Internationalization	After developing the domestic market	Up to 3 years after beginning operations	No time limit	Up to 3 years after beginning operations
Motivation for Internationalization	Resource-seeking and market-seeking	The initial goal for the creation of the company	Due to “critical incidents”	Market-seeking
Sales Volume Abroad	No established rule	More than 25% of the total volume of sales	More than 25% in the three years following the strategic change	More than 25% of the total volume of sales
Markets where they are present	Geographically and/or culturally close foreign markets	Global Markets	Geographically and culturally distant foreign markets	Geographically and/or culturally close foreign markets
Speed of Internationalization	Slow and incremental	Rapid	Incremental but rapid: several markets at the same time	Rapid
Modes of Entry	Low export commitment and gradual evolutionary perspective	Local networks	Acquisition of distribution subsidiaries and internationalization	Export

### ***Does Theory Really Fit Real Life Situations?***

For OMEGA to be considered as a Born Again Global, its internationalization could begin well after the three years following its foundation, or after the strategic change. Therefore, the situation fits what is observed in the case of OMEGA.

As for the Born Regional theory, companies following this strategy internationalize relatively early (sometimes after the first year of existence), something that did not happen in the case of OMEGA.

### **Motivation for Internationalization**

In assessing the reasons for OMEGA's internationalization, the interview in 2013 stands out, especially when the CEO mentioned that the "*internal market [was] not sufficient for the company's ambitions,*" and so turning to international markets was decided. The CEO's statement makes it clear that seeking foreign markets came at a time when the domestic market was already developed but insufficient for OMEGA's ambitions, which are characteristics that coincide with the Uppsala model. Generally, the search for internationalization is a proactive action aiming to conquer those markets, which may be the result of a saturated domestic market.

It is also important to mention that when it was founded, OMEGA did not have an international orientation, which goes against the principles of Born Globals' internationalization. Also in this regard, it is important to mention that the openness to risk, pro-activity, and very competitive nature are vital dimensions of firms considered to be Born Globals. OMEGA does not reveal any of these dimensions in the first years of its life, and so for seven years, the motivation for internationalization was not visible.

Regarding the theory of Born Again Globals' internationalization, it is fundamental to highlight that the first step into the international market was not planned, but arose following an application, which led to the firm's decision in continuing with its proposal. The firm's entry to external markets occurred due to the influence of a client and an unexpected opportunity in the market that the firm decided to embrace (which it considers as a "critical incident"). Although OMEGA may have reacted to the market, that behavior follows the Born Again Global approach (Bell et al., 2003).

There may also be some similar aspects with the Born Regional strategy, as these firms, particularly those in small countries such as Portugal, need to exploit foreign markets in order to grow (Lopez et al., 2009), as in the case of OMEGA.

### **Sales Volume Abroad**

The literature review on the Uppsala model did not make any reference to the ideal percentage of turnover in the international market. So, it is not possible to draw any relationship between the size of OMEGA's business abroad and the evolutionary theory. However, as the Uppsala model does not explicitly make any reference to the ideal percentage of sales volume overseas, it was decided to include this characteristic as OMEGA has resorted to certain contract-based partnerships with international players to expand abroad.

Concerning BGs, there is an agreement between the requirement underlying this theory and what occurs in OMEGA. Sales abroad are on average about 33% of turnover. Therefore, in this dimension, the requirement was not met due to not reaching this value within the first three years of activity.

According to the BAG theory, firms exploit their resources and competitive advantages in various countries as well as achieve an external sales volume of at least 25% three years after that strategic change (Kuivalainen, Saarenketo, & Puumalainen, 2012; Schueffel et al., 2014), which agrees with the

path followed by OMEGA. In the case of Born Regionals, it is said that companies usually obtain at least 25% of their turnover from international markets, which was witnessed in OMEGA, although not within the first three years of its operations.

## **Markets Where They Are Present**

The presence in geographically and/or culturally close markets is a common characteristic of the Uppsala model in which internationalization takes place in foreign markets that are geographically and culturally close to the domestic market (Johanson & Vahlne, 2009). Despite not beginning its internationalization process by exporting and above all by being an internationalization process based on projects, OMEGA became progressively involved in the external markets of the PALOP (*i.e.*, beginning the process in Cape Verde), believing the process would be relatively easy due to sharing a common language.

The CEO's plans for internationalization also reveal a concentrated search for geographically and culturally close markets. He believes that for OMEGA, the priority is to become an Iberian company entirely focused on expanding the Spanish market, in order to "*multiply the firm's business ten-fold,*" since "*the world is too big*" and "*Spain is just next door.*"

As seen previously, BGs are companies that take their products and services to markets that are also global. However, OMEGA and the path this company followed is far from being considered a Born Global firm.

