



UNIVERSIDADE CATÓLICA PORTUGUESA

# Economic Diplomacy and SMEs Internationalization

The case of a Portuguese Master Franchise  
India

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by

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# Abstract

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**Purpose** – Economic Diplomacy (ED) is a form of diplomacy that can play an important role in supporting the internationalization process of small and medium enterprises (SMEs). Despite the existent literature regarding ED combined with international expansion, little attention is given to the set of tools that diplomacy can use in order to meet the expectations of SMEs seeking for new business opportunities in foreign markets. The purpose of this research is to analyze how the role of ED is played in supporting the internationalization process of Vivafit to India, a master franchise of fitness services for women only, which constitutes a successful case.

**Design/methodology/approach** – A case study approach was adopted based on information collected from various sources, including the company's website and interviews to the Co-founder and CEO as well as to the first master franchisee in India.

**Findings** – ED played an important role in the internationalization process of Vivafit to India, by providing institutional credibility to the brand in a psychic distant market, and by catalyzing the brand expansion in the destination market. The company took advantage from the tools of ED provided by the Portuguese Government, which worked together with other factors to achieve a successful internationalization.

**Originality/value** – In the Portuguese market, mainly constituted by SMEs with increasing need for external demand, it is important for companies to understand how they can benefit from ED in order to support their international expansion. Furthermore, this support can facilitate the entrance in culturally distant and emerging markets. Regarding the existing literature in the field of ED, this study adds value by providing insights of a case where diplomacy played an active and important role in advancing the interests of a small company.

**Key words:** Economic Diplomacy; Internationalization Process; Case Study Research; Master franchising, Portugal, India.

# 1. Introduction

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The role of ED in internationalization process of companies is a recent topic of discussion in Economic Science. It is a subject that as been gaining importance along with the globalization of markets (Raymond Saner & Lichia Yiu, 2003). Kishan S Rana and Bipul Chatterjee (2011, 2014), Andrew Rose (2015) and Ciuriak Dan (2014) are among the authors that most contributed to the introduction of ED as a relevant factor in advancing the home country exports and supporting home country companies seeking for international expansion. However, the topic of ED has a very wide scope, and research about this subject is rather theoretical than practical, in relation to the emerging need for external demand that companies are facing in increasingly liberal markets. This need is even more imperative in the Portuguese market, primarily constituted by SMEs. According to IAPMEI, SMEs represent 99,6% of the Portuguese business structure, generating 75,2% of jobs. There is little evidence of how the role of ED can support companies in the internationalization process that implies many risks, and how this support is provided. Portuguese SMEs, due to structural limitations, generally lack of resources to approach foreign markets in a more efficient way that large companies do. Thus to reduce the risks associated to the internationalization process, SMEs need external support which can, in part, be provided by the diplomacy that uses a full spectrum of economic tools of the State to achieve its national interest (Selwyn Moons & Van Bergeijk, 2009). Ciuriak Dan (2014) and Andrew Rose (2015) in their researches, prove that ED, in fact, boosts exports.

Studies regarding the internationalization process of companies, focused on SMEs, also suggest that entrepreneurs are one of the main variables in SME's internationalization (McDougall & Oviatt, 2000). Furthermore, the market and product/service characteristics are also taken into account when a company identifies business opportunities, both in international and the domestic market. By last, the entry mode adopted in order to give response to a perceived local opportunity, also plays an important role in the internationalization of companies, and can strategically be chosen according to the characteristics of the destination market. Johanson

and Vahlne (1977-1990) hypothesize that companies would enter new markets with successively greater psychic distance.

Therefore, this research aims to expand and develop insights into the role of ED in the internationalization process of SMEs. Moreover, it aims to review the role of the entrepreneur in the organization as well as the entry mode adopted, and approach the internationalization process of SMEs as a set of interdependent factors in which ED is the main focus. This study aspires to contribute for SMEs seeking for international expansion, by highlighting the role that ED can play and positively influence the process.

The research strategy adopted is a single case study, focused on details of the internationalization process of a Portuguese small company to India. This company, that adopted franchising mode to expand operations in a market with great psychic distance is, as a matter of fact, one of the few Portuguese companies in India that achieved success in a traditionally difficult market for Portuguese companies.

With respect to the outline of this document, the next chapter reviews the literature about the internationalization process of SMEs, as well as the literature about the role of ED in the internationalization process and entry modes with focus on franchising.

The methodology adopted to conduct this research is addressed in the third chapter. The fourth chapter presents the Vivafit case. The fifth chapter discusses the case in the light of extant literature and the sixth chapter presents the main conclusions and findings of the study. Finally, the seven and last chapter discusses the limitations of the study and further research as well as its theoretical and empirical implications.



## 2. Literature Review

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### 2.1 Internationalization Process

The internationalization process of firms is generally defined as a process in which firms gradually increase their involvement in foreign markets (Jan Johanson & Jan-Erik Vahlne, 1977). Over the last decades, the continuing worldwide trend to eliminate barriers and expand global trade has presented companies with new opportunities and challenges. From here, academics of several fields of knowledge started to develop models and theories to work as a support for organizations seeking for such opportunities. One of them is the Uppsala model (U-M), which explains how companies gradually intensify their activities in foreign markets, developed from empirical observations of Swedish firms. Under this model, Johanson and Wiedersheim-Paul (1975) characterize four stages in which the next stage represents a higher degree of international involvement:

**Stage 1:** No regular export activities;

**Stage 2:** Export via independent representatives (agents);

**Stage 3:** Establishment of an overseas sales subsidiary;

**Stage 4:** Overseas production/manufacturing units.

It is also hypothesized that firms would enter new markets with successively greater psychic distance. Further in time, Johanson and Vahlne (1977-1990) formulated a dynamic model where the basic mechanisms of internationalization are considered to be the market knowledge and market commitment of firms, which in turn affect both commitment decisions and the way activities are performed. As a mechanism, it works as a cycle of events where the outcome of a decision constitutes the input of the next. The cycle continues once the commitment decisions and the way current decisions are performed will, in turn, change market knowledge and commitment (Aharoni, 1966). Market commitment is composed by the amount of resources committed and the degree of commitment, as per Johanson and Vahlne (1977). The amount of resources can be operationalized as the size of

investment in the market while the degree of commitment refers to the difficulty of finding an alternative use for resources and transferring them to the alternative use. Regarding market knowledge, international activities require both market-specific knowledge and general knowledge. The first is acquired through experience in the market whereas the latter could facilitate lateral growth. The authors also postulate that knowledge can be considered a dimension of human resources and consequently, the better the knowledge about a market the more valuable are the resources and stronger the commitment to the market which is especially assumed to be true for experiential knowledge.

Literature is very rich in what concerns to theories and models of internationalization. A different perspective about the process can be found in I-M models that explain internationalization from an innovation-related approach. Bilk and Tesar (1977), Cavusgil (1980), Czinkota (1982) and Reid (1981) are all innovation-related internationalization models that focus on the learning sequence in connection with adopting innovation. Internationalization, as a decision, is taken as a consequence of the firm's drive for adopting innovation. However, the four model's stages are assumed to start at different points while incentives to start exporting are interpreted differently. Bilkey and Teaser (1977), and Czinkota (1982) presume that the firm has little interest in exporting at the first stage, which is believed to represent some kind of "push" mechanism that initiates the export decision (Otto Andersen, 1993). On the other hand, the same author argues that Cavusgil and Reid Models represent a "pull" mechanism once the firms are interested in export at the early stage. Despite the distinction in the initial mechanism, the differences between the models are then considered to reflect more semantic differences rather than real differences about the nature of the process.

Both types of models, Uppsala and Innovation-related, are based on a behavioral approach, however, the U-M has emphasis on learning theory following a logical cycle, and the later define internationalization as a step-by-step development (Otto Andersen, 1993). Regarding the Uppsala model, no initial conditions are presented and the authors do not explain how or why the process starts, which makes it limited, especially in nowadays globalization. There is no consideration for management incentives and how

that affects decision making, aside from ignoring entry models within the four stages stated. On the other hand, the Innovation-Related models' concepts used on each step are very abstract and make them also vulnerable for criticism, by arguing that companies do not follow the sequence of steps presented. Thus, the application of these models, both U-M and I-M, seem limited since they both are based on assumptions and constraints (Otto Anderson, 1993).

Otto Anderson have compared two traditional models of internationalization but there are many other approaches that can be taken into account such as the transaction cost theory, the eclectic paradigm and the monopolistic advantage theory. Mitja Ruzzier, Robert D. Hisrich and Bostjan Antonic (2006) clarify the differences between each one and state that any of these are a result of researches in the late 1950s and 1960s, focused on large multinational enterprises (MNEs) and their international activities. This has resulted in a substantial body of theoretical and empirical data; however, the abovementioned theories are the dominant approaches in MNEs.

## **2.2 Internationalization of SMEs**

From the early 1970s, a second stream of research has started, focused on SMEs. That said, from the same stream of research where this literature background has started. The Uppsala internationalization model is one of a kind, as well as the innovation-related model. Both can be used to analyze MNEs but also SMEs and both are, frequently, confounded.

Johanson and Mattsson (1993), based on the Uppsala model, analyze the firm's internationalization process by applying a network perspective. Under this perspective, emphasis is given to gradual learning and development of market knowledge through interaction within networks. From a firm-to-firm perspective, complementary and competitive relationships are of uttermost importance for the internationalization process. Firms are interdependent through co-operation and competition. Only by taking these elements into account, a firm-to-network perspective can then be

considered. By combining both of them, Johanson and Mattsson (1993) later identify four situations of internationalization:

- The early starter.
- The late starter.
- The lonely international.
- The International among others.

The model proposes that firms are initially engaged in a domestic network and then further develop businesses relationships in networks in other countries. It starts by establishing relationships in country networks that are new to the firm (international extension), through the development of relationships in those networks (penetration) and thus through connecting networks in different countries (international integration).

