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.

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