Furthermore, when OMEGA internationalized, it covered markets where the language was the same hoping that this would facilitate business. Although some experiences were not very positive, the markets served by the firm at the beginning of its internationalization are considered, to some extent, culturally and geographically distant. This distance is influenced by the significant cultural differences experienced and felt by OMEGA, as in the case of Brazil. At first sight, this would classify OMEGA as BAGs. Despite OMEGA reaching culturally close countries like Cape Verde, its current presence in four markets does not amount to the necessary five markets or more within three years of its operation (Kuivalainen, Saarenketo, & Puumalainen, 2012).

Born Regionals concentrate on markets in the same geographical area with a similar culture and/or ways of doing business (Baum et al., 2015; Lopez et al., 2009). Considering this, OMEGA can meet this criterion to some extent, since the firm focuses on changing to markets that are genuinely close geographically and where the way of doing business is not very different from one found in Portugal (as in the case of the Spanish market). Besides, the firm is already present in some European markets, which agrees with the theory of the triad defended by Rugman and Verbeke (2004). Nevertheless, given its initial path, OMEGA cannot be considered as having the characteristics observed in Born Regional companies.

## **Speed of Internationalization**

Regarding the speed of internationalization, the Uppsala model considers international investment as an evolutionary process in which the organization gradually migrates to markets that are more physically distant, but still with less psychic distance in order to avoid the "liability of foreignness." As the organization gains knowledge about new markets, the level of commitment and scope of operations increases (Karabulut, 2013). That gradual evolution to culturally similar foreign markets is evident in the path followed by OMEGA.

## ***Does Theory Really Fit Real Life Situations?***

During the research and interviews analysis, it was perceptible that the firm neither went through previously planned stages nor followed a linear process of internationalization. Beginning with the analysis and debate between the international path followed by OMEGA and the BG theory, one can exclude this hypothesis due to the firm's seven-year lag in internationalizing. The time variable is fundamental for the firm's perception and characterization when considered as BAGs (Kuivalainen, Sundqvist, & Servais, 2007).

Similarly to Born Globals, Born Regionals also internationalize at an early stage of the firm's life and establish international business with various countries, which does not fit in with what was observed in OMEGA.

When analyzing the company's behavior concerning the BAG theory, OMEGA is a firm that began by focusing intensively on its domestic market, undertaking some highly visible and relevant projects without great interest in the international perspective, initially. These characteristics provide indications of BAG behavior.

## **Modes of Entry**

When observing the modes of entry, the expansion strategy adopted by OMEGA created contract-based partnerships both with entities in the external market and with Portuguese entities participating in international projects. According to the Uppsala model, the organization gradually includes the firm's representatives in foreign markets, and the organization's own sales team would subsequently replace these until operations in the destination market are established (Johanson & Vahlne, 1977; 2009). There is a notable similarity between the modes of entry described by the model and those adopted by OMEGA, which confirms the theory's suitability for the internationalization process followed by this firm.

In order to enter foreign markets, OMEGA established contact networks with partners mentioned previously, which is a behavior found in firms following the Born Global theory perspective.

It is noted that the BAG pattern is often used in the retail and services areas, which allows the use of franchising (Bell et al., 2003), licensing contracts or alliances with clients and/or suppliers as a way to enter foreign markets. Although OMEGA began the process as a result of a relationship with a client, there is no evidence of any alliance having been created with that client. Thus, it was concluded that the company does not follow the typical modes of entry of BAGs.

Despite the lack of available information, firms behaving according to the Born Regional pattern use exports as a way to enter international markets. Because OMEGA is a company dealing with the adaptation and assembly of wireless solutions, it is not considered to act according to the Born Regional pattern.

## **CONCLUSION**

The objective of this chapter was aimed at confronting four different internationalization strategy typologies in order to address the proper use of the typologies that are typically utilized to characterize business firms. For this purpose, a literature review of the most common internationalization models – Uppsala Model, BG, BAG and Born Regional – has been held to identify the one that most resembles with OMEGA's characteristics, internationalization process as well as their learning paths and plans for the future. Comparing and contrasting the main characteristics of each theory concerning the OMEGA's internationalization process was possible.

Table 3 presents the set of characteristics found in OMEGA according to each of the theories presented in the literature review section. According to Table 3, it is possible to conclude that the analyzed features neither matched a single internationalization model nor with the internationalization process stipulated by those models.

The analysis of the primary data obtained in the interview with the CEO, as well as the interpretation of the secondary data of the other two television program interviews allowed for the following conclusion: OMEGA's internationalization process occurred gradually according to the demand of the markets, at a time when the domestic market was already developed. This actions clearly signals a reactive behavior to the market. Moreover, the internationalization occurred to geographically and/or culturally close markets. This evolution of the knowledge/commitment relationship is suggestive of being very similar to the Uppsala model. According to Table 3, OMEGA matches six of the six characteristics of the Uppsala model.