Nonetheless, networks approach does not take the influence of individuals into account. Miesenbock (1988) emphasizes the importance for the possibility of individuals to make strategic choices and characterize the role of entrepreneurs as the main variables in SMEs' internationalization. From this perspective, a new approach for SMEs' internationalization arises, called international entrepreneurship (McDougall & Oviatt, 2000; Antoncic and Hisrich, 2000). McDougall & Oviatt (2000) define this new field of business research as a "combination of innovative, risk-seeking behavior that crosses national borders and its intended to create value in organization". As a consequence, the focus of analysis is moved from the firm level to the individual level. Alvarez and Busenitz (2001) and Rangone (1999) suggest that entrepreneurs carry on individual-specific resources, which in turn facilitate the identification of new business opportunities. Such resources can be entrepreneurial knowledge, relationships, experience, training, skills and judgment, as well as the ability to coordinate resources (Barney et al., 2001; Barney, 1991; Langlois, 1995). They can constitute competitive advantage since they are not easy to imitate and cannot be easily generated (Alvarez & Busenitz, 2001).

OECD (2000) defines entrepreneurs as one of the most important agents of change with the capacity and willingness to take risks in realizing their judgments, as well as the capacity to be innovative and to exploit business opportunities in a market environment. However, each entrepreneur is one of a kind and not all of these individuals have the networks, knowledge

and background needed to accomplish what is considered to be the main variable for SMEs' internationalization process, regarding the entrepreneur perspective of the international entrepreneurship model. Furthermore, emphasis on the innovative characteristic of an individual should be given due to the need for exploiting new business opportunities rather than just identifying them (Alvarez & Busenitz, 2001). An entrepreneur not only discovers a valuable innovation but is also able to introduce it successfully into foreign markets (Acts *et al*, 2001). In addition, Mitja Ruzzier, Robert D. Hisrich and Bostjan Antonic (2006) based on the emerging model of international entrepreneurship add the time dimension as the second main variable for SMEs' internationalization supported by the increasing number of SME's internationally and thus, time is assumed to become a new strategic dimension for internationalization.

Mitja Ruzzier, Robert D. Hisrich and Maia Konecnik (2007) further extend the model of international entrepreneurship in their study focused on several dimensions of the human capital of the firms' chief entrepreneur, with respect to the relative influence and importance of such dimensions on a SMEs' internationalization. The authors urge to evaluate the degree to which a composite measure of human capital is predictive of the internationalization. In short, they develop a model that links the human capital dimensions of entrepreneurs to SMEs' internationalization. According to Novak and Bojnec (2005), human capital represents an involvement in education and skills, which constitutes an important factor for economic growth. The four dimensions of human capital of a SMEs' entrepreneur studied to relate positively to its skills internationalization are as follows:

- International business skills,
- International orientation,
- Perception of environmental risks.
- Management know-how.

The authors propose that SMEs will be more internationalized the more the entrepreneurs of the firms possess international business skills. International business skills can be acquired through personal experience of specific international markets (Anthanassiou & Nigh, 2000). This experience is especially important to overcome barriers associated with psychic distance (Morosini & Shane, 1998) and exposes entrepreneurs to information and

contacts abroad. In addition, it enhances the likelihood of export engagement and expansion (Reid, 1983) and has a positive impact on the degree of internationalization (Reuber & Fischer, 1997). The entrepreneur's exposure to foreign cultures and countries through living, working or traveling abroad is also emphasized as a driving force for increasing international orientation. Consequently, they become more capable of discriminating among foreign markets and even become more likely than their counterparts, without this experience, to respond favorably to export market opportunities as they arise.

Regarding risk perception, a firm's propensity to internationalize is positively related to its entrepreneur's level of risk tolerance (Wiedersheim-Paul, Olson, & Welch, 1978). Internationalization and considerable risk are interlinked, and such risks are often greater than selling at domestic markets. Consequently, Leonidou (1998) assumes that risk-taking entrepreneurs are more likely to respond favorably to export opportunities and become exporters.

The last dimension, management know-how, may be able to introduce better human resource practices, taking promising competitive strategies and identifying more promising opportunities abroad (Westhead *et al.*, 2001).

From a holistic approach, Mitja Ruzzier, Robert D. Hisrich and Bostjan Antonic (2006) combine these predictors instead of utilizing individual predictors. This idea is supported by Becker (1993), which considers the combination of personal factors as the most important characteristic of human capital. The results showed that human capital is related positively and directly to the degree of internationalization of the firm. In addition, it appears that firm internationalization is best explained by latent construct of human capital comprising the four indicators, but only 2 of them were supported, international orientation and risk perception. In short, international orientation and risk perception are the most predictive indicators of an SME's internationalization. Again, the findings regarding entrepreneur's human capital suggest that the owner acquires a broader international perspective through experience, which reduces their perceptions of risk associated with selling in foreign markets and increases their knowledge of how to best sell in these markets. Personal attributes of an SME's chief entrepreneur are indeed associated with SME internationalization. However, this study only accounts for the collection of

data from a single person of each respondent company and Leonidou (1998) states that often the decision-making unit consists of more than one individual. Moreover, smaller firms with less than 10 employees were not considered.

## 2.3 Entry Modes

Organizations seeking to enter a foreign market usually have different modes of entry to adopt, being the most common exporting, licensing, joint venture and sole venture (Sanjeev Argawal & Sridhar N. Ramaswami, 1992). Academic literature in the field of international marketing is especially rich in what concerns to the study of entry modes, their benefits and disadvantages, taking into account several factors. Once the firm has chosen target markets abroad, factors such as the impact of ownership, location (Sanjeev Agarwal & Sridhar N. Ramaswami, 1992), the effect of national culture in national markets (Bruce Kogut & Harbir Singh, 1988) as well as foreign culture, the risk and entry costs and other internal and external factors are some of the most influential when choosing an entry model. According to Sven Hollensen, (2007) the entry markets represents a critical first step for most SMEs, whereas for well established companies the problem is not how to enter new emerging markets but rather how to exploit opportunities more effectively within the context of their existing network of international operations. Furthermore, Petter and Welch (2002) found that a firm often combines modes to enter or develop a specific foreign market in what the authors call “mode packages”. Exporting, licensing, joint and sole ventures have, consequently, different degrees of control, risk and flexibility associated with each other. Export modes usually involve low control, low risk and high flexibility. Intermediate or contractual modes (licensing) involve shared control and risk with split ownership whereas investment modes such as sole ventures involve high control, high risk and low flexibility (Sven Hollensen, 2007). Franklin R. Root (1994) state that there are three rules for the kind of strategy that should be used:

1. Naive rule: The decision maker uses the same entry mode for all foreign markets. Heterogeneity of individual foreign markets is ignored.
2. Pragmatic rule: The decision maker uses a workable entry mode for each foreign market. In the early stages of exporting the firm typically starts doing business with low-risk entry mode. Here not all the alternatives are investigated and the workable entry may not be the ideal entry mode.
3. Strategy rules: It requires that alternative entry modes are systematically compared and evaluated before any choice is made. An application of this decision rule would be to choose the entry mode that maximizes the profit contribution over the strategic planning period or subject to (a) the availability of company resources, (b) risk and (c) non-profit objectives.

Despite the contribution of Frankling R. Root to this area of study, SMEs usually cannot apply these rules properly due to the lack of knowledge and thus many of them end up having a more pragmatic attitude towards a specific market or even applying the naive rule. To overcome the lack of knowledge, firms should be fully aware of criteria for decision-making. Sven Hollensen (2007) deeply explains the main drives that are believed to influence the entry mode decisions:

1. Internal factors: firm size; international experience; product/service
2. External factors: Social distance between home country and country of destination; country risk and demand uncertainty; market size and growth; direct and indirect trade barriers; intensity of competition; small number of relevant intermediaries available.

If the entrepreneur or decision maker is able to internalize and gather information about the factors influencing decision-making, a profile of the individual can then be traced. If the decision maker is risk averse, it will prefer export modes or licensing. However, minimal levels of resource commitment are likely to neglect the development of international operations and result in significant loss of opportunities (Sven Hollensen, 2007). Moreover, the minimal levels of resource commitment provide low control



over operations, and even licensing and joint ventures limits the degree of managerial control. According to José Manuel Fernandes (2015), this limitation over international operations is one of the main sources of conflict for firms. Partners often have different goals and thus synergies that should become a source of competitive advantage for both, work as the opposite. By last, the ability to adapt or change strategies when market conditions change rapidly, flexibility is bigger for sole ventures. In short, greater rewards for higher risks. Nonetheless, taking high risks for SMEs can also mean the end of activity for most of them and that is why the support of ED for these firms is of utmost importance in order to reduce uncertainty.

## **2.4 Intermediate Entry Modes - Franchising**

Sven Hollensen (2007), states that contractual arrangements take place when firms possessing some sort of competitive advantage are unable to exploit this advantage because of resource constraints, for instance, but are able to transfer the advantage to another party. These arrangements often entail long-term relationships between partner firms and are typically designed to transfer intermediate goods such as knowledge and/or skills between firms in different countries.

Derived from the French, franchising means, “to be free from servitude” (Sven Hollensen, 2007). Its constitutes a marketed oriented method of selling a business service, often to small independent investors who have working capital but little or no prior business experience. There are two types of franchising, as per Sven Hollensen:

1. Product trade and name franchising: It is very similar to trade mark licensing. Typically it is a distribution system in which suppliers make contracts with dealers to buy or sell products or product lines. Dealers use the trade name, trade mark and product line. Examples of this type of franchising are soft drink bottlers such as Coca-Cola and Pepsi.
2. Business format package franchising. It involves a relationship between the entrant (franchisor) and a host country entity, in

which the former transfers, under contract, a business package (or format) that it has developed and owns, to the latter. This host country entity can be either a franchisee or a master franchisee. The package transferred by the franchisor contains most elements necessary for the local entity to establish a business and run it profitably in the host country in a prescribed manner, regulated and controlled by the franchisor. The package can contain the following items: trade marks/trade names; copyright; designs; patents; trade secrets; business know-how; geographic exclusivity; design of the store; market research for the area; location selection.

The package may also include the right for the local entity, a master franchisor, to establish and service its own subsystem of master franchisees within its appointed territory. Moreover, the package typically provides local entities with managerial assistance in setting up and running local operations. All locally owned franchisees, sub franchises and sub franchisors can also receive sub suppliers from the franchisor and benefit from centrally coordinated advertising. In return for this business package the franchisor receives from the franchisee or sub franchisor an initial fee up front and/or continuing franchise fees, based typically on a percentage of annual turnover as a mark up on goods supplied directly by the franchisor (Sven Hollensen, 2007).

The business concept usually includes a strategic plan for growth and marketing, instruction on the operation of the business, elaboration of standards and quality control, continuing guidance for the franchisee, and some means of control of the franchisee by the franchisor. Franchisors provide a wide variety of assistance for franchisees, but not all franchisors provide the same level of support. Some examples of assistance and support provided are in the areas of finance, site selection, lease negotiation, cooperative advertising, training and assistance with the store opening. The extent of ongoing support to franchisees also varies among franchisors. Support areas include central data processing, central purchasing, field training, field operation evaluation, newsletters, regional and national meetings, a hotline for advice and franchisor-franchisee advisory councils. The availability of these services is often a critical factor in the decision to

purchase a franchise, and may be crucial to long-term success of marginal location or marginally prepared owners (Sven Hollensen, 2007)

Like in other businesses, franchisors must consider the relevant success factors in making the decision to expand their franchising system globally. Stability is an important factor for franchising, given the long-term of agreements. Thus, the goal is to search for an environment that promotes cooperation and reduces conflict.

The franchising development often begins as a response to a perceived local opportunity, perhaps as an adaptation of a franchising concept already operating in another foreign market. In this case the market focus is clearly local to begin with. In addition, the local market provides a better environment for testing and developing the franchising format. Feedback from the marketplace and franchisees can be obtained more readily because of the ease of communication. Adjustments can be made more quickly because of the close local contact. A whole variety of minor changes in the format may be necessary as a result of early experience in areas such as training, franchisee choice, site selection, organization of suppliers, promotion and outlet decoration. These early stages of franchise development represent a critical learning process for the franchisor, not just about how to adapt the total "*package*" to the market requirements but also regarding the nature of the franchising method itself. After all, with a proven "*package*" and a better understanding of its operation, the franchisor is in a better position to enter foreign markets, and is more confident about doing so with a background of domestic success (Sven Hollesen, 2007). Critically thinking, is it always good to adapt this process of international expansion stem from the domestic market? Some business concepts may only work in foreign markets and developing them domestically may result in high skunk costs, even if part of these costs is considered learning/training costs.

In any case, franchising combines the advantages of economy of scale offered by the franchisor with the local knowledge and entrepreneurial talents of the franchisee. These joint contributions may result in positive synergies. The franchisor depends on franchisees for fast growth, an infusion of capital from the franchise purchase fee, and an income stream from the royalty fee paid by franchisees each year. Franchisors also benefit from franchisee goodwill in the community and, increasingly, from franchisee

suggestion for innovation. However, the most important factor is the franchisee's motivation to operate a successful independent business. The franchisee depends on the franchisor for the strength of the trademark, technical advice, and support services, marketing resources and national advertising that provides instant customer recognition. Still, there are two additional key success factors, which rest on the interdependence of the franchisee and the franchisor, as per Sven Hollesen:

1. Integrity of the whole business system;
2. Capacity for renewal of the business system.

The business may result in a success in a viable market to the extent that the franchisor provides a well-developed, proven business concept to the franchisee and the franchisee is motivated to follow the system as it is designated, thereby preserving the integrity of the system. Standardization is the cornerstone of franchising: customers expect the same product or service at every location. Deviations from the franchising business concept by individual franchisees adversely affect the franchisor's reputation. The need for the integrity of the system requires that the franchisor exert control over key operations at the franchise sites.

Nonetheless, most franchisors conduct research and development within the franchisees, and the highest proportion of innovation is originated from franchisees in the field. Franchisees are most familiar with customer's preferences. They sense new trends and the opportunity to introduce a new product and service. The issue is getting the franchisee to share ideas with the franchisor, for a number of reasons. The most common is failure of the franchisor to keep in close contact with the franchisees; the most troubling is a lack of trust in the franchisor. The franchisor needs to promote a climate of trust and cooperation for mutual benefit (Sven Hollesen, 2007).

The author introduces the concept of franchising as an intermediate entry mode and facilitates its understanding. However the same argues that conflicts between parties and intermediaries should be always take into account.

Rosa Forte and João Carvalho (2013) analyzed the internationalization through franchising, using as a case study the internationalization process of Parfois, a Portuguese retail brand operating in the fashion accessories business. A clear pattern in the internationalization process was found, once

the firm was willing to open its own stores in the European market but allowing franchisees to assume the investment risk and become sub franchisors in other world regions, with particular relevance for the Middle East and Eastern Europe. Through franchising, Parfois started its expansion in Saudi Arabia in an agreement with a Middle East Company Azadea Group. The opportunity to grow and the low amount of investment required, ensuring quick growth and achieving the market coverage with little investment risk (Bai & Tao, 2008) encouraged the company to expand internationally in markets where it did not feel comfortable to invest in own stores.

Through own stores, the expansion began in 2003 in the Portugal's neighbor, Spain. This type of expansion involves considerably more risk, since it started from the scratch out of borders. Psychic proximity, as well as similar retail structural development, were the main driver to take higher risks (Pellegrini, 1994). In short, Parfois have used a multi-strategy entry method, using franchising in markets with less psychic proximity and own stores in similar markets, regarding the Portuguese market. The authors also state that in order to grow rapidly, to increase their popularity and taking advantage of economies of scale, companies nowadays tend to expand through different ways, being franchising one of the important paths.

Despite the acknowledgements from this research paper, this type strategy is not always an option, regarding the business concept of firms.

Sevgin Eroglu (1992) assumes that a franchisor's intention to internationalize is a result of two sets or perceptual variables – perceived risks and perceived benefits – which, in turn, are determined by a series of organizational and environmental factors. The basic premises of the model developed by the author are that all franchise systems strive to survive through profit maximization while minimizing risks. Therefore, top management is continuously involved in a cost/benefit assessment. The determination of costs and benefits is invariably filtered through perceptual barriers, difficulties in processing and unavailability of information. Thus, the research is focused on perceived costs and perceived benefits of internationalization, as opposed to costs and benefits of internationalization. It is the evaluation of this two competing forces that determines the strength of intentions towards the decision to expand globally. Some implications of

this model concerned public policy efforts to initiate and sustain internationalization effort among US franchise systems.

Government action is needed to induce domestic franchisors to explore foreign opportunities, by reducing legal and bureaucratic hurdles, provide incentives and design various programmes to reshape management's existing perceptions and expectations about benefits to be gained from internationalization. Government programmes usually aim to encourage internationalization based on models in which the price of factors and products are the only explanatory variables (Johansson & Vale, 1977).

## **2.5 The Role of Economic Diplomacy**

Embassies and consulates, also known in the literature as diplomatic missions, play an important role in defending and advancing the home country's external economic interests. In what concerns to the field of economics, ED is described as including the promotion of trade and investments, management of aid and other financial flows, tourism promotion and the management of all the regulatory issues that affect a country's external economic policy; It is handled by the Ministries of Foreign Affairs and Economy, and involves contributions by non-state actors (Kishan S Rana, 2014).

Organizations seeking for international business opportunities are, in generally, more concerned with the way embassies and consulates, as well as other business promotional bodies, can help them to navigate their way in their profit-oriented goal in the foreign market. In short, home country's firms, according to Kishan S Rana (2014), can also be characterized as the true customers of the ED. In order to develop these diplomatic systems, based on empirical evidence, States usually pass through four stages in its development: promotion of trade; networking; country promotion, and regulation (Rana S, Kishan & Bipul Chatterjee, 2014). Nonetheless, while this contribution became relevant especially for firms seeking for business opportunities in the Indian market and the reverse, from India to the world, it is relevant to emphasize that such studies are analyzed from the ambassador's perspective.

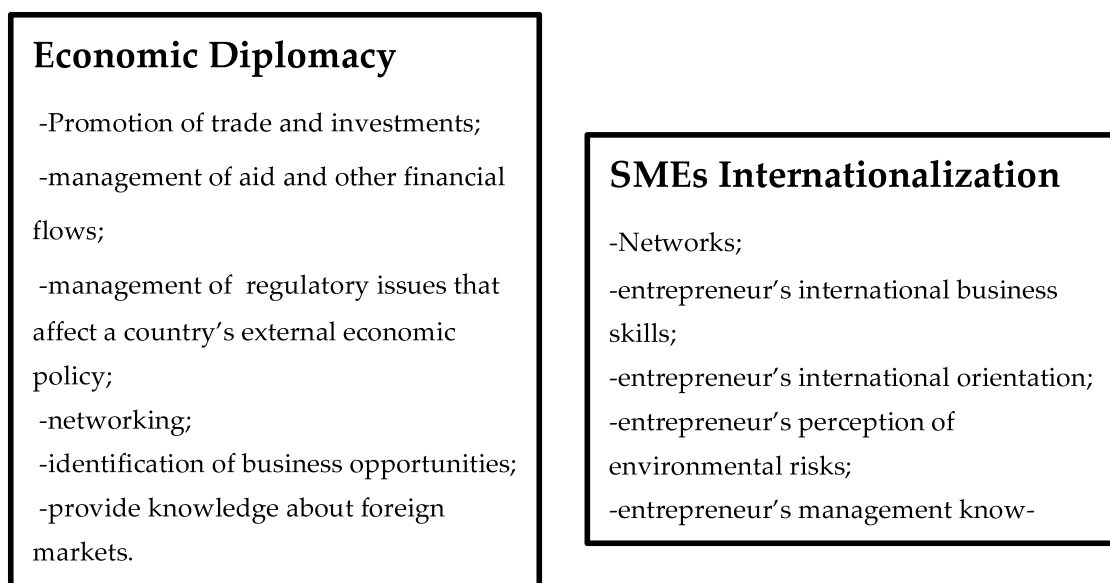
Andrew K. Rose (2015) had investigated this point and analyzed whether exports were in fact systematically associated with diplomatic representation abroad. By using cross-sectional data covering 22 large exporters and 200 import destinations, the investigator was able to prove that bilateral exports have risen by approximately 6-10% for each additional consulate abroad, controlling for a host of other features including reverse causality. Furthermore, embassies showed higher effects than consulates. Another point of interest is the most common quantitative method applied to the topic of ED, related with the "Gravity Model" of International Trade. Through this model, Ciuriak Dan (2014) concludes that ED boosts exports by using the case of Canada as an export promoter in Australia. This widely used model explains the level of exports to a country based on the size of the destination market, its distance from the exporting country, and various factors that impact on the costs of doing business in that market. These can include whether the exporting and importing countries share a common language, the depth of historical political ties, whether they have a free trade agreement in force, and so forth.

Rana Kishan and Chatterjee (2011) have analyzed several case studies to support the thesis of combining foreign affairs with foreign trade, which together can be a powerful device for synergy. These conclusions were taken after several years of observation as members of the Indian Diplomatic Mission. Rana Kishan and Chatterjee go even further by advocating that the ED is becoming essential for every policymaker. ED aims to identify business opportunities and provide knowledge about foreign markets, which can reduce risk and uncertainty for firms. It can help owners and entrepreneurs of SMEs to make better strategic decisions and avoid strategic errors, which usually happen at different levels but being the most common: lack of knowledge about the foreign markets SMEs are interested in; false assumptions about the nature of the international market; the underestimation of operating costs and failing to get expert advise (Jennifer Vessels, 2012).

## 2.6 *Ex Ante* Theoretical Framework

The ex ante theoretical framework presented, lists the related variables identified in the literature review of ED and SMEs internationalization. In what concerns to ED, the Rana Kishan and Chatterjee (2011,2014) state that embassies and consulates, as well as other governmental organizations, advance the home country economic interests by promoting trade and investments, support the management of aid and other financial flows as well as the management of regulatory issues that affect the country's external policy. Moreover, regarding the support of companies from the home country, networking is made, as well as the identification of business opportunities. By last, ED provides knowledge about foreign markets.

Regarding the literature of SMEs internationalization, the variables the authors state as positively influencing the process are related to human capital of a company. Emphasis is given to the entrepreneur as the decision maker during the internationalization process. Nonetheless, gradual learning and development of market knowledge through interaction within networks are also identified as a variable to positively influence the internationalization. In short, the output of the literature review made is presented as follows:



**Figure 1:** Ex ante theoretical framework



### 3. Methodology

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The present research adopted a single case study design. The decision to use this research strategy is driven by the exploratory context of the research. Qualitative methods examine the reason why and how any particular evidence occurs, for instance actions and behavior. Moreover, it allows researchers to consider a wider variety of topics to be studied (Robert Yin, 2011), being also the best option when the researcher has little or no control over facts and cannot manipulate the event's result (Robert Yin, 2009). In short, it enables to conduct in depth studies about a broad array of topics.

Robert Yin (2011) states that qualitative research has become an acceptable, if not mainstream, form of research in many different academic and professional fields. In many fields including economy, especially in the past few decades, this method even represents a fruitful way of doing research. Furthermore, As Andrew Bennett and Colin Elman (2006) have recently noted, qualitative research methods presently enjoy "an almost unprecedented popularity and vitality...in the international relations sub-field" such that they are now "indisputably prominent, if not pre-eminent".

This study examines the case of a small Portuguese company under real-world conditions and how it performed during the internalization process. Thus, and according to role of Diplomatic Missions in the internationalization process of SMEs, as per the topic of discussion, interactions between the firm and Diplomatic Missions occurred.

Case study research can be defined as "an empirical enquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (Robert Yin, 2009). The fact that only one case was studied, does not make it less relevant or less reliable. In fact, qualitative analysis of single case studies assumes that each case is special because they have to offer in study the complex and relatively unstructured and infrequent phenomena that lie at the heart of the subfield (Bennet and Elman, 2007).

Robert K. Yin (2011) identifies three essential features a case study research needs to cover:

1. A topic (what is going to be studied);
2. A data collection method (how will data be collected);
3. A source of data-in many cases a fieldwork setting (where to collect the data that is to be collected).

Once the topic is chosen, the data collection technique adopted was the interview. Regarding the case, two interviews were made. Firstly, the first master franchisee responsible in India was interviewed face-to-face using open-ended questions. Secondly, as a part of the data triangulation process, a more extensive interview to the CEO and Co-Founder of the company was conducted via Skype, due to the impossibility of a face-to-face meeting. Once again, using open-ended questions, since the detail is of uttermost importance in the study of a single case. And in this specific case, data triangulation was even more important, regarding the cultural backgrounds and different perspectives about the role of ED in the company, from a Portuguese and an Indian citizen. These are the master franchisor, and the first master franchisee. Then, the interview to the Co-Founder and CEO was transcribed and object of review by the interviewee. The interview to the first master franchisee could not be recorded due to lack of permission. The different company websites were also used as a part of the data collection process, in order to prepare and better understand the outcome of the interviews. Finally, the support of AICEP and the Embassy of Portugal in New Delhi was important and accelerated all the process of data collection.

## 4. The case of Vivafit

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Vivafit is currently the Portuguese market leader in women only fitness centers, operating in 7 countries and 3 continents. Founded in 2002 by the President and CEO Pedro Ruiz, along with his wife Connie, the company established the first franchise unit in Portugal, but since the time of the concept creation, both founders were looking forward to internationalize the brand. The profile of both entrepreneurs towards internationalization, personal ambition, previous experience in international businesses despite the lack of experience in the fitness industry, as well as the vision to extend the service life cycle constituted all together, pull factors that motivated the decision to go abroad.

Remarkably, fifteen years later, the founders had manage to operate a small business in very distinct markets such as the United Arab Emirates, Oma, Saudi Arabia, Singapore, Uruguay, Taiwan and India. As a result of a well-planned internationalization strategy, where the role of ED was not left out, the Case of Vivafit, and like the vast majority of well-succeeded small businesses across borders, proves that luck has nothing to do with it.

### 4.1 Vivafit Business Concept

Before exploring the details that made Vivafit a well-succeeded Portuguese small business operating outside the home country, is also of fundamental importance to familiarize the reader with the service provided by the brand. In such distinct markets where the brand is present, mainly in Asia and Middle East, this familiarization might also help us to understand the reason why the concept of a chain of gyms was welcomed and successful in relatively closed and very traditional countries, with very distant cultural backgrounds.

With the mission to provide health and well being in a pleasant environment with vast and easy workouts exclusively for women, the service

also aims to reduce customer's stress levels, increase self-esteem, prevent cardiovascular diseases and tone the body.

The service consists of short exercise programs, usually 30 minutes, designed to make the body of woman stronger, structurally more efficient and healthier. Machines, pilates and other gym equipment can be adapted to all ages in any physical condition and are easy to use. And like the customers, trainers are also and only women. Quick and efficient workouts also give the possibility for women who have no time, to attend the programs twice or three times a week after work or after making day-to-day tasks at home. Furthermore, a sense of community is also encouraged between people during the sessions, helping also to keep women motivated and continue the activity week after week. In short, this is a fitness service for women, provided by women and shaped for women.

## 4.2 Vivafit First Attempt

Since the beginning, Vivafit was aimed at implementing the concept in foreign markets. For that purpose, the brand quickly started to grow through franchising in the home country. The network grew to 80% market share in Portugal and in 2009 the company received its first award, by the "Portuguese Franchise Institute" for being the quickest growth franchise in Portugal.

The venture outside Portugal, started in Spain back in 2008. A neighbor country, with a relatively similar market, was the first target by Vivafit. This market proximity associated with shorter psychic distance, was intended to reduce the risk that is always associated with international environments. And so did Vivafit, by opening fitness centers in Spain, using both franchising agreements and own stores. To support these operations, an office was also open in Madrid with the help of AICEP delegation in Spain. However, the first adventure outside borders did not go as expected, it simply did not work – *"Yes, a neighbor country, we thought it would be easier but it wasn't, we did not succeed"*- says Pedro Ruiz in his interview, adding that *"The crises of 2008 hit Spain, but other than that it seemed easy. It's just there, they speak a similar language, and everybody thinks it's easy. It's like Brazil, everybody thinks it's easy"*

*because they speak Portuguese, but are very difficult markets, both Brazil and Spain. Very competitive markets with a lot of state aids, protectionism and everybody thinks it's easy and we made that mistake''.*

The first attempt has gone wrong, but the entrepreneur strongly believed that Vivafit has aimed for international markets. Moreover he says, *"I always thought that a brand that only stays in one market will not survive in the next 100 years. Let's take a look at the history of old companies still in operation and most of them are international because every country goes through ups and downs and the idea is to be present at various economies. In this way we can survive. If one doesn't work, so works the other''.*

The 2008 crises not only affected Spain but also Portugal, and in 2011, the Portuguese Government made the decision to increase VAT from 21% up to 23%. With this decision, many companies like Vivafit knew that they would experience great difficulties. That, allied to the entrepreneur's profile, definitively pushed Vivafit to look for new opportunities worldwide.

### **4.3 Vivafit India**

Vivafit was looking for potential partners by announcing it on its website and in Facebook. The opportunity to enter a new market, other than Portugal and Spain, emerged in 2010. Ms. Manisha Ahlawat, an Indian entrepreneur found Vivafit on Facebook, and took contact with the company. Both quickly realized the potential the brand had, in the Indian market. In a country so big like India, and so culturally attached to old habits and traditions, women play a different role in society when compared to western countries. They are not expected to mix with other men, specially in northern India, and at that time there were no fitness centers, exclusively for women.

The fitness industry in India was and still is a nascent and fast growing sector, accounting for more than 20% of the overall wellness industry. The latter includes also other segments such as beauty, services, spa, beauty products, personal health counseling, rejuvenation and yoga. Currently, the fitness industry is worth INR 4,500 crore (€618,3million) and is expected to

reach INR 7,000 crore (€1,030,5 million) by the end of 2017, taking into account a 16-18% annual growth (SMERGERS, 2015).

Over the last decade, fitness activities have been gaining importance in the country, mainly due to health problems that are increasing among Indian citizens, increased concerns about physical appearance and the growth of middle and high class with enough time and money to consume these services, as well as a more open minded attitude towards the Indian culture and the role of women in society. And despite representing a niche market, in a country with a population of approximately 1,3 billion people, the same can be as large as any market in small countries like Portugal.

There was and still is a substantial scope of consolidation going forward and there are still tremendous opportunities for new brands to bring brand differentiation, with qualified trainers at an affordable price. Vivafit, by being a women only fitness center, was one of a kind. It challenges the traditional view of women in the Indian society, whereby they are expected to be households and not have a job or attend these types of activities. Vivafit also benefited from the fast growing economy and the rise of increasingly independent women. Furthermore, by being a women only fitness center, it also made the husbands of nonworking women more willing to accept and pay for their wives to go to the gym.

From words to action, the Indian entrepreneur traveled to Portugal in order to better understand the concept of Vivafit and short after Pedro Ruiz traveled to India. And on his visit to India, Pedro Ruiz started to meet people from the Embassy of Portugal in Indian soil.

At the end of 2010, the first master franchise was signed between Vivafit Portugal and the female Indian entrepreneur. Short after, by knowing about the agreement, the then newly appointed ambassador of Portugal to India took the initiative to visit the Vivafit headquarters in Portugal. And not only the ambassador visited the headquarters but also one of the fitness centers in order to know more about the concept. Finally, in 2011, Vivafit India was on the Indian map as the first woman only fitness center in India.

Since the opening of the first fitness center in Gurugram, a modern city 30 kilometers from the capital New Delhi, mostly inhabited by medium and high Indian castes, Vivafit India communicated with potential customers mainly via social media campaigns, where the message was spread out in

facebook female groups and it did not take long for the service to be well accepted by the community in general, as Manisha Ahlawat states. The Gurugram fitness center was becoming famous among women. In 2013, as a consequence of the success the first Vivafit center, the master franchisee took the decision, together with the master franchisor, of launching two more fitness centers. One more would be located in Gurugram, the second fitness center in the same city of the first, and another one in New Delhi.

From the side of the Embassy of Portugal in New Delhi, the Portuguese ambassador started to develop a strong professional relationship with the Portuguese entrepreneur, committing himself to help the business expand. *“The ambassador was always helping us with the media, and the opening of new fitness centers. Then back in 2013, with the visit of Mr. Paulo Portas to India, as Minister of Foreign Affairs, the ambassador suggested that the Minister could inaugurate one of the two new gyms Vivafit India was about to open. The ambassador had already inaugurated Vivafit fitness centers but he manage to make the then Minister of Foreign Affairs, formally inaugurating one in Gurugram”*- says Pedro Ruiz, adding that the presence of the Portuguese Government in openings and contract signatures was always very important for Vivafit. *“Today we have already 10 open Gyms in India, we are known, and we are a brand. But at the beginning it’s very difficult for a small brand to establish overseas. In our case, Ms Manisha came to Portugal to see who we were; otherwise we make some presentations and some meetings, and nobody believe us. That’s why being accompanied by the Portuguese Government is very important. It gives us credibility”*.

AICEP always supported Vivafit with information about the Indian market, but what the company found more valuable from institutional supports was the reputation and credibility given. *“The fact of being accompanied by the ambassador or the Minister, is like a guarantee, a reliable brand in the home country, which makes it easier for us to make the same abroad. The presentations, taking a picture with the Minister, all these small details give us credibility in order to penetrate the market. We needed credibility and that credibility was given by the Portuguese State”*.

Little by little, positive synergies were created between Vivafit and the Embassy of Portugal in India that helped the company to penetrate the Indian market, historically very difficult for Portuguese companies. According to the AICEP delegate to India and Economic Advisor of the Portuguese Embassy in

New Delhi, these difficulties are mainly linked to the distance between the two countries, as well as a great cultural gap and diversity, logistics, inherent characteristics of the Indian market and the extensive size of the country, with nearly a fifth of the world's population and 22 officially recognized languages. However, with the help of a local partner, a well-planned strategy, and the support of ED, Vivafit not only penetrated the market but was also growing with the signature of the second master franchise, this time in the south.

From 2013 to 2016, Vivafit India inaugurated 8 more boutique gyms in the cities of Bangalore, and Pune. Meanwhile, more master franchise agreements were signed in Middle East and Southeast Asia and once again, the CEO and co-founder was using economic tools of the Portuguese State to achieve further growth. Usually, the signature of new contract agreements is very time consuming, especially between partners from different parts of the world. With the coordination of the Embassy of Portugal and AICEP, in India and in other countries, Vivafit benefited from the visit of members of the Portuguese government to the countries of potential partners and used those moments to catalyze the signature of new master franchise contracts. The coordination of AICEP with Vivafit, along with the creation of the Secretary of State for Internationalization in the Portuguese Minister of Foreign Affairs, in November 2015, has made it possible for Vivafit to grow faster and efficiently. *"Probably, we wouldn't have signed the second master franchise in the south, where we are having more success, which is the one in Bangalore"*.

Nevertheless, the internationalization process to India, despite being well planned and supported by the Embassy of Portugal, could only work due to the business concept that fitted exactly the needs of Indian women. Furthermore, there were no direct competitors. Other Indian fitness centers were gender mixed, and for the Indian society in general this factor was not appealing for women and for the husbands of married women. *"In India, there are two determinant factors: One is the fact that the fitness market is still very undeveloped and basically is still a virgin market. And the other one is that, despite that only 15% of the population is Muslim, all the culture, not the religion but the culture, segregates women a lot. I think that the end result of mixing Hindu and Muslim cultures is somehow very Muslim"*-Pedro Ruiz. The Indian entrepreneur states:



*“Fitness can be empowering and liberating, especially for women. Over the years, I have come across hundreds of women who joined Vivafit and went on to gain confidence and self-esteem due to better health and fitter body gained at Vivafit. India has lacked in fitness culture, and women will not be seen much taking part in sports either. From young age, boys are encouraged to take part in sports while girls are better off taking care of the kitchen and household. This discrimination leads to women shying away from sports and gyms in their later years also. In their middle age, when the kids are grown up and they become conscious of their out-of-shape body, women try to look for ways to “lose weight”. Even then it is not about fitness but weight loss. Or the doctor gives an ultimatum to lose weight or whatever lifestyle disease they have will get worse.*

*Vivafit, being women only fitness centre, takes care of the problems faced by women who step into a gym for the first time. Almost 70% of Vivafit members have never been to a gym before. In the name of fitness the only option they had was a walk around the park or a neighborhood yoga class. Both failed them in their weight loss mission! Vivafit has given Indian women a safe, accessible, affordable and yet a world class fitness experience. All our trainers are female who can empathize towards women specific fitness needs and goals. A pleasant and comfortable environment where she can work out without getting conscious of who is watching them makes achieving fitness goals easy. Little by little Vivafit is changing the face of fitness industry in India with ten operational centres all over India and more coming soon. More power to women in India!”- Manisha Ahlawat*

## **4.4 Vivafit Master Franchise System**

In India, Vivafit Portugal holds currently two master franchises, one in the north and other in the south. It focuses on a niche market, where franchising is the only entry mode. *“Businesses like Vivafit are very small, and managing a small business from distance is very difficult. We already have that experience. And so, the ideal situation is having a partner that manages the business locally with our brand. This is franchising. And has the advantage that we do not need to invest, and consequently we expand operations faster.”* Adds the CEO, also

stating that *“Royalties are very small according to what could be the gains. And then, if there are losses, these losses don’t affect the parent company in Portugal, or at least they shouldn’t”*. The role of the master franchisee is to: Launch a successful pilot location in their home country; sell individual Vivafit units to franchisees; train and support unit franchisees; Protect and promote the brand in the home country. From the franchisor side, support is given to store and location approval with step by step build out and store branding; initial training for all staff positions, at the parent company headquarters in Portugal; marketing and promotional tools to drive sales with monthly campaigns; KPI performance coaching with tools to measure financials, prospects, sales, usage, retention and marketing return; technical support of software tools for club management and CRM franchisor software for unit sales as well as live time metrics of individual store performance; advanced training on timely fitness industry trends with regular innovations added to the processes and business systems; yearly international franchise conventions.

In order to comply with the rules and methods imposed by the master franchisor, Vivafit India hired Portuguese skilled trainers to travel to India for a short period of time and coach Indian employees to provide the right service. There was a lack of skilled professionals in India qualified to apply the methods of Vivafit and the other option would be to hire skilled professionals from other countries in full time mode. However, the costs to hire foreigners were very high, and thus the only way to ensure the quality of the service and make it profitable, was to make skilled professionals from Portugal crossing half the world and come to India for usually one week. The master franchisee supported all traveling and equipment costs. Workout machines were imported from Portugal. The master franchisee was allowed to replicate the business model and to use the same logo and marketing campaigns that were used by the master franchisor. But despite the good marketing campaigns Vivafit was doing in Portugal, the message had to be adapted to the Indian market, culturally distant regarding the background of Indian citizens. It was necessary to call the attention of Indian women in a more efficient way and appeal for their feminism. It was essential to motivate them, mostly households and even their husbands, in order to make the business possible and profitable. On the other hand, as the sense of feminism

and individualism was rising in female communities, it was also possible and easy to target working women. Furthermore, an increase in health problems among the Indian society was also contributing for a more efficient communication since potential customers were starting to pay more attention to this type of services and were becoming more willing to attend them.

One more thing Vivafit India had to adapt, and probably the biggest, was the changing room. In western countries, men and women change in front of other people with the same gender, while in India and Muslim countries, women do not undress in front of each other. The western model of changing rooms had to be completely redesigned. Furthermore, Pedro Ruiz states that even with all these changes resulting in individual cabins, Indian women still prefer to take shower at home.

Since the beginning, Vivafit had planned the internationalization process and the brand language was always English. The company also did not wait to register the brand abroad. In fact, Vivafit was registered the brand abroad before going overseas, as per the norms of the World Intellectual Property Organization (WIPO). *“We have domains bought almost everywhere in the world. These are great expenses, but essential”*-Pedro Ruiz. This includes India which recently accessed to the Madrid Protocol for the International Registration of Marks, by WIPO.

## **4.5 Entrepreneur international orientation**

In 2016, Pedro Ruiz was appointed vice president of the The Portuguese Franchising Association (APF). To achieve this, most of the success was due to the work developed in Vivafit along with his wife Connie. Connie was, as Pedro Ruiz states, the driver for the creation of women only fitness center, after many years of experience working in Holmes Place. *“Portugal is very small but with very good internationalization possibilities due to its human resources. Well-educated people that speak English, something that doesn't happen in many other countries. Basically, Portugal not only was the need for internationalization, but also a great potential to internationalize. It's a country growing a lot more in this area”*.

The CEO and Co founder of Vivafit was oriented and has worked in international businesses before creating Vivafit. Both the founders live in the USA and spend half of the year traveling for personal or business purposes. For small companies, where the role of entrepreneurs and individuals becomes even more important, Vivafit as a business also seemed to take advantage of that. Nowadays, Vivafit is present in 3 continents and looking at the future with consolidated prospects. The couple recently created a new brand to establish in more open-minded countries such as the United States of America, called Personal20.

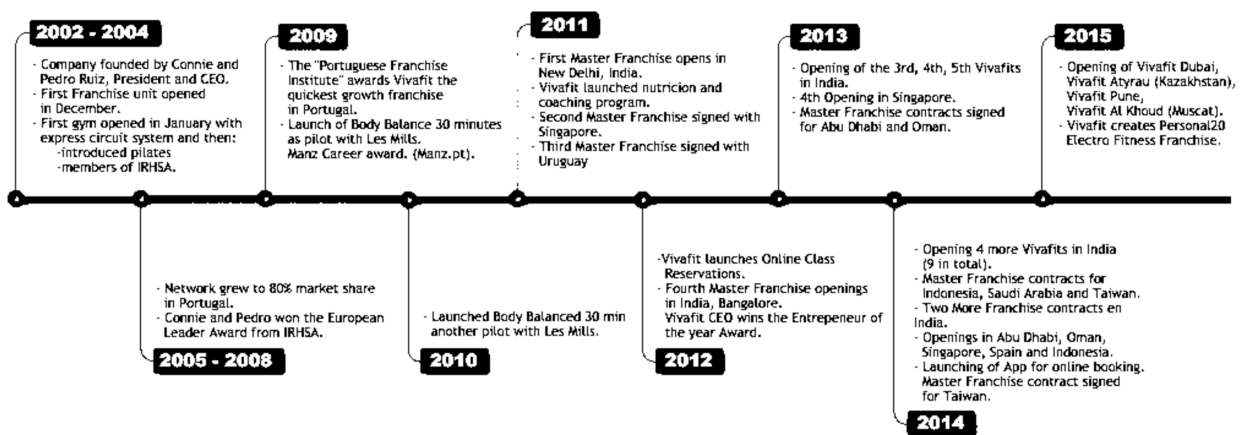


Figure 2: Vivafit Internationalization process Milestones

**2002** – Founded the first women only fitness franchise business with the express Circuit Training workout in Portugal.

**2003** – Introduced the fitness group studio with Pilates classes.

**2005 – 2007** – The fitness franchise business grew exponentially opening 20 units per year during 3 years of rapid growth.

**2008** – Won the International Health, Racquet & Sports Club Association (IHRSA) European Leadership Award.

**2009** – Won the local Manz Fitness Career Award. Introduced Body Vive on an exclusive pilot express format authorized by Les Mills.

**2010** – Signed Vivafit first master franchise agreement in India. Introduced Body Balance, a yoga, tai-chi, pilates program from Les

Mills. Updated store decoration for quicker and more cost effective store build-out and improved built-in branding.

**2011** – Grew into Singapore and Uruguay with master franchise agreements.

**2012** – Introduced Sh'bam dancing fitness program from Les Mills.

**2013** – Introduced fitness Personal Training, opening of the 4th and 5th gym in India, opening of 4th gym in Singapore, signature of Abu-Dhabi and Oman.

**2014** – Introduced Vivafit HIIT classes with Group Heart Monitors; Signature of master franchise agreements for Saudi Arabia, Indonesia and Taiwan. Opening of 1st Vivafit in Jakarta, opening of 5th and 6th Vivafit in Singapore, opening of 1st Vivafit in Oman, opening of 6th and 7th Vivafits in India.

## 5. Discussion

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By analyzing the internationalization process of Vivafit to India, after the first failed attempt in Spain, this chapter starts by corroborating that the company followed the model developed by Johanson and Vahlne (1977-1990), where “firms would enter new markets with successively greater psychic distance”. However, the first attempt to go abroad in Spain, which is a close market when compared to the Portuguese, was not successful. A nearby country, similar cultural habits, similar language and legal system was expected to be easier to penetrate by Vivafit, since the brand was already well established in the home country. Furthermore, as it happened in India later on, Vivafit also had the support of the Portuguese Diplomatic Mission in Madrid. This event makes this case special in the sense that a company that chose to follow a mainstream internationalization model by entering close foreign markets first was then obliged to close down fitness centers in Spain and look for partners in Middle East and Asia. In spite of the support of ED, companies may fail abroad under certain conditions, as it happened to Vivafit in Spain. Nonetheless, as per Johanson and Mattsson (1993), the firm initially engaged in a domestic network and further developed business relationships in networks in other countries. Only after gaining success in Portugal and achieving an 80% market share of the women only segment, the company started to meet potential partners in foreign countries and developing a business network abroad.

As per Cavusgil and Reid models (1980,1981), Vivafit was interested in expanding the brand internationally at the early stage, being the process mainly driven by a “pull” mechanism. The biggest incentive to go abroad was originated from the CEO’s profile and previous experience in international businesses. However, the economic situation of the country during the 2008 crises and some decisions taken by the government can be seen as representing a “push” mechanism. Nonetheless, the social networks such as facebook and the availability of the Indian entrepreneur to visit Portugal also “pushed” Vivafit Portugal to go abroad, and to go to India. The above mentioned pull mechanism, to know CEO’s profile, gives emphasis to the

influence of individuals and their possibilities to make strategic choices as one of the main variables in SME's internationalization. In 1988, Miesenbock also emphasized the role of entrepreneurs in the internationalization process of SME's. Here, the discussion of the case is also moved to an individual level. The Co-founders, being one of them the current CEO, owned individual specific resources that have facilitated the entrance of Vivafit in India and experience in international businesses was one of them, along with a good relationship with the newly appointed ambassador of Portugal to India in 2010. The entrepreneur was also oriented for international businesses, through living and traveling abroad.

Alvarez and Busenitz (2001), and Rangone (1999), suggested that entrepreneurs carry on individuals specific resources, which in turn facilitate the identification of new business opportunities. Specific resources can be entrepreneurial knowledge, relationships, experience, training, skills and judgement (Barney et al., 2001; Langlois 1995). Relative to the case of Vivafit in India, it is possible to identify some of them as mentioned above and also suggest the role of the entrepreneur as one of the main variables for the internationalization process of a small company. The entrepreneur's profile, international orientation and possession of international business skills were especially important to overcome barriers associated with psychic distant, as mentioned by Morosini and Shane (1998). According to the literature, it was expected that the role of the entrepreneur would have been an important element for the internationalization process of Vivafit.

Regarding entry mode strategies, in India the only strategy adopted was licensing (master franchise), without the need for investment by the master franchisor, in order to facilitate brand expansion. By using this entry mode, Vivafit also took advantage of the commitment of local partners, as well as their local know-how. According to Franklin R. Root (1994), the decision to use the same entry mode for all foreign markets, ignoring heterogeneity of individual markets represents the naive rule, among the three developed by the author.

Despite considering India as one market, it seems appropriate to highlight that the Indian market should be seen not as a whole, but as a group of markets. In a country with 1,3 billion inhabitants, so vast, with so many official languages and religions, heterogeneity is a key factor. Moreover, India

is divided in states that share little similarities, when talking about governance. Economic policies are different between states, as for example the different amount of taxes charged. Indian states share only education, defense and electoral system rules. Each state can be seen as a different market, each market with different policies, different languages, and different habits and in some cases, different religions.

Vivafit, applied the same rule in the four states where the fitness brand is present: Delhi, Haryana (Gurgaon), Maharashtra (Pune) and Karnataka (Bangalore). Vivafit used a Naive rule in India. However, according to the case, it is not possible to analyse if the application of a pragmatic or a strategy rule would have been better or more ideal, in order to achieve the company goals.

The decision to use master franchising in India resulted in a faster access to the market, little financial commitment and low risk for the parent company.

The comparison between literature and the case also revealed that the most common disadvantages between the master franchisor and the master franchisee, such as the difficulty to maintaining control over the franchisee as well as conflicts with the franchisee, have been overcome. The two contractual agreements made in India also overcame the resource constraints the parent company had. The company was able to transfer the advantage of being a women only fitness brand to Indian parties. As Sven Hollensen (2007) states, contractual arrangements take place when firms possessing some sort of competitive advantage are unable to exploit the advantage because of resource constraints, for instance, but are able to transfer the advantage to another party.

For many SMEs, resource constraints are one of the biggest obstacles, if not the biggest, during the process of internationalization. The choice of the right partners, and close monitoring and evaluation of franchisee performance as well as assistance and support provided showed that synergies between the franchisor and the franchisee could be a powerful device for a successful internationalization process.

So far, we have discussed the role of individuals in Vivafit, as well as the strategy to penetrate the Indian market. The major topic addressed by the literature and present in the case is the role of ED in supporting Portuguese



companies abroad and in this specific case, the role of the Embassy of Portugal in India and the support provided to Vivafit. As Rana Kishan and Chatterjee (2001) claim, ED aims to identify business opportunities and provide knowledge about foreign markets, which in turn can reduce risk and uncertainty for firms. It was expected that, in the case of Vivafit in India, something similar to this would happen. In fact, as the CEO and Co-founder clarifies, the Embassy of Portugal and AICEP delegation in New Delhi always provided knowledge about the market, as far as they could. However, contrary to Rana Kishan and Chatterjee state in their research, in the case of Vivafit the identification of business opportunities emerged from the company and its local partner and not from the Portuguese Delegation. There is little reference in the case that such opportunity would have come from the Diplomatic Mission. The CEO and Co-founder of Vivafit goes even further by advocating that this is not the main role of ED and that companies should not expect that this form of diplomacy will find partners or clients. The opposite can happen, however as per the case of Vivafit in India, the identification of the opportunity came from the company and the Indian entrepreneur, and then came the role of the Portuguese Embassy and AICEP in providing information. Nonetheless, it was not the knowledge, about the Indian market provided, that was the major factor supporting Vivafit to penetrate the Indian market. Actually the most important for the company, regarding the support of ED, came after Vivafit signed the first contract, and that was institutional credibility. There is no reference in the literature about the importance of institutional credibility that ED provides to SMEs. For a small Portuguese company, completely unknown in the Indian market before its arrival, what was really necessary was to prove to potential partners that the brand was reliable. This, in order to expand the brand through master franchising agreements and thus take advantage from low investment requirements needed and the local partner-know how.

Since Vivafit needed master franchise agreements in order to grow in India, the attractiveness of the service concept was not enough to convince more partners to sign contracts. This gap, from words to contracts, was where the Embassy of Portugal and AICEP played their role. And according to Pedro Ruiz, credibility was given by simple actions like the presence of a Minister, a Secretary State or the Ambassador in the inauguration of new

fitness centers. Members of the government attract the local media, and media are an important tool for communication. This was another advantage taken by Vivafit, from the role of ED in India.

Another subject of discussion raised from the case is the role of ED in accelerating the internationalization process of companies. And again, there is little reference about this subject in the literature review. However, the question of whether this acceleration is positive or not, can also be raised. For Vivafit franchising system, it was. The economic situation of the home country back in 2008 and further years was not favorable to vulnerable Portuguese companies, and new markets were needed for operation, especially for SMEs. Succinctly, official visits of members from the Portuguese Government throughout Vivafit markets, as an act of ED, were an important device to expand the brand faster. It happened by taking advantage of the presence of Government members abroad to accelerate the signature of master franchising agreements. Coordination of these events was made between Vivafit and AICEP. It is also important to note that the visibility given by States to Official Visits is also variable, depending on whether it is a President, a Minister or a Secretary of State visiting a foreign country, and depending on the importance the foreign State gives to the visitor. In the case of India, the country recognizes three types of visits: Official State visit, Ministerial visit and Working visit and the visibility given to Official State visits is much higher when compared to the visibility given to Working visits.

By last, the study brings some more unexpected results, regarding the individual level of Economic Diplomacy, rather than an institutional level where the analyzes are mostly made. ED is constantly referred to as Delegations, Government and other Organizations using a set of economic tools, but there is no reference to the individual level of these Organizations. As in the case of Vivafit, where the study analyzed the role of the entrepreneur in the internationalization process of the company, which was expected according to the literature review made, there is a suggestion in the Co-Founder and CEO's interview that the role of individuals in Diplomatic Missions can also be an important factor for companies. Pedro Ruiz emphasized the commitment, as well as the proactiveness of the Ambassador in India, and the good relationship built between both. Rana Kishan and Bipul Chatterjee (2014), former Ambassadors that contributed to the literature with

much research about ED, always took their and other Ambassador's perspectives into account, while this research focuses on the CEO's perspective. And this contrasting perspectives lead us to some unexpected results. Still considering the emphasis given by the Co-founder and CEO of Vivafit, this may raise a subject for further research, that is, if the competence of ED can be extended to an individual level, rather than just at the institutional level.

## 6. Conclusions and Findings

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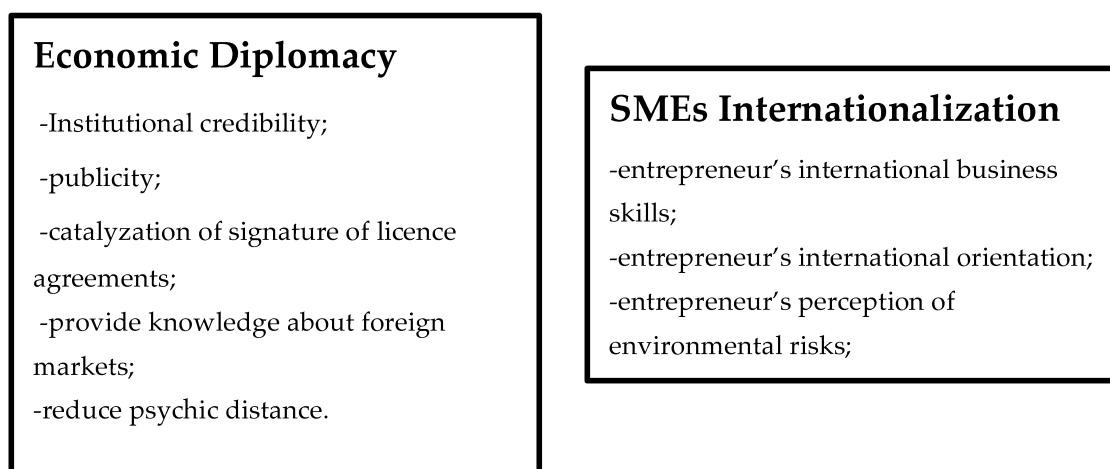
This research has analyzed whether ED played a role in supporting the internationalization process of a small Portuguese company, Vivafit, and how that role was performed. Furthermore, the case study, which presents the internationalization of this service company to the Indian market, may help us to better understand how the role of ED can influence positively such process.

Although some authors, namely Rana S. Kishan and Bipul Chatterjee (2011,2014) analyzed the role of ED from an Ambassador's perspective, while older researches demonstrate that ED boosts exports (Andrew k. Rose, 2005), there is still lack of research in the area. There is little reference to the subject from a CEO and entrepreneur's perspective, and a lack of case studies that present the details of this role and explore them, rather than analyzing the process in a more generic way. Thus, this research was conducted to explore how ED can support Portuguese SME's. The new variables found in this study are presented in the ex post framework analysis, a refined version of the ex ante framework analysis (see figure 3).

Despite the findings, regarding the topic of ED, the case also suggests the importance of the entrepreneur, as expected given the literature review about the internationalization process of SMEs (see figure 3). The entrepreneur possessed international business skills and was orientation for international businesses. The perception of environmental risks also allowed the entrepreneur to make the decision of adopting master franchise as an entry mode. This strategy tranfered risk from the master franchisor to the master franchisee. Additionally, the service and market characteristics, which resulted in a perceived local opportunity, and further entry strategy adopted, are also addressed in this research and emphasize the success of internationalization in a psychic distant market as a result of a set of factors. This interdependence of factors has increased the chance of a small service company to enter in India, and to expand.

In what concerns to the support of ED, the research has resulted in unexpected results, showing that this role can be very helpful by giving institutional credibility to the brand, rather than just providing knowledge

about the foreign market and identify business opportunities, as per Rana S. Kishan and Bipul Chatterjee (2011, 2014). This institutional credibility and consequent increased visibility, can also support the SME's in expand the brand faster, since the presence of members of the Portuguese Government can catalyze the signature of master franchise agreements, as it happened in the case of Vivafit (see figure 3). The efficiency of this process is also a result from the coordination of the trade sector from the Embassy of Portugal and the company, as well as a high commitment from the Ambassador of Portugal in the host country.



**Figure 3:** Ex post theoretical framework

The set of factors that allowed Vivafit to enter and expand in the Indian market, in which ED played an active role, can overcome the psychic distance between the Portuguese and foreign markets, opposing to the model developed by Johanson and Vahlne (1977-1990), where firms would enter new markets with successively greater psychic distance. Nonetheless, is also prominent to say that, according to the internationalization process models developed by Cavusgil and Reid (1980, 1981), the internationalization process of Vivafit to India was driven by “pull” and “push” mechanisms, since the company was approached by an interested entrepreneur in the host country, due to the brand's drive for internationalization at the early stage, as well as the Government decision to increase VAT.

Therefore, the case study has contributed to the literature in the ED field, by focusing on the details of the role played by the Embassy of Portugal

during the internationalization process of a small company. The case discussion has shown the following:

- ⊙ The more ED, the more institutional credibility for SME internationalization;

- ⊙ The more ED, the faster the signature of franchise agreements in SME internationalization;

- ⊙ The more ED, the less psychic distance to host country.

- ⊙ ED can be a preponderant factor in the internationalization process of SMEs, and is interdependent from other factors such as the entrepreneur's role, the service and the market characteristics, as well as the entry mode adopted;

## 7. Limitations and Further Research

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The present study was conditioned by some limitations. One of them was the lack of literature regarding the subject of ED, and thus the research conducted was confronted with previous research from a few authors. This lack of literature is less linked to the quantity of research done, but to the diversity of it, regarding such a general and vast topic as ED.

Other limitation is the fact that this research is based on a single case study. The case shown an active role played by the Embassy of Portugal in India, which may not be always the case, in other Diplomatic Missions, and makes it difficult to generalize that ED can support the internationalization process of Portuguese SME's as it happened in this case.

This difference in roles played by Diplomatic Missions may be a result of the individual characteristics of the members associated with the Mission, and/or the different access to resources the Embassy has at its disposal, since there is a discrimination made by the Portuguese Ministry of Foreign Affairs between priority and non-priority markets.

The internationalization process of SMEs, in this study, is referent to a service and there is no reference about the internationalization process regarding the trade of products. For Portuguese SMEs, the general low production capacity could limit the internationalization to large foreign markets, like India.

Generally speaking, from a practical point of view, this research can support Portuguese SMEs looking for expansion in international markets. More than the identification of business opportunities and the delivery of knowledge about the markets of destination, ED can provide Portuguese SMEs with the credibility they lack abroad, specially in distant markets.

Entrepreneurs and CEOs can also take advantage from State, Ministerial and working visits of the Portuguese Government to foreign markets, in order to accelerate international expansion. Further, when studying new markets, CEOs and entrepreneurs should also study the ED situation of the host country.

The present research also provides material for further research, namely the transition of the spectrum of analysis from an institutional to an individual level, regarding the subject of ED. In this respect, future research could focus on whether ED is influenced by the competence and background of its actors, resulting in different performances among Diplomatic Missions.



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# Appendix

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**Manisha Ahlawat**  
Master Franchisee, India at VivaFit



Nov 1

Dear Ms Manisha Ahlawat,

I'm a Marketing Master's student from Católica Porto Business School in Portugal and, at the moment, an Intern at the Embassy of Portugal in India.

I'm contacting you in regard to your current association with VivaFit, which can constitute a case study for my Master thesis, if you allow me to do so. The research question is as follows: "How can Economic Diplomacy avoid strategic errors during the Internationalization process of small and medium Portuguese Enterprises".

Thus, and since I'm currently attending an Internship at the Portuguese Embassy in New Delhi, I've been looking for Portuguese SME's with presence in India and VivaFit immediately called my attention. The presence in international markets could range from simple exports to Greenfield investments for my case, and since franchising is one of the ways to penetrate international markets, it sounds very interesting to study the case of VivaFit India since it is a partnership that allowed both the Portuguese and the Indian sides to grow.

In such a different market from the Portuguese one, as it is India, it becomes even more interesting, since the franchisee's local market knowledge is crucial for success and will allow a more efficient internationalization.

In order to get information about the beginning of VivaFit India, how that opportunity emerged and if can be, somehow, related with the involvement of the Portuguese Embassy, for example if It has given support during the process by creating networks and providing information, I would be very grateful if you receive me to discuss this matter.

Your knowledge would be very helpful and your support very appreciated.

Thank you for your attention,  
Best Regards  
Filipe Sequeira

12:28 PM



Hello Filipe, thank you for reaching out. This is a very important time for Vivafit in India. We are looking at future growth of 100 centres in next five years. We are in talks with a big wellness company in India for a joint venture with Vivafit in Portugal. I will be happy to talk about the journey till now.

My contact number is [9958449836](tel:9958449836).

Thank you,  
Manisha

5:41 PM

Filipe Sequeira Sequeira  
Para: pedro@vivafit.eu  
Vivafit India Tese Mestrado

7 de dezembro de 2016, 14:00  
Enviado - Hotmail



Caro Pedro Ruiz,

Sou aluno de mestrado em marketing na Universidade Católica e encontro-me neste momento a fazer um estágio na Embaixada de Portugal em Nova Delhi, através de uma parceria entre a Católica e o MNE. Ao mesmo tempo, estou a elaborar uma tese de mestrado sobre o Papel da Diplomacia Económica na Identificação de oportunidades de negócio para PMEs Portuguesas na Índia e, mais especificamente, como pode a Diplomacia Económica auxiliar as PMEs durante os seus processos de internacionalização.

Estando a Vivafit Presente no Mercado Indiano, debruçar-me-ei sobre a sua empresa para elaborar o meu estudo de caso, a incluir na tese, se a isso me autorizar. Estando em Delhi, já tido a oportunidade de me cruzar com a Ms. Manisha Ahlawat, que me contou um pouco da história da Vivafit India, e procuro agora falar consigo, o principal responsável pela internacionalização da marca/conceito. Tendo o Sr. Pedro Ruiz feito todo o trabalho prévio de introdução da Vivafit na Índia, gostaria agora de falar consigo de forma a melhor entender o processo desenvolvido.

Se possível, pedir-lhe ia para me falar sobre o processo de internacionalização da Vivafit na Índia, e sobre um eventual papel, ou não, da Embaixada Portuguesa durante todo o processo. Qualquer pormenor será relevante, mesmo que não tenha existido um papel activo por parte da Embaixada.

Se estiver disponível para o efeito, gostaria de lhe propor uma entrevista informal, via skype, quando lhe for mais conveniente.

Com os melhores cumprimentos,

Filipe Sequeira  
912086568

Pedro Ruiz  
Para: Filipe Sequeira Sequeira  
RE: Vivafit India Tese Mestrado

14 de dezembro de 2016, 01:16  
Recebido - Hotmail



Informação de contacto atualizada encontrada neste e-mail: Pedro Ruiz pedro@vivafit.eu

atualizar...

Caro Filipe Sequeira,

Peço desculpa pelo atraso na minha resposta.

Estou neste momento a chegar a Abu Dhabi onde temos stand na feira de franchising, e não me será possível falar.

No entanto para a semana já terei disponibilidade, estarei em Washington DC onde me poderá ligar qualquer dia depois das 21h30 da Índia que é a minha manhã.

O meu telefone +351917240024 tem whatsapp e Viber, ou então o meu telefone americano +17039544082 que tem facetime.

Obrigado

**Pedro Ruiz**  
Tel +351917240024  
[www.vivafit.eu](http://www.vivafit.eu)



## Interview to Pedro Ruiz, Co-founder and CEO of Vivafit - Transcript

Estou a fazer a minha tese de mestrado sobre o papel da diplomacia económica no processo de internacionalização das PME's Portuguesas, e isto porquê? Por vários motivos, porque as empresas portuguesas cada vez mais têm uma necessidade de procura de externa e de se internacionalizarem para sobreviverem até no Mercado doméstico, também porque muitas vezes têm falta de recursos financeiros para recolher a informação necessária e tudo o que é preciso para uma boa abordagem e tomar decisões estratégicas adequadas, e além disso também porque a Embaixada, e nesse caso a embaixada de Portugal em Nova Delhi tem um sector comercial, e neste caso tem a AICEP aqui presente e eles também estão aqui para isso, para auxiliar as empresas. Por todos estes motivos eu decidi trabalhar sobre este tema, e como a Vivafit está presente aqui na Índia desde 2011, como me disse a Ms. Manisha, já têm 10/11 ginásios em Delhi, Gurgaon e Bangalore.

*Pedro Ruiz: E Pune*

Também têm 1 não é?

*Pedro Ruiz: Exato*

E como é uma das poucas empresas portuguesas que está presente aqui no Mercado Indiano, eu sei que muitas outras tentaram, chegaram a estar presentes mas as coisas não correram bem, e como a Vivafit conseguiu vencer até hoje, eu acho que é um bom caso de estudo até para que outras empresas que procuram internacionalizar-se possam seguir o exemplo da Vivafit.

*Pedro Ruiz: Ótimo*

E portanto, como eu lhe disse a minha tese engloba dois grandes temas, a internacionalização e a Diplomacia Económica, e eu gostava que partilhasse um pouco comigo a sua experiência aqui com a Embaixada de Portugal em Nova Delhi, como surgiu. Em primeiro lugar queria perguntar-lhe como surgiu a oportunidade de entrar no Mercado Indiano?

*Pedro Ruiz: Pois bem, em primeiro nós chegamos à Índia porque foi a Manisha que nos encontrou na Internet, veio visitar-nos a Portugal e depois a partir daí fui eu a Delhi e foi a partir daí que começamos a conhecer as pessoas da Embaixada. Até foi o Embaixador Jorge Rosa de Oliveira que soube que íamos entrar na Índia, ainda não estávamos lá, mas já tínhamos assinado, e veio ter connosco à nossa sede em Lisboa. O Embaixador Jorge Rosa de Oliveira que está agora no México.*

O Sr Embaixador tomou a iniciativa?

*Pedro Ruiz: Ele tomou a iniciativa de vir visitar-nos, tomou a iniciativa de vir ter connosco a Portugal, tive com ele em Portugal e desde então tem nos sempre apoiado. O AICEP também nos apoiou sempre, é claro que que o... foi mais forte quando foi o Paulo Portas tomar as rédias, eu acho que ele estava no Ministério..ele era ministro..*

Em 2010, quando assinaram o primeiro contrato?

*Pedro Ruiz: Nós assinamos em final de 2010, sim, e pouco depois tomou posse o Paulo Portas e eu acho que ele, portanto pelo facto de ele ser ministro dos assuntos estrangeiros, foi quem dinamizou mais a questão da diplomacia económica.*

Mas já estava, em 2010, já estavam à procura de parceiros no estrangeiro?

*Pedro Ruiz: Sim, já estávamos em Espanha desde 2008, e nessa altura já sabíamos que o IVA em Portugal ia aumentar em Março de 2011, aumentar a modestia quantia para 23, ou seja quase nada(ironia)..e sabíamos que íamos passar grandes dificuldades em Portugal e precisávamos de internacionalizar.*

Começaram por Espanha então?

*Pedro Ruiz: Começamos por Espanha em 2008, sim.*

Primeiro introduziram o conceito em Portugal e depois internacionalizaram para Espanha que é um país com um Mercado próximo até.

*Pedro Ruiz: Nós abrimos em 2003 o primeiro estabelecimento em Portugal. Sim, próximo, pensávamos que era fácil mas não foi nada, não tivemos sucesso.*



Através de franchising?

**Pedro Ruiz:** *Também em franchising sim, também tivemos unidades próprias que tivemos que fechar. Tivemos unidades próprias em Espanha, já não temos.*

*Em 2010 assinamos então com a Manisha. De referir que em Espanha também já tivemos a ajuda do AICEP, tivemos a nossa sede em Espanha, foi nos escritórios que o AICEP tem na Castellana, na melhor avenida de Madrid. Eram do AICEP, o AICEP deu-nos um escritório lá.*

Mas não correu como esperado?

**Pedro Ruiz:** *Pois, veio a crise em Espanha e Espanha é um Mercado... Quer dizer, parece fácil está ali ao lado, falam uma língua parecida e toda a gente tem a ideia de que é fácil. É como o Brasil, também pensam que é fácil porque falam português e são ambos mercados muito difíceis, tanto o Brasil como Espanha. Mercados muito competitivos e com muitas ajudas Estatais, protecionismo, são mercados muito difíceis e toda a gente pensa que são fáceis..E nós caímos nessa...*

Quando entraram na Índia, de que forma a Embaixada prestou auxílio?

**Pedro Ruiz:** *Olhe, o embaixador... o anterior eu acho que não cheguei a conhecê-lo, portanto o anterior nem me lembro quem é, quando vim para a assinatura. Julgo que veio... não sei se veio alguém da embaixada para a assinatura mas não veio o embaixador, que estava de saída. Se calhar já nem estava.*

Em finais de 2010, sim

**Pedro Ruiz:** *Pois, se calhar já nem estava. Foi por volta de Setembro, Outubro.*

Era importante saber em que medida lhe foi prestado auxílio.

**Pedro Ruiz:** *O Embaixador Jorge é que nos auxiliou sempre. Portanto veio nos visitar para perceber como era o nosso conceito, até foi visitar o nosso clube e depois esteve sempre a ajudar-nos nas inaugurações, sempre apoiou tudo o que foi possível, a embaixada apoiou-nos. