

FACULTY OF ECONOMICS - UNIVERSITY OF PORTO

**From a hobby to an international business with the use of the
Internetisation Phenomenon to overcome internationalization
liabilities - Minimal Cork Case Study**

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Internship Report

Master in International Business

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Biographical note

Running the year of 1992, in an enchanted island in the middle of the Atlantic Ocean – Madeira Island, João Pestana and Maria Zita Pestana were blessed with their second child, Carolina de Andrade Pestana.

Through the years it was possible to observe her personality and it was not for no reason that her mother called her “the dispatch”, depending on others was not her thing, so what had to be done would be done. And so it has been.

From a very bad student in kindergarten and elementary school, to a good student in middle school to a very good student in high school, it was possible to notice when she likes what she is doing.

Moving from a small island to the country’s capital was just another step in her path – ISCTE Business School (2010) was her dream and there she went. During her Business Administration Bachelor she had the opportunity to go abroad – Czech Republic (2012) and Sweden (2013), where her interest for international cultures grew and led her into the Master in International Business at the Faculty of Economics in University of Porto (2013-2015).

Nowadays, ending another expedition in the academic world, it is possible to conclude that when you fight for your dreams in one way or another you are walking towards them, and it is only a matter of time until you reach them, establishing new goals and beginning a whole new journey.

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Obrigada.

Para os Joões e Marias da minha vida.

Abstract

This internship report is based on the activities developed during the academic internship occurred in Minimal Cork – a Portuguese company dedicated to the design and handmade production of decoration products using cork as its main raw material. This company was founded in 2013 by architect António Brito that despite its experience in previous business did not had any running a startup company. His wish to develop the company led to the search for an intern in order to expand the business overseas. However, due to the lack of management experience the company was diagnosed as strategically adrift. The lack of a business plan and a structured organization conditioned the development of an international marketing plan, requiring the establishment of a ground force able to support the company's sustainable development. Due to this factor the internship functions started by diagnosing the company's status – strategically adrift, and then proceeding into the internal (VRIO Framework) and external (Michael Porter Model and PESTE) analysis of the company enabling the definition of possible strategies (Strategic Matrix) – through the SWOT Analysis and Confrontation Matrix, and the implementation of the most suitable one's according with the company's mission, vision and values. During the internship, while studying the company's behavior, it was interesting to see how a company originated from a hobby managed to enter the domestic market and foreign markets without a business plan, using the Internet as an internationalization tool. These elements led to the elaboration of two articles entitled *From a hobby into an international business* and *Internet as an answer to Uppsala Model and the Network Theory's liabilities*. Through these articles it was possible to understand the company's path since its foundation – understanding the entrepreneur's traits, motivations and ambitions, and the role Internet had in the company's evolution in the market.

Keywords: *hobby; business plan; strategic drift; entrepreneurial traits; internationalization liabilities; Internetalisation; Internationalization; case study*

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1. Introduction

The present report was developed having into consideration the academic internship held by the author during the first semester of the academic year of 2014-2015 and has the purpose of contributing for the completion of the Master Degree in International Business.

The academic internship, incorporated in the academic program, is an opportunity to observe in real life some of the concepts and theories addressed in the course of the master. At the same time, it allows the student to understand how the market works in terms of soft skills, the market pace and how to adjust the academic knowledge retained along the years and the market specific characteristics and needs.

As a link between the academic world and the business world, it is important to highlight the university's role connecting students and professionals, promoting the interaction and knowledge exchange between parties. In a study conducted by Hergert (2009) the author had the opportunity to analyze the value of internships in business education, stating that "The business world becomes a laboratory for students to see how the material they have learned in the classroom relates to the practice of business" (Hergert, 2009, p. 10). Indorsing students into doing an internship also reinforces the university position in the market and allows its students to complement their studies with a practical side of the knowledge acquired along the way.

Founded in 2013 by architect António Brito, Minimal Cork is a Portuguese company committed to the production of designer products using cork and other recycled materials for home decoration. The intention of developing the company to its full potential led the owner to look for external help, contacting the Faculty of Economics of Porto in order to establish a partnership, giving students the opportunity to put in practice their knowledge and enhance their first job experience. As a result, combining the interests of both parties, it was possible to proceed to an academic internship allowing the student and company development, as well as promoting the university external relations.

The internship goals were focused on the development of marketing strategies with the purpose of launching the company into international markets through the analysis of the

domestic and external markets and definition and implementation of international marketing strategies. However, being a recent company the lack of structure, a business plan and clear goals, the need for planning was high. The first step was to do a diagnosis of the company's status creating a ground for the development of future strategies. The lack of a business plan to guide the internationalization process delayed the process, until then it was possible to verify that the company was strategically adrift. Therefore, in the beginning of the internship the activities developed consisted on the internal and external analysis – VRIO Framework, PESTE analysis and the Michael Porter's Five Force's Model, in order to identify the company's strengths, weaknesses, threats and opportunities (SWOT Analysis). Identified the main characteristics it was developed a Confrontational Matrix – based on the SWOT Analysis, allowing the finding of the competitive advantages to focus on. Once acknowledged the main aspects that the company should be concentrated on, it was possible to define strategies and study the most suitable ones. Through the definition of possible strategies the company decided to use the Internet as its main tool for internationalization, focusing on the rapid results and the geographical reach it has.

Once the company started to establish international partnerships – through sales representatives and selling its products online, it was curious to see how a company without any kind of business plan or structure managed to find its way into international markets. Merging the company's success and the academic purposes of the internship there was the possibility to study its internationalization path and how it was possible to go from a hobby into an international business through unconventional methods.

Considering the importance of this matter for the field – international business, and having the opportunity to observe firsthand how in practice a company can succeed abroad using Internet as its main internationalization tool, the course of the Internship Report was adjusted in order to include the research performed about this matter. The report is divided in two parts: The Internship and Academic Field. In part I – The Internship, the literature inherent to the case study will be exposed allowing the understanding of the empirical work developed, the adopted strategies and consequent results. In part II – Academic Field, there are two sections, each section representing one

article submitted and accepted for publication in international conferences. The first section addresses the creation of businesses based on hobbies and part-time entrepreneurial activities and how they became international businesses without the existence of a business plan. The second section deals with the Internetisation Phenomenon – the use of internet as an internationalization tool, and how through this tool small companies can overcome the main internationalization liabilities identified by Johanson and Vahlne's Uppsala Model (1977) and Johanson and Mattsson's Network Theory (1988). After exposing the two articles there will be a discussion about them, followed by the connection between both and the main conclusions possible to infer from the realization of this report.

2. Part I – The Internship

The first part of this report is focused on the internship at Minimal Cork. In order to facilitate the understanding of the developed actions, firstly, the literature associated with the empirical work will be exposed. Then, the company will be introduced, diagnosed and analyzed – through the analysis it will be possible to define potential strategies to adopt. Further in this part the adopted strategies will be presented as well as the results from its implementation.

2.1 Literature Review

The creation of an international marketing plan requires the consideration of several elements that in the domestic market are not relevant. In the elaboration of a marketing plan, for the domestic market or external markets, the company considers its external environment through the analysis of the industry, being prepared to face variables that are not controllable. In an international market the same happens, however, the proportions are higher due to the fact that each country's environment changes are characterized by unique traits that are also not controlled by the company (Cateora *et al.*, 2011). In order to provide the necessary tools for the creation of an international marketing plan - applied to the company Minimal Cork, the relevant tools for this case study will be presented.

The next segment will be dedicated to the tools that will be later used in the analysis of the case study. In terms of internal analysis the VRIO Framework will be used, as for the external analysis the recommended tools are the Five Forces Model of Michael Porter and the PESTE Analysis. In order to simplify the data collected, a SWOT Analysis will be developed, identifying the company's aspects with more potential. Through the analysis of these factors several strategies will be suggested according with the segmentation, target and desired positioning for the company.

2.1.1 Internal Analysis

The internal analysis consists on the identification of assets, capabilities, organizational processes, information, and knowledge, among others that allow the company to proceed with its activity and implement strategies in an efficient and effective way (Daft, 1983).

This is an analysis that must be done regularly following the company's resources at any given time. Belonging to a dynamic environment the resources are expected to change over time and their variation can change some of the internal factors, being necessary to adjust the company to those transformations (Peng, 2009). For a better analysis of the internal resources of the company and later on the external elements, it is important to start by understanding the company's mission, vision and values, elements that will guide the company in its actions.

- **VRIO Framework**

Barney (1991) suggested that the company's resources should be divided according to its nature in order to allow a better analysis, namely: physical resources, human resources and organizational resources. Physical resources includes all the technology used in the company, equipment, geographic location and the access to raw materials. In terms of human resources the elements considered are: training, experience, background, judgement, intelligence and relationships among all individuals regardless of their position. Lastly, the organizational resources cover the elements that belong to the company's formal structure including the information report, planning, control and coordination; and in terms of informal structure are considered the relationships between individuals and groups as well as their relationship within the internal environment (Barney, 1991).

The VRIO framework suggests that in a first phase the resources must be classified according to its Value, Rarity, Imitability and Organization. The valuable resources are those that add a high value to the products; rare resources are those hard to find in the market, both for the company and its competitors; imitability indicates the ability to be counterfeit by competitors; and the last criteria, the organization, indicates if the resource belongs or not to the company (Peng, 2009).

2.1.2 External Analysis

The company's external environment comprises all the elements that directly or indirectly influence the company's performance being factors that the company has no control over. For this analysis there are two tools recommended: the Five Forces Model of Michael Porter and the PESTE Analysis.

- **Five Forces Model of Michael Porter**

In 1980, Michael Porter published his model - figure 1, which permits the environment's analysis in which the company is inserted in, i.e. the industry it belongs to. This model allows the identification of the market's attractiveness through the analysis of its characteristics and the company's competitive advantages. The five forces considered are: bargaining power of buyers, bargaining power of suppliers, threat of new entrants, threat of substitute products or services and rivalry among existing firms (Porter, 1985). The analysis of these forces will enable the determination of the industry attractiveness considering the company's competitive advantages.

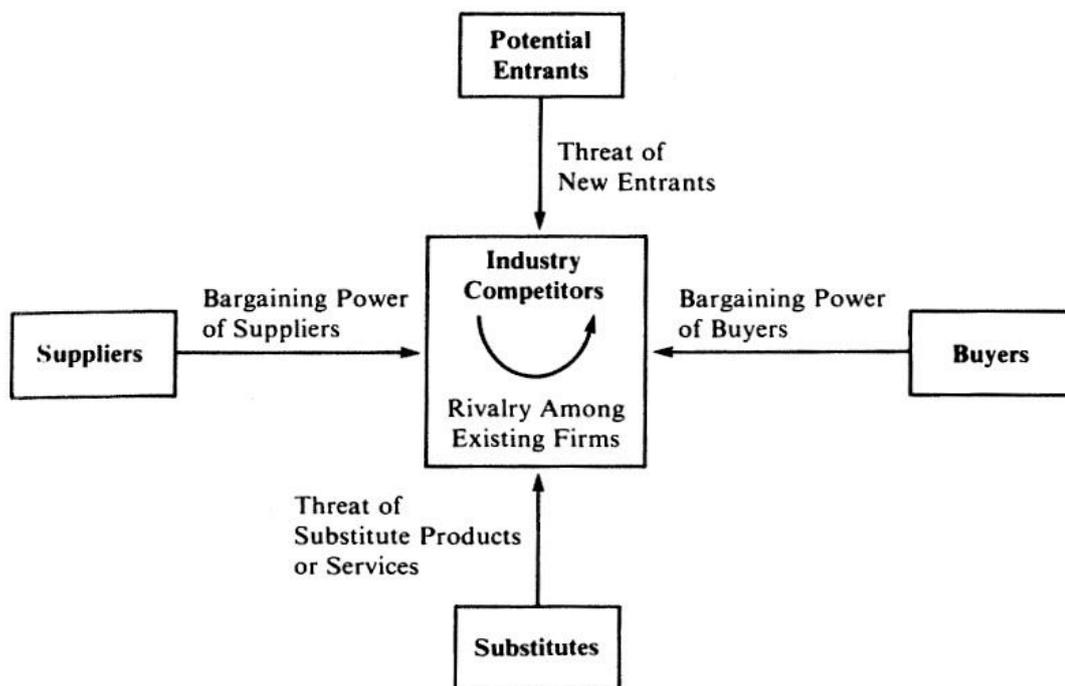


Figure 1 Michael Porter Five Forces Model (Porter, 1980, p.4)

- ***Bargaining power of buyers***

Porter (1985) defined this force as the negotiating power of buyers and the sensibility to price variations. Regarding the negotiating power, the concentration of buyers and companies must be considered. If the supply is high, i.e. if the level of product differentiation is high, the buyer negotiating power is higher due the diversity of available products in the market. The quantities acquired will also influence this force since it affects the quantities available in the market. Buying large quantities the buyer is generating a fluctuation on the markets balance leading to price variations (Porter, 1985).

In terms of price sensibility the aspects considered are the value and total quantity of purchases, differentiation of the purchased products, brand identity, impact on quality/performance and the decision-making incentives.

▫ ***Bargaining power of suppliers***

The bargaining power of suppliers has a strong impact in the price determination of raw materials and other materials crucial for companies' activities. The role of suppliers differ according to the type of inputs, capacity (production volume) and quality of production, existence of substitutes, suppliers concentration and the impact they have on the differentiation and costs of the value chain they belong to (Porter, 1985). This force also indicates the capacity suppliers have to increase/decrease prices and the quality of goods and services (Peng, 2009).

▫ ***Threat of substitute products or services***

The existence of substitute goods and services represents the ability that the buyer has in finding a similar product/service that can satisfy the same needs at a lower cost, compensating the quality reduction. This force is influenced by the consumers' propensity in acquiring substitute goods/services produced in the same industry or in different ones, generating the need in companies to pay attention to what happens in other industries (Porter, 1985; Peng, 2009).

▫ ***Threat of new entrants***

This force is highly influenced by the industry's attractiveness, being the return on the invested capital and potential profits the main factors that attract new entrants (Peng, 2009). In order to hinder the entrance of new players in the market there are some regulatory measures that influence the market, namely the existence of entry barriers. These barriers may be related to the existing bureaucracy, the few economies of scale that new companies will bring to the industry, the improper proliferation of products, insufficient differentiation, that is, consumers already have to recognize the brand and must have regular customers to bring to the new market (Peng, 2009).

The access to distribution agents is another aspect to consider since the company will have to negotiate with entities already established in the supply chain where its competitors will be. To avoid that the company can bring its own agents to the new market

influencing the industry balance in adding another new player even if with different activities (Porter, 1985). Finally, Porter (1985) and Peng (2009) highlight the role of governmental institutions and financial entities in this force, since they are the main responsible for legislation, incentive policies and the granting of investment credits.

- ***Rivalry among existing firms***

The last force to be considered is the rivalry among competing firms in a certain industry. The main elements are: growth, the relationship between the inherent fixed costs and value added by each company, the differentiation in terms of product and company, the identity of the brands, transaction costs, level of concentration of the industry and its balance, entities involved and exit barriers (Porter, 1985).

These elements represent the behavior of companies that already belong to a certain industry and its analysis will influence the decision-making process of new companies to invest or not in this market – factors that entail a higher and better level of resources (financial, human and/or material). Dealing with a high level of rivalry between competitors means a greater investment in marketing strategies in order to survive in the market (Peng, 2009). After the application of the Five Forces Model it is possible to gather the necessary information to determine the industry attractiveness as well as the advantages the company must have in order to enter said industry.

- **PESTE Analysis**

The PESTE analysis emerged from the need to consider the external environment at a political level, economic, social, technological and environmental, having into consideration the main external elements that influence the activities on a certain industry. With the objective of facilitating the subsequent application of this analysis to the case study – which is focused on the global market, the PESTE analysis will be focused on the factors that influence the company's presence in international markets.

- ***Political environment***

In terms of the political environment in the global market it is necessary to consider the dynamic between markets and the policies adopted in their relationships between markets and within the domestic market.

Focusing on the global market the political relationships among entities must be considered, since the entrance in one market might be affected by eventual political instabilities from which can emerge economic, legal or tax policies, among other factors that will hinder the company presence in the market.

In the case study context it is relevant the analysis and systematic consideration of the exchange rates and the Portuguese legislation in terms of external relations, in particular exportation policies. The existence of intra and inter commercial blocs relationships reflects several advantages, namely in terms of free circulation of goods and services between members, for example, the European Union. Opening the markets to international players will also influence the products receptivity, leading to the creation of importation barriers in some countries, being more difficult to enter in those markets.

Regarding legislation, the main factors to consider are the VAT regulation in each country; costumes policies, technical specifications for raw materials, labeling and packaging; lastly, the legal statutes applied to companies in an incubation phase.

▫ ***Economic environment***

Nowadays, the term “economic crisis” characterizes many international economies. However, despite the difficulties some countries/markets go through it is possible to identify emerging business opportunities.

▫ ***Sociocultural environment***

The analysis of the sociocultural environment leads to the adaptation of the company’s strategies to the targeted market. In order to understand how culture affects companies’ behavior it is important to define the concept of culture. In 1980, Hofstede defined culture as the collective mind-set of values and beliefs within a society. In 1990, Edward Hall adds that each culture is a world that operates according to its own dynamic, principles and laws (written or spoken), defending the existence of different cultures even within one country’s borders. One of the main aspects referred by the author is the role of communication between cultures and the method of information transmission. The interpretation of a message will be different according to the culture it is destined to, even if the content is the same. To explain this phenomenon Edward Hall (1990) identified two types of culture: high context cultures and low-context cultures. In a high context culture

the majority of the message is already implanted in the individual, low codification of the message, it is explicit and transmitted as the message content. On the other hand, there are the low context cultures, requiring an explicit codification of the message and a clear verbal communication (Hall, 1990). Identifying the type of culture the target market is inserted in is the first step to adapt the strategies, mainly in terms of the Communication Plan.

- ***Technological environment***

In this environment will be addressed the technological variables that will influence directly or indirectly the company's business. It is possible to differentiate technological variables on the supply side and on the demand side. On the supply side there are the e-commerce platforms, communication means and management tools that will allow the dissemination of products. On the other side, there is the buyers' access to communication and information technologies, namely the access to Internet and e-commerce data analysis.

- ***Environmental issues***

Nowadays, the environment represents one of the main concerns among companies. The industry conduct in terms of its environmental impact also affects the consumer behavior.

The growing environmental concern among consumers influences the company's actions about these matters. The search for eco-friendly products forces companies to adapt their processes to this requirement also due to new legislation that guarantees that the industry minimizes the impact their activities have on the environment.

2.1.3 SWOT Analysis

This analysis consists on the identification of the company's internal resources and the industry variables, categorizing them according to its contribution: a strength or weakness – in terms of internal resources; or an opportunity or threat – regarding the external variables. The classification of these elements will allow the company to understand the main resources to focus on – due to its positive or negative impact, and the influence of external variables in the company's business – as an opportunity to explore or a threat to mitigate.

The elements classified in the SWOT analysis will allow the elaboration of a confrontation matrix in which each of the identified internal elements will be confronted with the external elements, enabling a better understanding of its contribution for the company and the definition of strategies.

- **Confrontation Matrix**

The confrontation matrix is based on the SWOT analysis' elements and consists on the confrontation of the resources identified in the internal analysis and the variables from the external analysis. This matrix will indicate the variables the company should invest in, regarding to its high potential, and the variables that the company should pay attention to due to its negative impact in the company performance.

The identified variables will be analyzed by the company's management and decision-making responsible, having the final word about the strategies and investment in human resources allocation, materials and capital, in the leveraging of an opportunity or in mitigating a threat.

Once the decision-making process is concluded all the opportunities and threats are analyzed and after the company should proceed to the definition of marketing strategies that will allow the creation of a Marketing Plan.

2.2 The Company

Minimal Cork is a Portuguese company founded in 2013 by architect António Brito. The hobby of transforming cork into home decoration pieces took bigger proportions once family and friends became interested in those *art pieces* noting that it could turn into a successful business. Allied with family and friends António Brito realized that this idea had potential and created Minimal Cork.

The company's main concept is the creation and production of home and office decoration products with a minimalist and innovative design. The products have as main raw material Portuguese cork, being combined with other recycled materials. Included in the Home Decoration sector, Minimal Cork intends to stand out from the main players, focusing its products differentiation not only through its design but also developing a sustainable dimension.

Arising from a personal interest, this company has as main drivers the motivation and passion of its founder serving also as a guide in the decision-making process. Being a financial autonomous project allows the exploration of various aspects of the business, namely the organizational structure, internationalization process and external relations strategies. However, the lack of market knowledge regarding business structuring and marketing strategies is a factor that affects the business development. In order to create a foundation for a sustainable development the company needs to define a business plan where its main values, tools and goals are established, allowing the company's growth.

Regarding the resources involved in this project it is important to mention that this is a financially independent company – it is funded by equity, not depending on external entities. At the time, the company's human resources ensure all the activities, however the development of the project foresees the need to hire specialized people, in particular to assist the production, sales and operations management. For what concerns potential markets, the company predicts that its target will be concentrated in products with a high added value and specific requirements – defined as a market niche, and with the ambition of becoming an international business the company will be focused on a global market niche.

For the elaboration of a marketing plan for Minimal Cork it is mandatory to start by doing a profound diagnosis of the current situation, analyzing the internal and external factors and consequently the opportunities and threats characterizing the company.

2.2.1 Internal analysis

Primarily, in the internal analysis, the company's resources will be studied according with the VRIO Framework. One of the main problems found in the company's diagnosis was the lack of a positioning, not having a mission, vision or values established. This factor conditioned the business plan elaboration, requiring the analysis of the internal factors that characterize the company.

In order to proceed with the company's analysis the definition of its mission, vision and values was crucial, so the first step was to talk with António Brito about his expectations and thoughts, and cooperatively define these elements. The mission of the company was the first element to be discussed – representing what the company is, what it does and why it exists, it is the ground for the definition of the other elements. The mission statement is focused on the company's products and services, needs met and the business capabilities. Regarding the vision of the company, its definition should consider the expectations, motivations and main goals. The vision states where the company wants to be in the future in a broad sense. The last element considered is the company's values – the beliefs and norms that the company will adopt in the persecution of its mission and vision.

In collaboration with António Brito it was possible to state the company's mission, vision and values, serving as a bottom line for the application of the marketing tools that will allow the positioning of the company in the market and then the planning of strategies for the development of the company.

Mission: *The production of minimalistic designer items that allows our customers to experience innovation and eco-friendly products through the use of one of the most traditional raw materials – cork.*

Vision: *Making a difference through the potential use of cork in new sectors, becoming a reference in international markets for the innovation and sustainability associated with the products.*

Values: *Environmental concern, focus on customers' needs, center on creativity, diversity and innovation are the principles that guide Minimal Cork in the pursuit of the desired results.*

The understanding of the core elements about the company enabled a better comprehension of what could be done and allowed the analysis of the internal and external environment according with the company's objectives, means and beliefs.

Proceeding with the internal analysis – VRIO Framework, the data in table 1 represents the main resources identified, being classified by their value (V), rarity (R), imitability (I) and organization (O). The referential column (REF.) included must be read as the resource

$$S_i W_j, \quad i \in [1-20] \wedge j \in [1-16]$$

in which,

0 – does not apply to the resource

S – represents a strength in the position i in the correspondent list and,

W – represents a weakness in the position j in the correspondent list.

For the analysis of these resources it is necessary to have in mind that one resource can be included in both categories, they are not mutually exclusive. In this analysis each resource is analyzed as a strength for the company, a weakness or both. For this reason and for a better perception of the resource characterization each resource will be analyzed separately in table 2 – classification of internal resources. This table is organized according with the VRIO Framework being added information related with the impact that each resource has on the company's activities – a positive (strength) or negative (weakness) impact. This way it is possible to simultaneously elaborate the classification

through the VRIO framework (table 1) and the Strengths and Weaknesses (table 2) that contributes to the SWOT analysis.

RESOURCES	V	R	I	O	REF.
Physical					
Own Facilities	X			X	(S ₁ ;0)
Factory Equipment	X	X		X	(S ₂ ;0)
Office Equipment	X			X	(S ₃ ;0)
Human					
Creativity	X		X	X	(S ₄ ;W ₁)
Motivation	X		X	X	(S ₅ ;W ₂)
Informatics	X			X	(S ₆ ;0)
<i>Design</i>	X			X	(S ₇ ;W ₃)
Marketing	X			X	(S ₈ ;W ₄)
<i>Network</i>	X		X	X	(S ₉ ;W ₅)
Organizational					
Financing	X	X		X	(S ₁₀ ;0)
Access to raw materials		X		X	(S ₁₁ ;0)
Production - handmade	X	X	X	X	(S ₁₂ ;W ₆)
Production - control	X			X	(S ₁₃ ;W ₇)
Operations management				X	(S ₁₄ ;W ₈)
Prototyping	X	X	X	X	(S ₁₅ ;W ₉)
Quality	X		X	X	(S ₁₆ ;W ₁₀)
Customization	X	X	X	X	(S ₁₇ ;0)
Sales				X	(S ₁₈ ;W ₁₁)
Administration/Management				X	(S ₁₉ ;W ₁₂)
Strategic Management	X				(S ₂₀ ;W ₁₃)
Prices				X	(0;W ₁₄)
Brand reputation	X	X			(0;W ₁₅)
Distribution Network	X				(0;W ₁₆)

Table 1: Resources – VRIO Framework

Source: Constructed by the author for the case study.

Minimal Cork's resources (material, human and financial) have different levels of significance for the business development and for that reason the observation of table 2 allows a better understanding of the impact each resource as on the company – as a strength, weakness or both.

RESOURCES	REF.	STRENGTH	WEAKNESS
Physical			
Own Facilities	(S ₁ ;0)	Independence of processes; Control over assets; Fixed costs reduction	X
Factory Equipment	(S ₂ ;0)	Factory machines not used in the sector: time reduction; more precision	X
Office Equipment	(S ₃ ;0)	Access to required technology and office equipment	X
Human			
Creativity	(S ₄ ;W ₁)	Constant innovation; Large supply range	Lack of focus; Creative drift
Motivation	(S ₅ ;W ₂)	Human resources motivation and proactivity; Controlled ambition	Human resources emotionally involved
Informatics	(S ₆ ;0)	Technical support: launch of online stores	X
<i>Design</i>	(S ₇ ;W ₃)	Qualified human resources: design (products, packaging and web design)	Part-time collaborators
Marketing	(S ₈ ;W ₄)	Qualified and appropriate human resources: <i>know how</i>	Inexperience; Lack of internal orientation
<i>Network</i>	(S ₉ ;W ₅)	Personal and professional experiences (in and outside the country)	X
Organizational			
Financing	(S ₁₀ ;0)	Equity	X
Access to raw materials	(S ₁₁ ;0)	Close to suppliers	X
Production - handmade	(S ₁₂ ;W ₆)	High value added; Product differentiation	Higher cost of labor; Longer process
Production - control	(S ₁₃ ;W ₇)	Control over production; Low transaction time and costs	Partial quality control
Operations management	(S ₁₄ ;W ₈)	Value chain: <i>in house</i> ; Adaptation facilitated along the process	<i>know-how</i> and labor needed for the operations management
Prototyping	(S ₁₅ ;W ₉)	Flexibility to serve specific needs (e.g. packaging)	Segment without business plan
Quality	(S ₁₆ ;W ₁₀)	Certified raw materials; Qualified human resources	Small production fluctuations: product specifications
Customization	(S ₁₇ ;0)	Flexibility to customize products (B2B and B2C)	X
Sales	(S ₁₈ ;W ₁₁)	Product knowledge; Online sales: reduced fixed costs in a sales force; greater dissemination	Reduce/inexistent sales force
Administration/Management	(S ₁₉ ;W ₁₂)	Management previous experiences	Lack of a specialized management team
Strategic Management	(S ₂₀ ;W ₁₃)	Intern for the strategic development	Strategic drift – No business plan
Prices	(S ₂₁ ;W ₁₄)	Differentiation strategy	Dependent on the costumers purchasing power
Brand reputation	(0;W ₁₅)	X	Unknown in the sector
Distribution Network	(0;W ₁₆)	X	Inexistent

Table 2: Classification of internal resources – strengths and/or weakness

Source: Constructed by the author for the case study

- ***Material resources***

The possession of its own physical resources ($S_{1,0}$; $S_{2,0}$; $S_{3,0}$) – facilities, factory and office equipment – is one of the company's forces. Being independent of external entities regarding production and logistics suggests the company has an in-house business. Having in-house activities includes the transportation of equipment, raw materials and intermediary goods from the entrance of the warehouse to the assembly line, production phase until the product expedition (Dvorak, 2011), i.e. the process that begins with the acquisition of raw materials until the expedition of the product to the final consumer, which is controlled by the company.

- ***Human resources***

Regarding to human resources, there is a great diversity of in terms of work experience in their respective areas of activity. Starting with the creative and production process (S_4, W_1) - which is under Antonio Brito's responsibility, represents one of the company's main strengths – design and production (S_{12}, W_6 - *handmade*). Being an intangible resource Antonio Brito's creativity is valuable, rare, inimitable and own by the organization therefore it is a resource that constitutes a competitive advantage for the company. However, the constant creation of new products can also be considered a weakness from an organizational point of view, representing the lack of focus and defined objectives. In turn, the production process is equally a strength for the company despite the susceptibility to be counterfeit and improved. It is a process that can be made by machines even considering the raw material – cork, being a delicate material and requiring special handling.

Considering the origin of the foundation of the company – a personal project, Minimal Cork is susceptible to the emotional side of its human resources (S_5, W_2). It affects not only the creation and production of new products but also in sales, since they are based on the existent network, not having an established distribution network ($0, W_{16}$). Being a personal project the decision-making process is influenced by emotional aspects as anxiety for results and ambition for short-term success. In the decision-making process it is important to balance rationality with personal interests to guarantee a medium and long-term sustainable development. Although the emotional aspect is considered a weakness

it is being softened by the involvement of individuals (intern - S_8, W_4) impartial to the project – not having an emotional connection.

The company's technical support ($S_6, 0$ - informatics and S_7, W_3 - design) is crucial to the business development, exploring tools involving communication and information technologies that reduces the costs in complementary services, such as the existence of a physical store. Not being rare resources or difficult to imitate they are owned by the company and valuable for its activities.

As a rare and valuable raw material, the use of cork in untraditional sectors adds value to the products of different sectors where it is used. Therefore, Minimal Cork has a competitive advantage by using this resource in its products. However, even though it is a rare (geographically) and valuable resource it is imitable – there are synthetic substitute materials in the market, and it is not owned by the company – depends on the material's availability in the market and practiced prices.

- ***Organizational resources***

Regarding to the organizational aspects, the company has its own capital ($S_{10}; 0$), access to raw materials ($S_{11}; 0$), production ($S_{13}; W_7$ – technique, quality and control) and complementary services ($S_{15}; W_9$ – prototyping and $S_{17}; 0$ – customization). In terms of capital ($S_{10}; 0$), as mentioned before, the business is supported by its equity - not depending on external credit institutions – even though it has a limited investment, reducing the pressure of creditors for results and giving freedom in the operational and strategic decision-making process. Connected to this resource there is the production aspect ($S_{13}; W_7$) that being controlled by the company reduces the transaction time between processes. Though, being a handmade production the process should be longer than a standardized production, but it is not due to acquisition of industrial equipment adapted to this activity – the machines used by Minimal Cork are not used in the sector. Since these are handmade products the issues related with the quality (S_{16}, W_{10}) of the product is also important. The use of cork requires a careful handling – including gluing waiting times, specific cuts and proper pressing. These steps ensure a specialized treatment of the materials throughout the process, but do not allow the standardization of the process/product. Some of the characteristics will vary from product to product, in particular accurate measurements, cork texture, among others. Also, still related to the

production process, there is the issue of the capacity of production. Being a handmade product the volume of production is limited, conditioning the company's capacity of response to the costumers, but mainly it restricts the establishment of partnerships due to the lack of certainty in the production process.

The additional services of the company constitute one of its main strengths. The customization (S₁₇;0) of products and prototyping (S₁₅;W₉) of packages for other brands are services that allow the company to differentiate itself in the sector showing the adaptability of its resources to the market's needs.

The internal analysis of the company using the VRIO Framework allowed the identification of Minimal Cork's competitive advantages. In terms of strengths the main factors is its financial autonomy, the access to rare raw materials (quantity and quality), human resources – creative level and production skills, and its adaptability to the markets needs due to its flexible process. Concerning the weaknesses of the company, the ones that stand out are the lack of focus in the creation of new products - due to the absence of a business plan and positioning projections (S₂₀;W₁₃), the nonexistence of distribution channels (0;W₁₅), the fact that the brand has no market value (0;W₁₅) and the high practiced prices (S₂₁;W₁₄).

2.2.2 External analysis

After analyzing internally the company the next step is to consider the external factors. Having that in mind, and as a starting point, it will be applied the Five Forces Model of Michael Porter and the PESTE Analysis to the identification of opportunities and threats for the company in the market.

The opportunities and threats identified regarding the external analysis are based on the variables obtained through the analysis of Michael Porter's Model (figure 2) and the elements from PESTE Analysis (table 4). The elements identified in these analysis were provided by the company through the knowledge acquired so far.

The application of Porter's Five Forces Model – figure 2, is focused on the industry the company is inserted in – decoration. This analysis studies the behavior of the entities that belong to the sector and studies their behavior and how it can influence the company's

external environment. In the application of the model to Minimal Cork’s case study the main elements that influence the company’s activities were exposed. The elements on figure 2 will be later – in table 4, characterized according to its influence – an opportunity, threat or both.

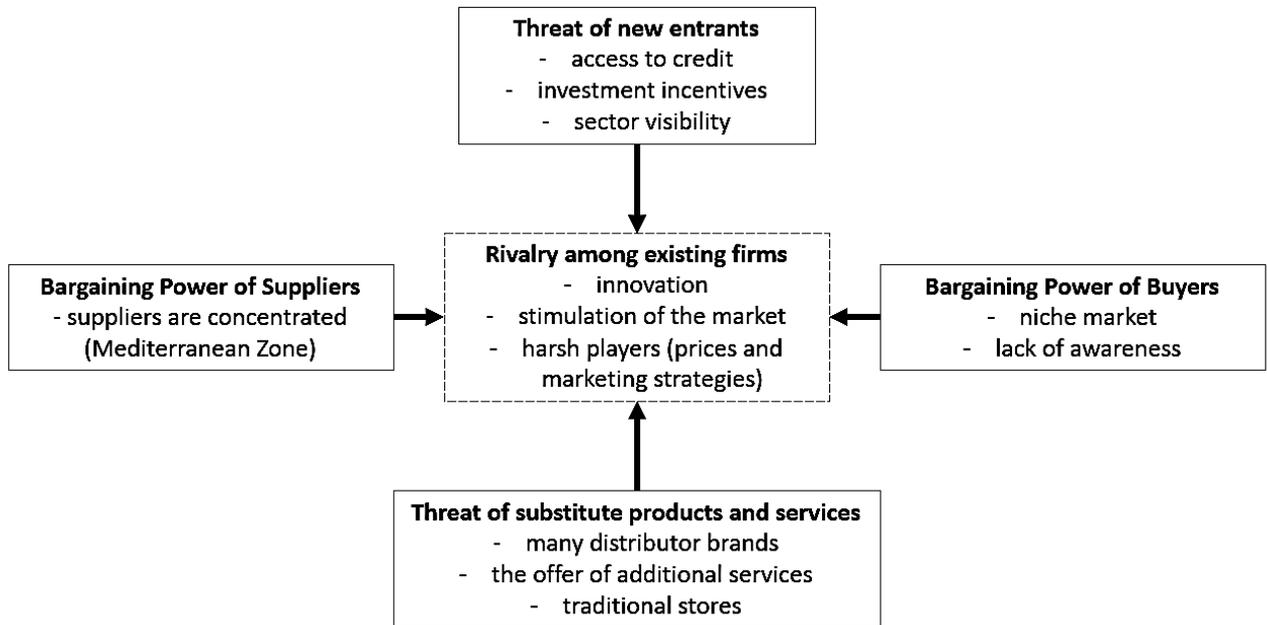


Figure 2: Application of Michael Porter’s Five Force Model
Source: Constructed by the author for the case study

Regarding the analysis of the external environment – not focusing on the industry the company belongs to, table 3 exposes the main elements identified by the PESTE analysis. Each variable presents the elements the company should consider while developing its strategies. Similarly to the elements identified through Michael Porter’s model, the elements of the PESTE Analysis will be included in table 4 for the understanding of their influence on the external environment as an opportunity, threat or both.

Political	Economical	Sociocultural	Technological	Environmental
<ul style="list-style-type: none"> ▫ Exportation/importation policies ▫ Internationalization incentives ▫ Taxes (legislation) ▫ Patenting (legislation) <ul style="list-style-type: none"> ▫ Raw materials certification (legislation) 	<ul style="list-style-type: none"> ▫ Business creation incentives ▫ Credit access ▫ Global economic crisis 	<ul style="list-style-type: none"> ▫ Cultural barriers (language) 	<ul style="list-style-type: none"> ▫ Access to communication and information technologies ▫ Ecommerce ▫ Patenting 	<ul style="list-style-type: none"> ▫ Cork industry ▫ Demand for eco-friendly products

Table 3: Application of PESTE Analysis
Source: Constructed by the author for the case study

The elements obtained through Porter's model and PESTE analysis will be characterized as an Opportunity or Threat (table 4), constituting the last two elements for the SWOT Analysis. The table's referential column must be read as the element

$$O_i T_j, \quad i \in [1-17] \wedge j \in [1-15]$$

in which,

0 – does not apply to the element

O – represents the opportunity in the position i in the correspondent list and,

T – represents the threat in the position j in the correspondent list.

Similarly to what happens with the internal resources, the external elements do not have an exclusive classification, i.e. an element can constitute an opportunity, a threat or both.

ELEMENTS	REF.	OPPORTUNITY	THREAT
Five Forces Model of Michael Porter			
Bargaining power of buyers	(O ₁ ;T ₁)	Niche market – low bargaining power	It is not a customer's need yet
Bargaining power of suppliers	(O ₂ ;T ₂)	X	Sector concentration
Threat of substitute products or services	(O ₂ ;T ₃)	New activity in the sector (differentiation)	High number of substitutes; High imitability level; Development of similar products
Threat of new entrants	(O ₃ ;T ₄)	More players in the sector leads to more visibility	High attractiveness to new companies; Premium products
Rivalry among existing firms	(O ₄ ;T ₅)	Leads to a process of constant innovation; market stimulation	Harsh players in the market: prices and marketing strategies
PESTE Analysis			
Business creation incentives	(O ₆ ;T ₆)	X	Increase of companies in the market
Credit access	(O ₅ ;T ₇)	Credit for R&D, Marketing.	Advantage for new companies
Internationalization incentives	(O ₆ ;O)	Belonging to an international sector; dissemination of the sector	X
Exportation/importation policies	(O ₇ ;T ₈)	Advantages over international competitors (UE policies)	Taxes; bureaucracy; licensing
Global economic crisis	(O ₈ ;T ₉)	Increased concern about quality-price relation	Higher costs: raw materials and production
Taxes (legislation)	(O ₉ ;T ₁₀)	Application of national policies due to political uncertainty	Activity higher costs
Cultural barriers (language)	(O ₁₀ ;O)	Language adaptation: use English in online stores	X
Access to communication and information technologies	(O ₁₁ ;T ₁₁)	Global increasing access to new technologies	Internet instability in some countries
Ecommerce	(O ₁₂ ;T ₁₂)	Growing tendency for online shopping	Insecurity about online payments
Patenting (legislation)	(O ₁₃ ;T ₁₃)	European and international patent protection – UE/OMC	Additional costs
Patenting (technological)	(O ₁₄ ;T ₁₄)	Patenting ease and product/idea protection	Constant emergence of new products; imitation risks
Cork industry (environmental aspect)	(O ₁₅ ;O)	Industry internationalization; cork properties recognized in several sectors; environmental and quality certification	X
Demand for eco-friendly products	(O ₁₆ ;O)	Increasing environmental concern	X
Raw materials certification (legislation)	(O ₁₇ ;T ₁₅)	Mandatory raw material certification; higher suppliers credibility; higher value added to the product	Higher costs for suppliers lead to market fluctuations (price and quantities)

Table 4: External elements – opportunities and/or threats

Source: Constructed by the author for the case study

From table 4 were extracted the main variables Minimal Cork should consider as an entity in this industry.

The first element analyzed is the force: bargaining power of suppliers (O₁;T₂). Being the main raw material used, cork is a material characteristic from a specific region of the globe – the Mediterranean zone (APCOR, 2014), meaning that the suppliers are located in the countries in this area leading to an industry geographic concentration. This element will influence the acquisition of raw materials since the geographic concentration led to an industry concentration – few players detain a large market share. Due to the reduced number of players the company has to accept the prices practiced and the quantities available.

Regarding the threat of substitutes (O₂;T₃), the sector the industry is inserted in – home decoration, has numerous players with different standings, objectives and market shares. The presence of many distributor brands is intense metropolitan cities. Companies as IKEA are known worldwide because of its products quality-price relation and the offer of additional services. As substitutes there are also the traditional stores and brands as *Gato Preto* and *Zara Home* that have an established presence domestically and abroad (APCOR, 2014).

Nowadays, there is a great ease to start a company and in the globalization era having an international presence can be considered a need for some companies. In the force “threat of new entrants” (O₃;T₄), Minimal Cork will be considered as one of the new entrants. As a recent company in the market it can serve as an example of how simple the process of founding a company is. Even though it is recently present in the market it is possible to refer some clear entrance barriers: legal constraints, financial impediments and market restrictions. To overcome these constraints there are other elements to consider: the easy access to credit (O₅;T₇) and the investment incentives (O₆;T₆). These elements are a reality in the domestic market but also in international markets. During its creation the founder of Minimal Cork was exposed to several attractive credit solutions and institutional incentives to the company creation. Factors like these represent the easiness to create a company, even if it is a business with a low success rate.

To conclude, the search for eco-friendly products (O₁₆;0) and the required raw materials certification (O₁₇;T₁₅), reinforces the concern with the environmental sustainability – one of the main elements in the company’s activity. The use of cork and recycled materials is an important part of the production process, but it also represents the company’s environmental concern constituting one of the company’s organizational values. This concern and the development of eco-friendly products also represent a guide line for the company, being a differentiator factor in terms of design and sustainability.

2.2.3 SWOT Matrix

Strengths		Weaknesses	
(S ₁ ;0)	Own Facilities	(S ₄ ;W ₁)	Creativity
(S ₂ ;0)	Factory Equipment	(S ₅ ;W ₂)	Motivation
(S ₃ ;0)	Office Equipment	(S ₇ ;W ₃)	Design
(S ₄ ;W ₁)	Creativity	(S ₈ ;W ₄)	Marketing
(S ₅ ;W ₂)	Motivation	(S ₉ ;W ₅)	Network
(S ₆ ;0)	Informatics	(S ₁₂ ;W ₆)	Production - handmade
(S ₇ ;W ₃)	Design	(S ₁₃ ;W ₇)	Production - control
(S ₈ ;W ₄)	Marketing	(S ₁₄ ;W ₈)	Operations management
(S ₉ ;W ₅)	Network	(S ₁₅ ;W ₉)	Prototyping
(S ₁₀ ;0)	Financing	(S ₁₆ ;W ₁₀)	Quality
(S ₁₁ ;0)	Access to raw materials	(S ₁₈ ;W ₁₁)	Sales
(S ₁₂ ;W ₆)	Production - handmade	(S ₁₉ ;W ₁₂)	Administration/Management
(S ₁₃ ;W ₇)	Production - control	(S ₂₀ ;W ₁₃)	Strategic Management
(S ₁₄ ;W ₈)	Operations management	(S ₂₁ ;W ₁₄)	Prices
(S ₁₅ ;W ₉)	Prototyping	(0;W ₁₅)	Brand reputation
(S ₁₆ ;W ₁₀)	Quality	(0;W ₁₆)	Distribution Network
(S ₁₇ ;0)	Customization		
(S ₁₈ ;W ₁₁)	Sales		
(S ₁₉ ;W ₁₂)	Administration/Management		
(S ₂₀ ;W ₁₃)	Strategic Management		
(S ₂₁ ;W ₁₄)	Prices		
Opportunities		Threats	
(O ₁ ;T ₁)	Bargaining power of buyers	(O ₁ ;T ₁)	Bargaining power of buyers
(O ₂ ;T ₃)	Threat of substitute products or services	(0;T ₂)	Bargaining power of suppliers
(O ₃ ;T ₄)	Threat of new entrants	(O ₂ ;T ₃)	Threat of substitute products or services
(O ₄ ;T ₅)	Rivalry among existing firms	(O ₃ ;T ₄)	Threat of new entrants
(O ₅ ;T ₇)	Credit access	(O ₄ ;T ₅)	Rivalry among existing firms
(O ₆ ;0)	Internationalization incentives	(0;T ₆)	Business creation incentives
(O ₇ ;T ₈)	Exportation/importation policies	(O ₅ ;T ₇)	Credit access
(O ₈ ;T ₉)	Global economic crisis	(O ₇ ;T ₈)	Exportation/importation policies
(O ₉ ;T ₁₀)	Taxes (legislation)	(O ₈ ;T ₉)	Global economic crisis
(O ₁₀ ;0)	Cultural barriers (language)	(O ₉ ;T ₁₀)	Taxes (legislation)
(O ₁₁ ;T ₁₁)	Access to communication and information technologies	(O ₁₁ ;T ₁₁)	Access to communication and information technologies
(O ₁₂ ;T ₁₂)	Ecommerce	(O ₁₂ ;T ₁₂)	Ecommerce
(O ₁₃ ;T ₁₃)	Patenting (legislation)	(O ₁₃ ;T ₁₃)	Patenting (legislation)
(O ₁₄ ;T ₁₄)	Patenting (technological)	(O ₁₄ ;T ₁₄)	Patenting (technological)
(O ₁₅ ;0)	Cork industry (environmental aspect)	(O ₁₇ ;T ₁₅)	Raw materials certification (legislation)
(O ₁₆ ;0)	Demand for eco-friendly products		
(O ₁₇ ;T ₁₅)	Raw materials certification (legislation)		

Table 5: SWOT Matrix applied to Minimal Cork’s case study

Source: Constructed by the author for the case study

The SWOT Matrix (table 5) allows the organization of the internal and external variables related to the company according to the impact they have on the company’s activities.

The Confrontation Matrix (table 6) - based on the elements exposed on the SWOT Matrix, will confront each of the strengths and weaknesses identified in table 2 – internal resources, with each of the opportunities and threats acknowledge in table 4 – external elements.

The displayed table indicates the internal and external variables of the company generating a reference for each confrontation in order to facilitate the matrix analysis. The variables presented should be read as

$$I_i E_j, \quad i \in [1-21] \wedge j \in [1-19]$$

in which,

0 – means that there is no relevant relationship between the variables for this case study

I – represents the internal variable in position i in the correspondent list and,

E – represents the external variable in position j in the correspondent list.

In the matrix analysis only the most relevant clashes for the case study will be referred, involving the variables with potential or those which impact needs to be mitigated in order to allow the company's successful performance.

VARIABLES		External Analysis																			
		Bargaining power of buyers	Bargaining power of suppliers	Threat of substitute products or services	Threat of new entrants	Rivalry among existing firms	Business creation incentives	Credit access	Internationalization incentives	Exportation/importation policies	Global economic crisis	Taxes (legislation)	Cultural barriers (language)	Access to communication and information technologies	Ecommerce	Patenting (legislation)	Patenting (technological)	Cork industry (environmental aspect)	Demand for eco-friendly products	Raw materials certification (legislation)	
REF.	(O ₁ :A ₁)	(O ₂ :A ₂)	(O ₂ :A ₃)	(O ₃ :A ₄)	(O ₄ :A ₅)	(O ₄ :A ₆)	(O ₅ :A ₇)	(O ₆ :0)	(O ₇ :A ₈)	(O ₈ :A ₉)	(O ₉ :A ₁₀)	(O ₁₀ :0)	(O ₁₁ :A ₁₁)	(O ₁₂ :A ₁₂)	(O ₁₃ :A ₁₃)	(O ₁₄ :A ₁₄)	(O ₁₅ :0)	(O ₁₆ :0)	(O ₁₇ :A ₁₅)		
Internal Analysis	Own Facilities	(F ₁ ;0)	0	0	0	0	I ₁ E ₅	I ₁ E ₆	I ₁ E ₇	0	0	0	0	0	0	0	0	0	0	0	
	Factory Equipment	(F ₂ ;0)	0	0	0	0	I ₂ E ₅	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Office Equipment	(F ₃ ;0)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Creativity	(F ₄ ;f ₁)	0	0	0	I ₄ E ₄	0	0	0	0	0	0	0	0	0	I ₄ E ₁₅	0	0	0	0	
	Motivation	(F ₅ ;f ₂)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Informatics	(F ₆ ;0)	0	0	0	0	0	0	0	0	0	0	0	0	I ₆ E ₁₄	0	0	0	0	0	
	Design	(F ₇ ;f ₃)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Marketing	(F ₈ ;f ₄)	0	0	0	0	0	0	0	0	0	0	0	I ₈ E ₁₃	I ₈ E ₁₄	0	0	0	0	0	
	Network	(F ₉ ;0)	0	0	0	0	0	0	0	0	I ₉ E ₁₀	0	0	0	0	0	0	0	0	0	
	Financing	(F ₁₀ ;0)	0	0	0	0	0	I ₁₀ E ₇	I ₁₀ E ₈	0	0	0	0	0	0	0	0	0	0	0	
	Access to raw materials	(F ₁₁ ;0)	0	I ₁₁ E ₂	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	I ₁₁ E ₁₈	I ₁₁ E ₁₉
	Production - handmade	(F ₁₂ ;f ₅)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Production - control	(F ₁₃ ;f ₆)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Operations management	(F ₁₄ ;f ₇)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Prototyping	(F ₁₅ ;f ₈)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	I ₁₅ E ₁₅	I ₁₅ E ₁₆	0	0	0
	Quality	(F ₁₆ ;f ₉)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	I ₁₆ E ₁₈	0
	Customization	(F ₁₇ ;0)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Sales	(F ₁₈ ;f ₁₀)	0	0	0	0	0	0	0	0	0	0	0	0	I ₁₈ E ₁₄	0	0	0	0	0	0
	Administration/Management	(F ₁₉ ;f ₁₁)	0	0	0	0	0	0	0	0	0	0	0	0	I ₁₉ E ₁₄	0	0	0	0	0	0
	Strategic Management	(F ₂₀ ;f ₁₂)	0	0	0	0	0	0	0	0	0	0	0	0	I ₂₀ E ₁₄	0	0	0	0	0	0
Prices	(F ₂₁ ;f ₁₃)	I ₂₁ E ₁	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	I ₂₁ E ₁₈	0	
Brand reputation	(0;f ₁₄)	0	I ₂₂ E ₂	I ₂₂ E ₃	0	0	0	0	I ₂₂ E ₈	0	0	0	0	0	0	0	0	0	0	0	
Distribution Network	(0;f ₁₅)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	I ₂₃ E ₁₅	0	0	0	0	

Table 6: Confrontation Matrix (Strengths and Weaknesses VS Opportunities and Threats)

Source: Constructed by the author for the case study

Following, the main clashes will be presented according to the order of appearance:

1. I₁E₅, I₁E₆, I₁E₇ – "own facilities" is one of the company's main strengths as it allows the reduction of fixed costs on space rental for manufacturing and administration purposes. By reducing fixed costs, while facing the "rivalry between competitors", the company has an advantage over its rivals, allowing the gaining of a higher leeway in drawing pricing policies and a greater freedom in the decision-making process. On the other hand, there are "incentives for business creation" and "access to credit", which mitigates the advantage created by owning the facilities due to the easy access for new businesses to get support for the establishment of their companies and start-ups.
2. I₂E₅ – the use of "factory equipment" that is not traditionally used in this industry, such as a hydraulic press - which facilitates the production process, increases the productivity. This increased productivity within the "rivalry between competitors", proves to be an advantage because, similarly to what happens with the "own facilities", the company can achieve a greater scope defining the prices and making them more competitive.
3. I₄E₄, I₄E₁₅ – "creativity" against the "threat of new entrants" proves to be a competitive advantage due to the constant innovation and development of new products, being the "patenting" of products practically irrelevant since these products will be quickly overtaken by other product developed by the company.
4. I₆E₁₄ – specialized technological support is a key tool for the development of the company. Through the access to specialized labor it is possible to explore new platforms, such as "e-commerce", increasing the scope of the company's products and brand visibility through the use of tools like Google AdWords.
5. I₈E₁₃, I₈E₁₄ – regarding marketing actions, it is possible to count on the trainee's knowledge. There is now an investment in spreading the brand by conducting online campaigns, developing online shops and boosting the company's pages in social networks (e.g. Facebook, Twitter and Google+). Analyzing the online platforms it is important to consider the "access to communication and

information technologies" and "e-commerce", since its development in society has increased over the years. More and more people are technologically educated having access to new technologies and becoming dependent on them.

6. I₉E₁₀ – the presence the company has on its "network" was originated by personal relationships and past professional experiences. This is one of the strengths of the company that should be fully exploited. This strength, combined with opportunities from open markets and the free movement of products within the commercial blocs – which Portugal belongs to, is one of the great advantages that the brand has facing international players.
7. I₁₀E₇, I₁₀E₈ – the "financing" of the company, being fully realized by equity, eliminates the external pressure to achieve quick results. The freedom to use capital in companies that "access to external credit" is limited – with payment conditions according to its performance and return on invested capital forecasts. With regard to "incentives for internationalization," it is possible to verify that it is a possible strategic choice for the company, ensuring the access to new markets through associations (APCOR, for example), which are designed to help small and medium-sized companies to disclose Portuguese brands internationally.
8. I₁₁E₂, I₁₁E₁₈, I₁₁E₁₉ – the "access to raw materials" is guaranteed through the proximity to cork producers that detain a high "bargaining power" by controlling the supply of the main raw material used. On the other hand, the growing "demand for eco-friendly products" constitutes one of the main opportunities that the company has – the focus on a niche market. A "certification of raw materials" is one of the consumer's demands and due to the value chain the company belongs to it is a condition the company can satisfy.
9. I₁₅E₁₅, I₁₅E₁₆ – the service of "prototyping" offered by the company allows the diversification of the offer in relation to the segments in which the company operates (B2C and B2B). However, despite ensuring the uniqueness of the products developed for each B2B customer, Minimal Cork is not responsible for

the "product patent", either technological or legislative. This may be one of the company's disadvantages because there are no guarantees regarding the imitation of the developed products.

10. I₁₆E₁₈ – the growing "demand for eco-friendly products" is one of the great opportunities for the company. To engage in the production of decorative items through the use of recycled raw materials, Minimal Cork has the possibility to be focused on the quality of their products and differentiate itself in the sector.
11. I₁₈E₁₄, I₁₉E₁₄, I₂₀E₁₄ – for the "sales" aspect and the "administration / management" of the company the tools of "e-commerce" are fundamental for the whole process. Through the use of management software programmed to record, manage and report sales orders and perform views of reports, surveys, among other data, the company does not have the need to hire skilled labor for those functions. Regarding to opportunities found when using such tools, the company is able to focus on a type of sale (online) with an increasing number of customers, managing to obtain essential information for the targeting of its products, choose the target audience and set the desired positioning – factors included in the "strategic management" of the company.
12. I₂₁E₁ - I₂₁E₁₈ – the high "price" practiced by the company is an evidence of the effect of the "bargaining power of consumers." Having a distinctive offer – and satisfying the "demand for eco-friendly products" in the decoration sector, the company is focused on a niche market still unexplored and with high potential.
13. I₂₂E₂, I₂₂E₃, I₂₂E₈ – the fact that the company still does not have a "brand reputation" influences the relationships it has within its network. The "bargaining power of suppliers" becomes higher, taking into account the concentration of players mentioned earlier, but also by the lack of reputation of the company – not having enough power to negotiate within the value chain. The "threat of substitutes" is another factor to consider taking into account the availability of raw materials that can easily mimic cork – leading the consumer to buy what is cheaper.

On the other hand, the "incentives for internationalization" is an opportunity for the company. The existence of incentive programs for internationalization of Portuguese brands should get a special attention from the company, being a possible launch pad for the company into international markets.

14. I₂₃E₁₅ – The variable "distribution network" is one of the weaknesses of the company that should be examined with special attention, being one of the key aspects for the success of the company. Through "e-commerce" the importance of the distribution network may be attenuated, but its efficiency is critical. By investing in e-commerce Minimal Cork has the need to ensure the delivery on time and the quality products from production until it reaches the final consumer.

The elaboration of a Confrontation Matrix allows a detailed analysis of the strengths and weaknesses of the company considering the markets' opportunities and threats. Established the main elements to consider now it is possible for the company to define possible marketing strategies and implement the ones that suits best the company's goals, values and ambitions.

2.2.4 Strategic Matrix

The Confrontation Matrix previously presented provided the necessary data for the development of possible strategies. These strategies will be analyzed by the company and taking in consideration its ambitions and goals the decision maker will implement the most suitable strategies for the development of the company. Table 7 – Strategic Matrix, presents the defined strategies focused on the main confrontation elements extracted from the Confrontation Matrix. Each strategy is characterized by its function: survival (S), defensive (D), reorientation (R) and offensive (O). The survival strategy is focused on the mitigation of external threats before internal weaknesses. The defensive strategy uses the company's strengths to balance the external threats. The reorientation strategies allows the company to take external opportunities in order to mitigate internal weaknesses. And the last strategy – the offensive strategy, consists on the implementation of strategies that considers the market's opportunities and the company's strengths, leading into the leveraging of competitive advantages.

Strategy	Confrontation	Type of Strategy	Description
1.Differentiation	(2) I ₂ E ₅	OS	Production differentiation – add value to the product through the differentiation of the product.
2.Creativity	(3) I ₄ E ₄ , I ₄ E ₁₅	OS	Offer of a dynamic portfolio with innovative products
3.Technological support	(4) I ₆ E ₁₄	OS	Leverage the specialists' capabilities to invest on online marketing tools.
4.Internship	(5) I ₈ E ₁₃ , I ₈ E ₁₄	RS	Restructuration of the company taking in consideration the external opportunities in the sector and the company's potential.
5.Network	(6) I ₉ E ₁₀	OS	Seek European partnerships and use of personal and professional connections to disseminate the brand.
6.Certification	(8) I ₁₁ E ₂ , I ₁₁ E ₁₈ , I ₁₁ E ₁₉	OS	Focus on niche markets to leverage the fact that the materials used are certified (eco-friendly) emphasizing the product differentiation.
7.Complementary services	(9) I ₁₅ E ₁₅ , I ₁₅ E ₁₆	OS	Prototyping allows the segment diversification for the B2B segment through product customization.
8.Distribution	(14) I ₂₃ E ₁₅	SS	Project a distribution channel for the product placement in the appropriate markets efficiently and effectively – for example, through ecommerce.

Table 7: Strategic Matrix applied to Minimal Cork's case study

Source: Constructed by the author for the case study

The Strategic Matrix presents possible strategies to adopt in order to leverage identified opportunities or to mitigate threats, fighting the strategic drift and positioning the company in the market. Through the internship several strategies were proposed to the company's in order to define its position in the market and ensure its sustainable development in the short and long term. The main strategies suggested are characterized as offensive strategies, this happens due to the company's focus on differentiation itself from competitors – exploring the opportunities through its strengths. The distribution strategy is considered a survival strategy since it is a factor that affects the evolution of the company, conditioning its performance and dissemination of the brand. The search for an intern is a strategy identified that has already been implemented. The internship allowed the company to create a structure and organize its activities – being this defined as a reorientation strategy.

The strategies exposed were presented to Minimal Cork during the internship giving the company a better view of what could be done and how it was possible to improve its performance. The adopted strategies will be presented in the next segment, as well as its results. It is important to refer that some of the strategies suggested were not applied due to the lack of resources for its implementation.

2.2.5 Adopted strategies

Through the application of the main marketing tools for a company's analysis – internal and external environment, it was possible to establish the main elements the management team should be focused on. The differentiating concepts associated with Minimal Cork's business and conditions involving the company's creation are the resources available and personal motivations.

For the company's sustainable development several marketing actions were proposed. Having in mind the internship objectives, the activities developed were related with the company's performance in terms of communication actions and clients' acquisition. During the internship the main functions were to find possible entities to develop a partnership with (buyers and suppliers), the promotion of the pages in social networks the company is inserted in (Facebook, Twitter and Google+) and the development of online campaigns to disseminate Minimal Cork in and outside borders.

In order to disseminate the brand some tools were used to create communication platforms. Being focused on the use of new technologies and the virtual world to spread the brand, the company invested on the renovation of the website - www.minimalcork.com, adapting it to the Portuguese, European and American markets. These markets were chosen due to the company's interest to expand the brand to developed countries and considering the countries legislation, taxes and the transportation costs, mainly UE countries due to the easy access to those markets. Through these platforms it was possible to publicize the company in social networks and the use of another marketing tool – Google AdWords.

Google AdWords is a marketing tool that allows individuals or companies to advertise a website through the use of searching keywords, target location, language, preferences and age, among other criteria. This tool also gives the chance to observe who visits the website through periodic feedback allowing the company to, in a short period of time, proceed to the public segmentation – and then defining its target. However, in order to proceed with this tool it is necessary to have a previous well established marketing plan – enabling the correct application of the tool. With specific goals it is possible to be focused on its application, turning it more efficient and its investment profitable.

Although the company is focused on the online world to develop the business, in order to sustain the activity there are also offline actions for potential partnerships. The company bets on the personal and professional relationships of the human resources to obtain access to new networks and find its way into international markets.

2.3 Results

The duration of the internship – six months, did not allow the observation of relevant results from the implemented marketing actions. However, it was possible to notice the development of new ideas in order to become a sustainable business.

One of the main issues António Brito had was related with actions' inherent risks. This concern started to be attenuated through the use of personal and professional connections that enabled the company to establish partnerships with well-known Portuguese companies and resellers in London, having its products in decoration physical and online stores. Once the company began to operate abroad the company started to receive partnership proposals and, in the end of the internship, some of the local partners were interested in bringing Minimal Cork into their international businesses (resellers).

One of the company's strategies was to establish partnerships with domestic touristic stores internationalizing its products through the sale of Minimal cork's products to tourists. The main stores are local small souvenir stores, but the company had the chance to place its products in Lisbon International Airport, being exposed to a large number of potential customers and creating awareness about these kind of products and the company's brand. The future expansion of this store for Porto's airport will increase Minimal Cork's volume of sales and generate a higher dissemination of the brand.

For Minimal Cork this internship meant the elaboration of a business plan and through that it was possible to define the company's positioning. From a strategic drift emerged a defined positioning that allowed the company to allocate effectively and efficiently its resources (human and material) in the development of concrete products for its target, focusing its efforts in market niches instead of diverging its focus while searching for unpredictable results through expensive tools (Google AdWords, for example).

The definition of its mission, vision and values enabled Minimal Cork to explore its essence – innovative and minimalist design in eco-friendly products, positioning itself as a premium brand in the decoration sector considering the production method – handmade, materials – cork and recycled materials, and the creativity and innovation embedded in the products' design. Defining itself allowed the definition of possible marketing strategies having in mind the initial diagnosis – strategic drift, and the internal and external analysis elaborated during the internship.

From this point on Minimal Cork has the tools to enter international markets and develop the organizational structure along the way, investing on production, sales and operations management human resources.

3. Part II – Academic field

Paper I

From a Hobby into an International Business: Minimal Cork Case Study¹

Abstract

This paper aims to study the company Minimal Cork and its path from a hobby into an international business. Beginning as personal interest - in developing minimalist home decor products handmade with cork and other recycled materials, it became a business appreciated overseas. In this paper the company's path will be exposed with the main goal of supplying the required information for the development of future strategies aiming the business development. The analysis of the company will be focused on the entrepreneurial traits of its management team through a close look into its actions, including the decision-making process, creation and production processes, marketing strategies and main problems the company faces. The concepts involving the knowledge acquisition process and the entrepreneurial traits will be considered in this study since they play a crucial role in this company's activities and evolution.

***Keywords:** hobby; business plan; strategic drift; entrepreneurial traits; case study*

Introduction

The foundation of a company is the first main step in the process of becoming a successful enterprise and making the best decisions in an initial phase is the best way towards that. The establishment of a company requires, first of all, an idea. This idea will be the ground for the development of an entire business so it must be well defined and planned in order to support its development and all the phases it will have to pass through - the best and worst of them. Hingston (1993) supports the idea that a new business should start by the formulation of a business plan with the main goal of serving as a guide through the process and keep the company in its initial trail even if it has to adapt to circumstances along the way. However, as we will see later, at the conception phase the majority of small

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companies do not have a business plan, i.e. circa 80 percent of the companies studied by Nayak and Greenfield (1994). This factor is the result of the different founders' background, motivations, aspirations, goals and available resources. The need for external financial aid is one of the main reasons why small companies do a business plan – they need to in order to be granted a credit. But what happens when companies do not need financial aid? When all decisions depend exclusively on the founder or CEO how does the company behave? These are the main questions that will be discussed in this paper and in order to do that we will take into consideration the case of the Portuguese company Minimal Cork.

Minimal Cork is a Portuguese company founded in 2013 by architect António Brito. Counting over 200 projects in Angola, Brazil, Mozambique and Portugal, the founder - and only owner of Minimal Cork, started this project as a hobby, never thinking it could become an international business. As seen before, the motivations for the business establishment play an important role in the company's future, and so do the entrepreneurial traits of the founder or CEO - in this case study the founder is also the CEO. What influence do top managers have in the company's behavior? Is it possible to separate the management team behavior from the company performance? These are some of the questions that will be discussed in the study of Minimal Cork and hopefully it will enable the understanding of the relationship between the entrepreneur and the company's performance.

Literature Review

The main purpose of this section will be the clarification of the elements that will be incorporated in the case study analysis. In order to understand the company's creation and development it is crucial to dedicate some time understanding its origins and organizational characteristics, focusing on the entrepreneurial traits and motivations of the founder that will influence the path from a hobby into a business.

Nowadays, the development of new technologies such as the internet and new communication systems promote the improvement of work conditions and allow the existence of more flexible career and employment paths, leading to the creation of new business and work models (*Hill et al.*, 1998). These technological and work improvements

encouraged the creation of new business models enabling employees to use their out of office hours to dedicate themselves to other activities, being called part-time entrepreneurs (Folta *et al.* 2010). This concept already considers the transition of an activity from a hobby into a business, even if it is not a full-time activity. Folta *et al.* (2010) during the analysis of Swedish entrepreneurs established the existence of three groups of part-time entrepreneurs: those who start their venture to supplement their wage income; the ones that start their venture to gain nonmonetary benefits; and those who regard their part-time venture as a step towards full-time entrepreneurship. This classification considers the entrepreneur's motivations and goals for the activity while still in an early stage of the business creation. As a part-time entrepreneur it is possible to analyze the market opportunities before committing at a higher level, adjusting the business to the customers' needs and testing the different possible paths with a low risk involved. According with the entrepreneur's intentions the business path will differ since each person will have a different input in the business and consequently lead the company into a specific route. This trajectory will be affected by the entrepreneur's traits, motivations and goals and one way to perceive them is through the analysis of their business plan for the company, if made in order to structure its organization.

According to Andersson (2000), Schumpeter distinguishes entrepreneur and decision-maker in order to differentiate each role played in the process. The entrepreneur is the individual that behaves in an entrepreneurial way presenting new ideas for products, processes or organizational matters. On the other side, the decision-maker is the one responsible for the decision-making process playing a role that must be mostly rational in order to lead the company into a sustainable path. The main difference between both roles is the emotional involvement that characterizes the entrepreneur – creating is a passion, and thinking rationally can be a liability for the creation process but is certainty crucial for the business development. Schumpeter also considers the entrepreneurs' motivations for internationalization, the decision-making process and the exploration of opportunities as important factors in the development of the adopted strategies (Zahraa, Korrib & Yu, 2005). The entrepreneurs' traits will define the company's path, especially when the entrepreneur is responsible for the decision-making process, so when facing a strategic decision the entrepreneur will not follow a consistent path due to the lack of planning – leading to a possible strategic drift.

In 2000, while analyzing entrepreneurs' motivations, context and preferences, Svante Andersson concluded that there are three types of entrepreneurs and each one will differently influence the strategy chosen, the company's performance and the industry it belongs to. Each entrepreneur's intentions and persistency in following certain strategies are crucial in the internationalization process (Andersson, 2000) and consequently, the company's success will depend on each type of entrepreneur traits. In table 1 it is possible to observe each type of entrepreneur and the matching characteristic behavior. The three types – technical, marketing and structural, are characterized according their vision over the internationalization process, the elements focused, sought markets, approach adopted, preferred entry modes and speed of internationalization. Technical entrepreneurs will focus their attention in the improvement and creation of products and processes in order to guarantee the company's differentiation giving low importance to the current market needs but predicting their future demands. The second type is the marketing entrepreneur that is focused in satisfying the market's needs and looking for the expansion of the business abroad. External relationships are highly appreciated since they represent opportunities to be notice in a bigger scope. The last type is the structural entrepreneur being the one that believes in the internal improvement in order to succeed in the external relationships. Taking risks is something very difficult and as a consequence these entrepreneurs are quiet, adopting an observational position of the market while internally preparing to operate in it.

Type of entrepreneur	Focus	Type of market	Attitude	Entry mode	Speed
Technical	Product and processes development	Emergent	<u>Reactive</u> – demand dependent	Exportations and licensing	Does not look for external markets to enter, it's a consequence of its activity development
Marketing	Fill market gaps Distribution channels and brands	Emergent	<u>Pro-active</u> – seeks international partnerships and respects networks 'value	<i>Joint ventures and greenfield</i>	Rapid entry in external markets
Structural	Organizational structure	Mature	<u>Reactive</u> – it is not directly related to operational issues – implements organizational strategies	Mergers and acquisitions in order to have control over the organizational structure	Internationalization as a natural consequence of the company's evolution

Table 1 – Type of entrepreneurs

Source Constructed by the authors based on Andersson's (2000) analysis.

The entrepreneur classification suggested by Andersson (2000) has been studied and developed and many other categories have been identified since then. The entrepreneurs' categorization allows academics and practitioners to study entrepreneurs' behavior and their different influence in the company strategy definition and implementation. Hurst (1995) explained that the innovation and vision aspects in new companies are crucial factors in its foundation, but in the business development they begin to be dependent of the knowledge acquisition and capability to learn and the adaptation to emergent strategies. These factors will be highly associated with the entrepreneurs' vision since it represents and defines the companies' actions along the way (Thomson, 1999).

Combining the motivations exposed by Folta *et al* (2010) with Andersson's type of entrepreneurs, it is possible to observe a conflict between classifications. While talking about nonmonetary gains where the individual aims to reach personal satisfaction, it is not possible to describe him or her as a marketing entrepreneur since this category involves market research and the elaboration of a business plan, something unusual among individuals looking for nonmonetary gains.

This is a pertinent study since it leads us to another important research led by Hambrick and Mason (1984, p.193): the Upper Echelons Perspective "The theory states that organizational outcomes-strategic choices and performance levels - are partially predicted by managerial background characteristics". Hambrick and Manson's (1984) research is focused on the personal biases, experiences and values of top managers in the understanding of a company's organizational behavior. The authors also stated that it is more assertive to analyze the top managers' team in the company's behavior rather than the CEO as an individual (Hambrick, 2005). This research establishes a direct relationship between the top management team and the company's decisions influencing the company's behavior. The entrepreneurial traits of an individual and the company's behavior – as it was possible to verify – are two aspects related. The traits, besides influencing the formulation of a business plan will also define the company's path and its performance in the market as it is influenced by the entrepreneur and/or decision-maker.

In 1993 (p.30), Hingston stated that "one of the first steps in starting a new business should be the preparation of a Business Plan". However, in a study conducted by Paul Greenbank (2000) the decision-making process in micro-enterprises was analyzed and he concluded

that owner-managers of small businesses do not plan ahead their company's development. A large percentage of the studied companies, circa 80%, did not formalized a business plan and the ones that had justified the planning has requirements to have access to financial aids, for example credit institutions and/or business angels (Nayak and Greenfield, 1994). Similar circumstances were verified in terms of market knowledge acquisition, where "most start-ups relied upon information they had collected informally over a number of years" (Greenbank, 2000, p.207). It is believed that there is a correlation between the business planning and a successful performance by the company, besides the mixed results obtained by Castrogiovanni (1996) while studying this relationship (Greenbank, 2001). The importance of the business plan is related to the knowledge acquisition process, one of the primary processes in a business development included in the main internationalization theories and models – the Uppsala Model (Johanson and Vahlne, 1977) and the Network Theory (Johanson and Mattsson, 1988).

However, defined as "the process by which the entrepreneur, in exploiting an opportunity, creates a vision of the future and develops the necessary objectives, resources, and procedures to achieve that vision" (Sexton and Bowman-Upton, 1990, p.118) a business plan does not belong to many small companies milestones in its foundation phase. This factor is the result of each entrepreneur's background, motivations and aspirations for the business. Although Dencker *et al* (2007) defend that the planning of a business allows entrepreneurs to gain new knowledge – through market research, it does not mean it compensates the prior low knowledge about it. It is necessary to gather information before the business creation in order to make the right questions and find the most suitable answers for that specific business. The formulation of a business plan will allow the founder to establish the main issues to deal with and the company's main objectives, but it does not grant an insightful view of the business world. Roudini and Osman (2012, p.127) indicated that "at the inception of the venture, entrepreneurial capabilities can be crucial to success, while these capabilities become less important and relevant as the venture matures" these capabilities are related to the role entrepreneurs play in the business development and the main traits identified. To understand these matters in a practical way it will be presented the case study of a micro-enterprise – Minimal Cork.

Methodology

The information used in this paper's case study was collected through interviews to Minimal Cork's owner and through the exchange of emails during the course of this paper development. The main acquired information can be characterized as secondary data since the information obtained was already available in the literature and existent similar case studies. Dealing with a case study the data used can also be categorized as secondary internal data – the information obtained through internal observation of the company's daily routines (Malhora & Birks, 2007).

The main purpose of this case study is to provide the necessary information to Minimal Cork and similar companies for the development of their business plans and sustainable strategies for companies' development. This is a case that must be studied considering its unusual origins – starting as a hobby, and its unlikely journey towards internationalization.

Case Study: Minimal Cork

Inspired by the use of cork in architectural projects, and his special taste for minimalist products allied with alternative designs, António Brito started to create home decor products for his own fulfillment. Experiencing a decrease in his day job as an architect he began to create and produce handmade cork products such as lamps, placemats, bottle protections and others. Its success among friends and family led to the thought of founding a company dedicated to the creation and production of cork products and other recycled materials. Allying cork (a very Portuguese raw material) with an innovative design and environmental sustainability the project began to gain form and in 2013 Minimal Cork was created.

At its inception Minimal Cork was just a way to turn a hobby into a legal activity – there was no need to develop a business plan, especially due to the fact that it is a self-financed project not requiring external credit. Being a one-man-company the decision-making process is simple and unstructured. The decisions are based on the perceptions of António Brito about each activity, partnership, sale and supply deal – it is an unstructured business. The creative process is defined as a marketing push strategy – the products are placed in the market without any previous research and knowledge of the customers' preferences and receptivity. Creating these products is an intuitive process for António Brito and there

is no concern for what the market needs since they are all innovative ideas – but who will buy those products? There is the idea that if they are good and innovative products the rest of the process is easy: place them in the market and let the product sell itself. This process had results, in an early stage, however the early success of the company drove António Brito to continue its business in an unstructured way reaching a point where it is not possible, or sustainable, to evolve. This characteristic led to one of the main problems Minimal Cork currently faces - the strategic drift, raised from the lack of a business plan.

Before the case analysis - and for the comprehension of Minimal Cork's main objectives, it is important to look at its mission, vision and objectives. The definition of goals, and means to reach them, is considered one of the first steps into the business plan creation – and these were the only aspects already defined by António Brito:

Mission: The production of minimalistic designer items that allows our customers to experience innovation and eco-friendly products through the use of one of the most traditional raw materials – cork.

Vision: Making a difference through the potential use of cork in new sectors, becoming a reference in international markets for the innovation and sustainability associated with the products.

Values: Environmental concern, focus on customers' needs, center on creativity, diversity and innovation are the principles that guide Minimal Cork in the pursuit of the desired results.

The established concepts constitute a foundation for the business plan development allowing the definition of objectives and the identification of potential strategies to adopt but first, in order to succeed abroad the company needs consistency in its activities and internal organization.

Firstly, in order to create an internationalization marketing plan Minimal Cork needs to develop a business plan to serve as the basis for its internationalization objectives. Without a structured strategy in the domestic market it is difficult to operate overseas where the competition is much stronger and the rapid adaptation to new circumstances is a must. As previously established by Andersson (2000) the company's future will be highly influenced by the entrepreneurial traits of the decision-maker. In this case study the

entrepreneurial traits of António Brito will be considered since he is the responsible both for the creation and production processes and for the organizational structure of the company.

The development of handmade products with designer author and unique raw materials made clear for the owner that these were premium products and its target market was a niche market. Even exhibiting the products in local markets, the need to place them in an appropriate market was evident considering the competition existent in the sector where few large players have the majority of the market share (e.g. IKEA, Zara Home). In order to expand the business the company decided to associate itself with Faculty of Economics – Oporto University, accepting an intern to help the process. However, to be able to work on the internationalization of a company it is required to have a structured strategy to sustain the expansion process. This was a starting point for the company since it would allow the acquisition of management and strategic knowledge – representing the professionalization of the company, since until that point the company's members were from creative backgrounds with low strategic experience in terms of launching an innovative company. However, the acquisition of strategic management does not mean operational improvements if those same resources are not acquired. The formulation of a business plan was a priority and until then not knowing its important role in a business development the company was lost in unstructured decisions and adrift in the market. The products were created and produced without any defined destiny, no price policy, distribution channels or even a notion of the target. This uncertainty and lack of results led to the thought that the Portuguese market was not the right one for these products. Since they were so good but there were no sales in Portugal, it was logic to think that it was a market problem, so the solution was to go abroad and enter international markets. Not having the knowledge to make those changes, by the acceptance of external help provided by the university, Minimal Cork showed the willing to improve and that is one of the main motivational characteristics that can lead to a change in the company's performance and future development.

Minimal Cork faces the competition of well established companies that represent a large percentage of the market share, namely IKEA and Zara Home. These companies offer simple and cheap solutions competing in the market through cost penetration strategies. Considering the dimension of the main players it is required that micro-enterprises focus

their businesses targeting niche markets. Due to its strategic drift Minimal Cork is not able to identify its target, having so far a broad range of customers. Through the use of virtual networks as Facebook and its website, the company managed to implement online marketing campaigns, however, not having a specific target the costs were high and the return non-existent. The creative enthusiasm of the founder and lack of management experience led the company to invest in the wrong strategies as a result of non-existent planning and eager for fast results – the result of the emotional relationship of the founder with the project. Being a company created without any external funds it is strategically independent which in this case constitutes a weakness for the company that does not have a balance between the emotional and the rational sides – crucial in the decision-making process.

Discussion

As Hambrick and Mason's (1984) upper echelons theory suggests the company will behave as a representation of its top management members in this case as the founder member that having creativity as he's main characteristic does not help in the decision-making process, opting to follow the fastest way into the company's goals and does not consider its repercussions and sustainable development. In order to proceed with the business and evolve into international markets it is crucial to focus firstly in the internal organization of processes and resources to be able to support a sustainable business and enable the company to adapt itself when facing international competitors. Only through the definition of a business plan it is possible to keep focus and develop a business with Minimal Cork's potential. The entrepreneurial traits should not be considered as a liability for the company development, it must become one of the company's competitive advantages, but in order to do that entrepreneurs must be willing to adapt and constantly learn from and with the market (Thompson, 1999). The formulation of a business plan should not be optional in the creation of a new business since the incubation phase of a new venture can be a success but from there many of the adversities the company will face will not be predicted and the existence of a business plan, as defended by Greenbank (2001) will give managers the right tools to proceed with the making of the best decision possible.

Conclusions

This case study represents many micro-enterprises that find their way in domestic markets without a planned strategy realizing its potential to grow but not knowing how to operate in the domestic market consider to expand their business abroad. However, there is a current misconception in small companies where it is believed that if the business is not growing in the domestic market entering external markets is the solution – it is not. In order to be able to operate abroad a company must be able to face the domestic competition and know how to show its differentiation factors in the market. Being different and innovative does not mean that once in the market the concept will spread, it is required many strategic actions in order to be recognized by the customers and gain other companies respect and loyalty – both suppliers and resellers. Not having the direct influence of external entities – as credit institutions, Minimal Cork has total control over the decision-making process which can be an advantage if the top management team has experience in the business, but that is not the case. Independency in this company is faced as a disadvantage not pressuring the company to plan its actions ahead – allied with the management emotional connection, constitute the main factors responsible for the company's strategic drift. Dependent on the founder's decisions the company is more vulnerable to the market variations – accentuated in the international market, and although it has potential to grow in and outside frontiers, a balance between the emotional and rational sides is needed while making decisions that will affect the company's future, either in a short or long period of time.

The analysis of this case study enables the reader to understand the strategic issues that small companies face at an early stage and the influence its characteristics have in its development such as its origin, entrepreneurial background, motivations, aspirations and goals. The creation of businesses is a phenomenon that has been growing in the last years as a solution to the high unemployment rates in Portugal. However, it is important to somehow, obtain management knowledge to sustain the business since its creation is easy and encouraged by public entities – meaning more companies in the market and a higher need to differentiate and be able to face such competition.

Hopefully this case study will encourage further research involving the origin of small companies and its effect on the companies' development. It is important to understand the

correlation between these two aspects and develop strategies to help small companies born from someone's passion and talent into businesses with high potential. It is also important that more companies grow an emotional side in the decision-making process but the ability to maintain the rational side is not a request, is mandatory for its success.

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Paper II

Internet as an answer to Uppsala Model and the Network Theory's liabilities: The Internetalisation Phenomenon in Minimal Cork's Case Study²

Abstract

This study will enable a close look into the development of micro-enterprises that use virtual technologies as a tool in the internationalization process. It consists of a single case study in which the company – Minimal Cork – will be analyzed and the concepts connected with the main internationalization models will be reviewed. It is analyzed the internationalization path enabled by the Internet will be analyzed considering the liability of foreignness and resource scarcity, the liability of newness, smallness, and outsidership. The main internationalization liabilities, knowledge acquisition and Internetalisation will also be connected. At the same time Internet enables companies to be known, allowing ignorant internationalization, it also incentives the development of organizational and social networks that now seem to be able to be replaced by virtual networks, allowing international information flow. Thus, it is possible to understand Internet as a tool in the internationalization process, impacting the overcoming knowledge acquisition liabilities.

Keywords: *Foreignness, Newness, Smallness, Outsidership, Knowledge, Internetalisation, Internationalization*

Introduction

The internationalization process that companies go through in their way towards becoming global entities has been studied by scholars and specialists all over the globe in order to identify the steps to follow, resources to use and barriers to overcome. In the same way that theories and models of internationalization were presented over the years, they also have been criticized, showing in which ways they fail to translate reality and issues associated with their application/studies. These concerns were identified sideways with the development of the main internationalization theories: Uppsala Model (Johanson

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and Vahlne, 1977) and Network Theory (Johanson and Mattsson, 1988). In one hand, there is the gradual internationalization process (Uppsala Model) that has as main liabilities the *foreignness*, *newness*, and *smallness* characteristics of a company and on the other hand the Network Theory, which deals with the *liability of outsidership*. These concepts will be subject of further discussion allied with the Internetisation phenomenon as an answer to the issues related with the referred liabilities. In their case study, Arenius, Sasi and Gabrielsson (2006, p.288), concluded that “Internet can simplify the internationalization path and the marketing organization structure necessary for conducting international business”, helping companies to decrease the effects of the company’s characteristics in an early stage, issues that are essentially related with the acquisition and retention of knowledge. The Internet as a tool is already part of companies’ strategies especially in the companies defined by Rennie (1993) and Oviatt and McDougall (1994), named Born Global (BG) and International New Ventures (INV). Nowadays, knowledge is considered to have a large influence on overcoming internationalization liabilities, but does it have a crucial role in the internationalization process? Is it possible for a company to operate abroad without knowledge of foreign markets?

This paper uses the case study of the company Minimal Cork and describes in detail the path followed to become an international entity, focusing on the main tool used by the company – the Internet. Having the opportunity to study the company from the inside, there will be a detailed description of the process, as well as of the marketing strategies implemented.

Literature Review

I. Uppsala Model

In 1975, Johanson and Wiedersheim-Paul presented the internationalization theory, being responsible for the first steps given in this subject. The company’s organizational behavior was studied and they concluded that companies were extremely cautious in their internationalization process in order to ensure the decision-making process was the most appropriate in each circumstance (Johanson & Weidersheim-Paul, 1975). In their theory

they also refer the importance of beginning the process in markets that are psychologically close, which translates into markets where the information and communication systems are similar to the market that the company usually operates in (Johanson & Vahlne, 1977).

Johanson and Vahlne published, in 1977, their empirical work, which complemented the internationalization theory developed in 1975 by Johanson and Wiedersheim-Paul. This published work presented the since then called the Uppsala Model, where they explain the gradual process that the studied companies went through in order to become globally active companies, the integration and the use of market's knowledge and operations with external markets to the expansion of their activity across borders (Johanson & Vahlne, 1977). In the internationalization model, Johanson and Vahlne (1977) determined that one company in order to become an international company needed to follow a gradual path and that meant going through a learning experience (first-hand knowledge) that would actually guarantee its presence abroad, establishing that this would be the best way to overcome the liabilities inherent to the internationalization process.

Liabilities of foreignness, newness and smallness

The psychic distance between the domestic market and external markets is influenced by the knowledge detained by each company. This distance, the perception of how similar or different the conditions in the new host market are to those in existing markets (Sinkovics *et al.*, 2013), can be a barrier in the process of understanding the operational characteristics of the market and due to that restraint, the entrance in that specific market can represent a difficulty – this constraint has been defined in 1976 by Hymer as the *liability of foreignness*. This concept translates the constraints that companies have upon when attempting to enter a new market, since they are foreign companies and in order to overcome this liability they need to emphasize their exclusive competitive advantages. This is a long-term process that requires the reinforcement of the domestic position to then allow the company to acquire the necessary knowledge of the external markets and begin its international activity.

In addition to the *liability of foreignness*, in 1965, Stinchcombe stated that “newborn organizations generally suffer from the low average quality of performance because they initially lack experience” (Abatecola, Cafferata, & Poggese, 2012, p.403) claiming that this concept can be applied universally despite time, place and type of organization

(Bruderl & Schussler, 1990) this defining the *liability of newness* concept. In a similar way to what is described in the *liability of foreignness*, this liability deals with the fact that newborn companies struggle getting access to market's knowledge, whereas in the *liability of foreignness*, Hymer identifies the difficulties that established companies find when entering a new market, while the *liability of newness* considers the company's age as a restriction its knowledge acquisition.

In 1983, Freeman, Carrol and Hannan, defying Stinchcombe's construct stated, "*liability of newness* might be a *liability of smallness*." Questioning if the difficulties of new companies were in fact related to its age, Freeman *et al.* (1983) studied empirically the size aspect in the company's success establishing the *liability of smallness*. This liability contemplates the size of the company at the moment of its constitution in order to understand the risk peaks and length of its *newness* considering the amount of initial resources available, e.g. the number of employees (Bruderl & Schussler, 1990). The *liability of smallness* clarifies why bigger companies' business tend to last longer than smaller ones. It is due to their access to materials, financial and human resources that they have the chance to survive the harsh competition when facing international markets and have the necessary means to develop themselves and adapt to the market environment.

The liabilities associated with the Uppsala Model rely on the premise that each company has to follow a gradual internationalization path in which with the right resources and market knowledge they can successfully conquer international markets. Altogether, the *liability of foreignness*, *newness* and *smallness* deals with the difficulties to access, experience and process/retain, respectively, the necessary knowledge that would allow the company to be successful in the internationalization process.

II. Network Theory

Johanson and Mattsson (1988), challenging Johanson and Vahlne (1977) established that one of the main factors that influences the internationalization process is the company's network. The network is considered "a tool that provides a basis that allows the exploration of the interaction between the company's internationalization, the network internationalization and the knowledge internationalization" (Hadley & Wilson, 2003, p. 714). This approach, based on the existent networks brings to the discussion the

importance of second-hand knowledge – the knowledge acquired through shared experiences inside the network, generating a flow of information and knowledge between the different members in the network (Silva *et al.*, 2012), i.e. it is the knowledge “derived through other firms’ experiences or observing the actions of the other actors” (p.144).

Inside each network, the developed activities will allow each company to create and develop new business relationships, in terms of upstream and downstream relations in the company supply chain. In 1988, Johanson and Mattsson highlighted that the position obtained by the company in the network will define its success in the internationalization process, being this a process that depends on the behavior of each company that is present in the network (Johanson & Vahlne, 2009). In this theory the interdependency among entities is clear, since it gives the company access to the needed resources for its production and becomes the place to release the final products. Thus, this process makes the company dependent on the existent network with its success relying on the position of the company within the network (Johanson & Vahlne, 2009).

Considering the uprising importance of the networks in the internationalization process, when revisiting their theory, Johanson and Vahlne (2009) added the influence of relationships in the process of operating abroad to their model. “Johanson and Mattsson’s (1988) model includes a dynamic element by focusing on network relationships. It uses social exchange theory to explain how firms develop networks organically” (Chetty & Holm, 2000, p.79). Upon reviewing the model they encompassed the importance of the network in the learning and internationalization processes, admitting that in some cases several of the previously identified steps in the internationalization process do not apply, depending on the company and management style (Silva *et al.*, 2012).

Liability of Outsidership

Studying the existent relationships in the networks, Johanson and Vahlne (2009), concluded that the disadvantages inherent to the internationalization process are mainly focused on the relations inside the network, in the variables related with the chosen market. As a result, they reviewed the Uppsala Model taking into consideration the important role of networks in the internationalization process and reformulated the concept associated with the inherent difficulties “From *Liability of Foreignness* to

Liability of Outsidership”, name of the paper where their Reviewed Uppsala Model was published.

The *liability of outsidership* consists of the idea that psychic distance is no longer the main determinant of success, not even the destiny market individualities, but the characteristics of the network the company and the position the company is confined to (Johanson & Vahlne, 2009). Therefore, the knowledge acquisition of the market relies on the position of the company within its network, becoming after all a difficulty in the access to knowledge resembling the *liability of foreignness* previously acknowledged.

International market’s knowledge comes from different types of experience - direct or indirect - including aspects such as the entry modes and its specifications, and the main activity and strategic alliances. These changes happened due to the dynamic nature of the business world and the identification of new variables that emerged along the development of international organizational strategies not yet existent or relevant in 1977 (Johanson & Vahlne, 2009). Thus, with the use of second-hand knowledge, companies can internationalize shortly after their creation.

III. Born Global/International New Ventures

The company that begins its international operations in an early stage of its creation, even before establishing themselves in the domestic country was defined by Rennie (1993) and Oviatt and McDougall (1994) as Born Global (BG) and International New Ventures (INV), respectively. The international vision and global mission drive these companies when it comes to the planning of their production, operations, target markets and marketing strategies (Luostarinen & Gabrielsson, 2006). They are known for their quick entry in global markets and have a specific behavior in terms of their entry modes in international markets and level of influence of their network in the choosing of the target markets and through all the internationalization process (Coviello & Munro, 1997). Similarly to what the Network Theory suggests, in the study of Born Global companies it also is considered the network they belong to and the relationships between them (Coviello & Munro, 1997). These relationships are crucial to the companies since, as studied by Oviatt and McDougall (1994), while still in the incubation stage International New Ventures seek to develop their competitive advantages using the resources in

external markets and placing their final products in international markets, the opposite of what the traditional internationalization process suggests, on which it is defended that a gradual process based on the knowledge acquired in the domestic market should be followed (Oviatt & McDougall, 2005).

The dynamic nature of the business world was highly affected by the technological advances related with the improvement of communication and information systems, being crucial in the process of knowledge sharing, contributing to the improvement of industrial processes, organizational management, increase of productivity, and others. The knowledge sharing stated in the Network Theory (Coviello & Munro, 1997; Chetty & Holm, 2000; Hadley & Wilson, 2003; Johanson & Vahlne, 2009) allied with the technologic advances and the motivation to explore international markets became tools that combine human, capital and financial resources, considered the most important elements to ponder in the internationalization process, which are now involved in a more competitive and dynamic environment – consequences of globalization, that is, “the practice of economic agents (business enterprises, banks, and finance companies) working in different countries and serving the world market without a prevailing national base” (Gaburro & O'Boyle, 2003, p.97).

Nowadays, the dynamic environment that characterizes the international markets seeks to attract companies' investment through economic, legal and tax inducements, constituting one of the main reasons for the creation of companies that shortly after being created attempt to find international markets to operate in. In terms of the speed of internationalization, Knight and Cavusgil (2004), mentioned that the level of knowledge required by each internationalization opportunity and the know-how and network characteristics obligatory to the entrepreneur are crucial aspects to the company's success abroad. For that reason, the influence of knowledge acquisition will be debated in order to allow the comprehension of its role in the internationalization process.

In the Uppsala Model it is explicit that the lack of knowledge is the main obstacle to the internationalization process, however it could be overcome through the company's learning experience (Forsgren & Hagström, 2007), placing emphasis in the role of experiential knowledge “the importance of experiential knowledge as a foundation for making steady progress towards internationalization” (Bennett, 1997, p.328). After

acquiring the necessary knowledge about the targeted market the company will balance the risks of investing abroad. Conversely, the Network Theory, being focused on all knowledge existent in the network, pays special attention to the internationalization knowledge (Forsgren & Hagström, 2007). In both theories, in order to overcome the difficulties associated with the acquisition of either technological, market or internationalization knowledge, Bennett (1997) stated the following: “the internet has the potential to provide a virtual presence in the foreign market and also to provide information-processing capabilities so as to gain foreign market knowledge” (Sinkovics *et al.*, 2013, p.133).

Considering the existent literature about Born Global and International New Ventures, it is possible to find that besides the importance of the new communication and information technologies and the speed of internationalization, it also mentions the importance of global niche markets (Moen, 2002). International niche markets are defined by its segmentation process, target definition and the company’s positioning, which translates into focusing on small and extremely specific market segments (Toften & Hammervoll, 2009). As an example of the adoption of this strategy, we can take into consideration Born Global companies that “aggressively pursue international success develop[ing] differentiated offerings and target[ing] them at niche markets overseas. This approach is appropriate for maximizing market shares and other performance goals in a competitive international marketplace typically dominated by larger, resource-endowed firms” (Knight & Cavusgil, 2004, p.131). Following this strategy allows for small companies to overcome the barriers associated with its size – *liability of smallness*, and one of the tools they use to do that is the Internet.

IV. Internetalisation

Practitioners and academics have been studying the influence of the virtual world in the internationalization process namely, the influence of the Internet. Through the use of virtual worlds companies can have access to market knowledge and weigh the advantages and disadvantages associated with it (Hassouneh & Brengman, 2011). In the international business context, Glavas and Matthews (2012) verified that there is a relationship between international entrepreneurship and Internet capabilities. Due to the globalization,

the development of new technologies allied with companies' motivation to become international entities, a new concept emerged – the *internetalisation*. Bell, Deans, Ibbotson, and Sinkovics (2001) defined that as “the deliberate use of ICT for internationalization purposes is termed *internetalisation*” (Pezderka & Sinkovics, 2011, p.409).

Internet must be considered as a way to enter foreign markets, the establishment and success in those markets depends on the strategies adopted by the company (Chrysostome & Rosson, 2009). Strategically speaking, the internetalisation process is seen as a reflex of the organizational changes that have been taking place in the business world, as a consequence of the evolution in the technological world (Buttriss & Wilkinson, 2014). Nevertheless, associated Internet's advantages there are also some disadvantages to be considered in the decision-making process and while choosing the tools to adopt.

Chrysostome and Rosson (2009) presented some of the advantages and disadvantages inherent to the Internet utilization as an internationalization tool. More than a tool, the Internet is an ally concerning information acquisition for the market choice and finding the appropriate partners. Though, when considering the information collected it is crucial to have in mind the related risks because even though it is a vast source of information not all of it is reliable, which means that it must be accompanied by other information sources. It must be used as a starting point to establish international contacts and information about global sales, among other objective data, but not has a decision-making groundwork (Chrysostome and Rosson, 2009).

The main advantage identified by Chrysostome and Rosson (2009) is the boost that Internet has in the internationalization process. In addition to allowing a quick start of the process, it also reduces the internationalization costs, entry in different markets at the same time and building a network where foreign companies are included (Chrysostome & Rosson, 2009; Glavas & Matthews, 2012). On the other hand, the Internet usage does not allow the acquisition of first-hand knowledge of the targeted markets. The taken decision will be based on the information available that is extensive and doubtful, not being this enough to adapt the company to the local environment (Chrysostome and Rosson, 2009). In addition, this tool requires an extra use of resources (engineers, software developers and digital experts) and capital to invest in online campaigns. Linked

to Internet usage is also the fierce competition which arises with the global presence and, consequently, the company has to assure the right resources to survive in that market (Chrysostome and Rosson, 2009).

Aiming to focus on the advantages of the Internet usage and mitigate the disadvantages, Buttriss and Wilkinson (2014) highlighted that the company must guarantee a stable and trustful network, enhancing the adoption of sustainable and suitable strategies to complex and dynamic environments, like international markets and virtual networks. To illustrate their vision upon the Internet's role in the internationalization process, Buttriss and Wilkinson (2014) developed the Internetisation Process Model. In the developed model they considered internal factors (firm and management characteristics) and external factors (connected relationships and network environment). From this analysis emerged the Internetisation Process Model in which they identify two strands of using the internet throughout the process, the *inward* path, i.e. the use of internet in the resource acquisition (*eProcurement*); and the *outward* path, specifically in the manner that internet is used as a placement instrument – *e-commerce* (Buttriss & Wilkinson, 2014). Through this model, the role of the Internet in the internationalization process is more perceptible and therefore enables the understanding of the Internet as a tool for companies seeking to join international markets.

However, Matthews and Healy (2008, p.9) stated that “for some firms the Internet is a primary mode of entry or even sole mechanism for internationalization, however, other firms use the Internet as a complement to the process of internationalization and international market growth”, from which emerged a new vision of internetisation – as a complementary tool in the internationalization process but also as a growth mechanism. The study conducted by Matthews and Healy (2008) also discusses the influence Internet has on the path and pace of internationalization and its contribution for market growth. The studied firms referred that Internetisation allowed them to grow in international markets they were already in, serving as tool to acquire knowledge and define strategies to implement in said markets, combining online and offline strategies – using Internet as a complementary mechanism. This study allowed the understanding of Internet as a multifunctional tool that enables companies to adjust it to their organizational aspirations – for the entry in international markets or as a growth mechanism.

Methodology

The literature review of this paper establishes the necessary ground to explore the company Minimal Cork as a single case study. Yin (1991) established that the single-case study must be followed when the “investigator has access to a situation previously inaccessible to scientific observation. The case study is therefore worth conducting because the descriptive information alone will be revelatory” (Yin, 1991, p. 48).

The necessary information for the case study was obtained through interviews and informal discussions among creative and management members of the company. The strength of this case is the internal access to vital information and the differentiating factors that surround the company, i.e. the environment it belongs and how the company uses or not that factor as leverage in international markets.

Case Study: Minimal Cork

António Brito, a Portuguese architect with a special taste for design and innovation, founded Minimal Cork during the spring of 2013. As a hobby, he started to create his own products using cork and recycled materials as main resources and using his architectural background as inspiration. His products became well-known among family and friends and with that arose the idea of creating a company dedicated to a very Portuguese raw material – cork, applied to a well establish sector – home decor. Being included in the home décor sector, Minimal Cork differentiates itself by the resources employed and its production system. All the products, in addition to being designed and created by António Brito, are also handmade by him.

Along with the creation of the company, its vision and mission were also well established, having in mind the production costs and the concept itself, these were products meant to be positioned as premium art pieces.

Mission: The production of minimalistic designer items that allows our customers to experience innovation and eco-friendly products through the use of one of the most traditional raw materials – cork.

Vision: *Making a difference through the potential use of cork in new sectors, becoming a reference in international markets for the innovation and sustainability associated with the products.*

Values: *Environmental concern, focus on customers' needs, center on creativity, diversity and innovation are the principles that guide Minimal Cork in the pursuit of the desired results.*

Minimal Cork started as a family business and was founded without the involvement of credit entities. Being able to found itself in terms of capital and equipment guarantees the financial independence of the company, which translates into full control over the strategic and financial decision-making process. As an autonomous project it turns out to be a very personal business and the involved strategies are affected by that factor.

The autonomy existent in Minimal Cork allows the exploration of different business areas, as well as product segmentation and it also, strategically, does not restrict its activities in any aspect. However, Minimal Cork is a very small company with no experience at all in the sector or in the international business world, which means that all of this independence could constitute a weakness as well. In terms of organizational structure and marketing strategies there is a lack of consistency. Being originated by a hobby, the company does not have a business plan and the marketing actions consist on simple tools, essentially the internet, to advertise the brand to its maximum. In terms of implementing a marketing concept, the company implements a product push strategy. This strategy consists in placing the products in the market without any previous study to analyze the acceptance of the product or if there is any kind of need to fulfill, it is only based on the creativity of an individual.

Minimal Cork's success relies on its differentiation aspect. The unique combinations of raw materials and innovative design concepts builds a brand that has a focus on people that have a special taste for designer products, eco-friendly materials and seek for a distinctive product that always has a story to tell. In an international environment these aspects constitute Minimal Cork's differential characteristics that target specific customers, these customers belong to a group named global niche markets.

The use of virtual networks to propagate its products turns Minimal Cork in a good case study considering the success obtained in a short period of time and using the Internet to sell abroad (mainly in London and small sales in Europe) and local network to establish itself in Porto (Portugal).

Case Discussion and Findings

The internationalization process has been studied for several years, as well as the liabilities associated with each internationalization model or theory. However, as time passes by it is essential for companies the adaptation of these theories to current reality enabling them to adjust their behavior and strategies in the process of operating overseas. Nowadays, the development of new and better communication and information technologies allows companies to connect to geographically and psychic distant markets, overcoming the liability of foreignness established by the Uppsala Model, and also the liabilities emerged by the Network Theory. Newness, smallness and outsidership are liabilities that can be disabled by the use of new technologies, especially the Internet.

Minimal Cork, being a new company, faced some difficulties during its incubation stage, in which remains. The internationalization of the company occurred in a natural way, as a reaction of its presence in virtual networks. Not being planned this way it enabled to overcome the internationalization liabilities. While focusing on their virtual presence the liability of foreignness and outsidership were not issues anymore. Once exposed to the world and differentiating themselves it is a process that does not require belonging to a network or knowing how foreign markets work. In terms of the liabilities of newness and smallness, they also did not disturb the process since Internet does not require many and extensive resources, being a simple tool to use allows the beginning of the process and the company entrance in the virtual world and, therefore its presence in international markets.

In the presented case study there is the example that more than a mean to acquire knowledge, Internet can be a tool to spread a brand around the world. Instead of a proactive marketing strategy, it became a reactive strategy, i.e. just for showing itself to the world it enabled the company to get known by other companies and make them pursuit Minimal Cork for possible business partnerships (supply and placement companies). The

use of the Internet by Minimal Cork can be described as an ignorant adoption of a powerful tool of internationalization. Although, as previously established, there are advantages and disadvantages to be considered when thinking about following a strategy that involves such tool. Sinkovics *et al.*, (2013, p.148) established that “IT [Information Technology] resources should be complemented with both IT capabilities and non-IT resources and capabilities”, i.e. by itself the Internet is not a tool that can allow the company’s internationalization. It is a tool that facilitates the access to foreign markets, to gain knowledge about them and connect with foreign companies. Matthews and Healy (2008, p.17), also defended that Internet has “given firms greater frequency and depth of communication through information and knowledge transference, which assists in developing new and more traditional business relationships in international markets previously untenable for SMEs”.

In the business environment, knowledge is seen as the information acquired by the company in order to succeed abroad. Nevertheless, it is possible to understand that knowledge in a virtual context is a two-sided concept. On one hand there is the acquisition of foreign markets’ knowledge and on the other hand we have the company’s exposure in international markets getting known around the world. Chrysostome and Rosson (2009) defended that the use of internet cannot replace the physical presence, which is expensive and implies the possession of many resources in order to survive international competition. Despite what Chrysostome and Rosson (2009) established, in this paper and through Minimal Cork’s case study, it is possible to verify that internet supplies diverse tools that allow small companies to publicize themselves abroad. The easiness of creating a webpage, a Facebook account, Twitter and other virtual networks, provides companies with starting tools for their internationalization adventure.

Conclusions

This paper was dedicated to the study, in practice, of the influence that Internet has in the internationalization process, considering the liabilities presented by the two main internationalization models/theories – Uppsala Model and Network Theory. It also highlights that the limited knowledge of foreign markets could be a burden but not a

crucial aspect in the process. The ability to publicize a brand or company in the virtual world can open the internationalization door and lead to new opportunities.

The internationalization process has been studied for a long time and over the years the role of knowledge has been one of the main subjects analyzed. This is an important factor considering its evolution since Uppsala Model and Network Theory until new until new theories and classification as Born Global/International New Ventures and Internetalisation. As previously seen, each theory is focused in a certain way of knowledge acquisition and considers differently that same knowledge. The Uppsala Model finds knowledge acquisition crucial for the internationalization process and suggests that without a gradual process in which the company can have access to the required knowledge, it won't be able to enter foreign markets and establish its activity abroad. The use of Internet as a tool came to contradict the Uppsala model, since it establishes the possibility to enter foreign markets acquiring knowledge in virtual networks, enabling a quicker process and denying the gradual internationalization process. On the other hand, there is the Network Theory, where the attention shifts to organizational and social networks in the study of a company's course to foreign markets.

After all, it possible to establish that internationalization does not need to have a certain path, pace or environment, the crucial factor has to be known in the targeted markets, known by suppliers, possible partners and customers. Through the case study it is possible to recognize that the role of knowledge in the internationalization process is important, but there are other aspects, as the used tools, to be considered as they will also determine the company success, allowing companies to internationalize without any or basic knowledge of foreign markets.

The authors recommend further empirical research and a multi case study analysis in order to have a better understanding about the interdependency of internationalization liabilities, knowledge acquisition and internetalisation as a tool to overcome those same liabilities and gain foreign market knowledge. And as shown, Internet is one of those tools that must be studied and considered during the process due to the role it has nowadays in companies and customers' lives. The analysis of these concepts in a current business environment could bring academics and practitioners into an all-new era where virtual networks are the central piece in the internationalization process.

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4. Conclusion

The internship at Minimal Cork proved to be an interesting and valuable experience for the involved entities, allowing the exploration of new paths and strategies. Belonging to a dynamic environment where knowledge is one of the most valuable assets, both companies and universities have the need to collaborate with each other in order to develop their potential. Entities like universities – dedicated to knowledge proliferation, have as its main goal the development of individuals preparing them for the job market. For companies, the alliance with education institutions allows them to have access to fresh minds and new ideas enabling the development of new strategies and the discovery of paths they have not considered yet. As a connector, in the middle of this relationship there is the student – the person responsible for carrying the knowledge from one entity to another. For the student, besides serving as a messenger it is also a great opportunity to learn by own experience how the job market works in terms of soft skills and to realize the differences between the academic world and the business world.

For Minimal Cork, this internship meant the discovery of new paths, realizing the existence of several strategies and the tools available for implementation. Through the activities developed during the internship the company had the chance to make an introspection and get to know its strengths and weaknesses as well as the opportunities and threats existent in the industry it is inserted in. The analysis carried on allowed not only the company to know which factors to leverage but also the ones to mitigate due to its negative impact. The definition of possible strategies and implementation of some of them enabled the company to try new paths – for example the online communication and sales, leading them into new partnerships and international opportunities.

The study of the company encouraged an introspection and the definition of the main goals through the identification of the management motivation, values and ambitions, guiding the company's actions and compensating the lack of a business plan. This internship allowed the company to define its core business and segments, differentiating them and adapting its products and services to each target. The channel chosen to reach the final consumer was the Internet – through the website and social networks, and for the business to business segment the network the company is inserted in was explored. These actions lead the company to establish partnerships in London and proposals for

supplying its products for a Portuguese company that is expanding for the United States of America – constituting a great chance to get to know how this market works and planning a possible entrance in that market.

Individually, this experience turned out to be a great opportunity to put in practice the knowledge acquired throughout the academic years and to have a first-hand experience in the job market. The tools used and methods followed during the internship - until then only known in theory, allowed the exploration of ideas and the development of soft skills.

The company's initial diagnosis – strategically adrift, conditioned the internship not allowing the development of an international marketing plan since the company had no ground to support an expansion for international markets. However, the inexistence of a business plan constituted an opportunity to learn its importance in a company's evolution observing how the lack of planning can highly influence the company's performance and condition its sustainable development.

The elaboration of this report was a challenge due to the lack of information existent in the company, not by being denied but because it did not exist. However, the motivation to succeed and the resources available allowed the company's sustainable growth creating new opportunities in Portugal and worldwide.

In terms of the academic work developed from the information obtained and additional research, the internship circumstances promoted the development of two academic papers. These papers, being focused in Minimal Cork's case study, permitted the exploration of several aspects that are related with business creation and the internationalization process.

The first article – Paper I, discusses the origin of small enterprises and their path from a hobby into a successful business, showing how the circumstances involving the company's creation can influence its future. In this paper the entrepreneurs' role as the decision-maker is examined and the emotional proximity with the project is questioned, considering the fact that the project started as a personal interest – a hobby. Related with the process of creating a company is the matter of establishing an organizational structure.

The inexistence of previous planning is one of the main characteristics of small companies and the future of those companies is influenced by the lack of a business plan to guide them throughout their way into domestic markets - and even more in international markets.

The study of Minimal Cork's internationalization process was intriguing. Following the creation of the company there was the study of its internationalization process – content of Paper II. How could a small enterprise without a business plan find its way into international markets? This question served as a starting point for the development of the second article where the Internet's role as an internationalization tool explained how Minimal Cork was able to connect with external markets without any knowledge of them or network connection. Contradicting the main internationalization models and theories – Uppsala Model and the Network Theory, Minimal Cork acquired its knowledge of the market through the use of the Internet, using this tool for knowledge acquisition and brand dissemination. This tool allowed the company to be known worldwide and even being in a small scope it generated the opportunity to reach foreign markets of which the company received partnership proposals – London and the United States of America.

These two articles complement each other giving consistency to the internship report since it addresses the business creation matter that characterizes the company - and largely influences its performance in the market, and the internationalization process allied with the internetisation phenomenon – increasingly important nowadays.

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6. Attachments

Attachment A - Minimal Cork internship feedback

1. Translated letter – Original letter in Attachment A.2

“Testimony

Having been asked to compose in a brief statement on the level of satisfaction on the cooperation and assistance during the months in which we had the privilege of depriving with Carolina Pestana, it was with great pleasure that we accepted the challenge to shed written the opinion we formed. Having determined not exceed an A4 sheet, our statement will be systematic and frugal.

- a) Punctuality and attendance: couldn't be greater, having been spontaneous on the part of the Carolina Pestana. Attended on a daily basis and promptly.
- b) Dedication: excited about the brand as ourselves. Took over as the brand's International Manager, proactively and competently, surprising with ideas and suggestions far beyond what would be expected from a professional so young.
- c) Availability: always available, even outside normal work and weekends, was exemplary.
- d) Professionalism: surprised several times exceeding expectations, showing a proactive level of professionalism and competences that we wish we had in all our collaborators in other companies.
- e) Performance: Minimal Cork did not showed a higher performance due to time and resources management limitations and in particular for being a brand still under development not yet detaining the means for rapid distribution on the markets. We would like to be able to count on Carolina Pestana's collaboration in an economically more sustainable phase of the brand.

It is with some frustration that we end the A4 page, without having been able to do justice to all Carolina's qualities which highlight: frankness, intelligence, clarity, honesty, and negotiating skills, and we could not help but mention the friendliness and human value.

Thank you Carolina Pestana.”

Attachment A – Minimal Cork’s internship feedback

2. Original letter (Portuguese)

DECLARAÇÃO MINIMAL C O R K

Tendo-nos sido solicitado que redigissemos uma sucinta declaração sobre o nível de satisfação relativo à cooperação e assistência durante os meses de estágio em que tivemos o privilégio de privar com a Carolina Pestana, foi com grande satisfação que aceitámos o desafio de verter a escrito a opinião que sobre ela formámos. Dado que decidimos não ultrapassar uma folha A4, a nossa declaração será sistemática e frugal.

- a) Pontualidade e assiduidade: não poderia ser maior, tendo sido espontânea da parte da Carolina Pestana. Compareceu quotidiana e pontualmente.
- b) Dedicção: tão entusiasmada com a marca como nós próprios, assumiu-se como gestora da internacionalização da marca de modo pleno, proactivo e competente, surpreendendo com ideias e sugestões muito para além do que seria expectável para profissional tão jovem.
- c) Disponibilidade: sempre disponível, mesmo fora de horário normal de trabalho e fins-de-semana, foi exemplar.
- d) Profissionalismo: por várias vezes surpreendeu excedendo as expectativas, apresentando nível de profissionalismo proativo e competência que gostaríamos de ter em colaboradores nossos noutras empresas.
- e) Desempenho: a Minimal Cork só não terá apresentado maior desempenho devido às limitações em tempo e meios da gerência e em especial por ser uma marca ainda em desenvolvimento e início, não possuindo ainda meios para rápida divulgação nos mercados. Gostaríamos de poder contar com a colaboração da Carolina Pestana em fase economicamente mais sustentável da marca.

É com alguma frustração que chegámos ao fim da página A4, sem termos conseguido fazer justiça a todas as qualidades da Carolina, nas quais se evidenciam: franqueza, inteligência, lucidez, honestidade, capacidade negocial e, não podíamos deixar de o referir, simpatia e valor humano.

Obrigado Carolina Pestana.



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