With the collected information, it was also possible to compare the company's internationalization process with the BAGs theory insofar as it was a slow process, driven by an unplanned event, and seen as a momentary market opportunity that the company decided to embrace. In this way, it is concluded that the company shares similarities with the BAG internationalization process. According to Table 3, OMEGA matches four of the six characteristics of BAGs. Nonetheless, the BG or born regional perspectives are far from adequate to characterize OMEGA, as they would be entirely misleading concerning the behavior of the firm. As such, those who claim that OMEGA could be considered a born global firm or a born regional firm are mistaken by misjudging the OMEGA's journey reality. Although it would be possible to claim that in specific characteristics OMEGA could be considered a BAG, it would be adequate to consider it just another SME following the traditional Uppsala model. As such, those who name OMEGA as BG or a BAG are utterly wrong in their claims.

As provocative it may sound, one can claim that theory hardly fits all situations, as theories are hardly prescriptive in identifying the main characteristics of the firm's internationalization behavior. Clearly, it is vital to analyze first the characteristics of the firm's internationalization process and then can prescribe the best theory that categorizes the firm.

The method used to carry out the present case study took into account the theoretical models that resemble the most with OMEGA's characteristics and international as well as their learning paths and plans for the future.

*Table 3. Synthesis of OMEGA's behavior*

<b>Characteristics</b>	<b>Uppsala Model</b>	<b>Born Globals</b>	<b>Born Again Globals</b>	<b>Born Regionals</b>
Moment of Internationalization	x		x	
Motivation for Internationalization	x		x	x
Sales volume abroad	x			
Markets where the firm is present	x		x	
Speed of Internationalization	x		x	
Modes of entry	x	x		
<b>Total</b>	<b>6/6</b>	<b>1/6</b>	<b>4/6</b>	<b>1/6</b>

## ***Does Theory Really Fit Real Life Situations?***

Finally, the main conclusion taken from this study is that the international path taken by OMEGA does not entirely fit in any of the theories referred through the chapter. After this analysis, it is not possible to say that a single theory reflects OMEGA's internationalization. As such, the internationalization proposals analyzed in this case study are only stereotyped paths that firms can follow. However, the real path differs according to each organization due to differences in motivation, goals and knowledge, the impact they have on the pattern and speed of the internationalization process chosen, and the approaches the strategies adopted, which have been documented by scholars who advocated the existence of sub-standard and pattern variations (Olejnik & Swoboda, 2012, Kuivalainen, Saarenketo, & Puumalainen, 2012). It is imperative to take into account that the firm has to 'fit' the typology and not *vice versa*.

It is also appropriate to claim that some foreign markets where OMEGA operated were only international experiences and cannot be considered deliberate well-thought internationalization actions. This evidence can be seen in the CEO's speech, where a change in opinion was noticed about OMEGA's internationalization strategy during the time interval between the two interviews. This change is due to the greater prudence evidenced by the following comment: "*the world is too big.*"

The disappointing experience gained in Brazil was the critical moment for the company to shift its focus to geographically closer markets without, however, closing the door to potential opportunities that may arise in other markets. In parallel with the Uppsala model, this prudent behavioral change is possibly the result of learning from experience (*i.e.*, OMEGA gained knowledge about markets and increased the level of commitment to increase its scope gradually). The decision not to continue or decelerate this international path, despite contrary to the previous statement, could be understood as evidence of this reasoning, which would be following the predominant characterization of internationalization by the evolutionary perspective of the Uppsala model.

Finally, taking into account OMEGA's project-by-project business perspective that conditioned its international presence during the initial phase of its life, one may argue that although OMEGA shows some characteristics associated to the Uppsala model and Born Again Globals behavior. It is possible to conclude that the Uppsala model is the most appropriate one to explain OMEGA's internationalization path as the company has not yet embraced a strong presence in international markets as one would expect from Born Again Globals.

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## ***Does Theory Really Fit Real Life Situations?***

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## **KEY TERMS AND DEFINITIONS**

**Born Again Globals:** Are companies characterized as being focused on serving the domestic market and suddenly being able to radically change their strategic focus in order to increase their sales volumes in international markets.

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

**Case Study:** It is a qualitative research method customarily used in social sciences. It seeks to interpret reality from a particular perspective. It is typically used to answer questions like “how” and “why.” It is commonly used to address constructivist research processes.

**Culture:** It is the collective programming of the mind that distinguishes the members of one group or category of people from others and causes them to display more or less the same behavior in similar situations.

**Globalization:** It is a worldwide movement toward economic, financial, trade, and communications integration. It usually is 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 the 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 usually 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.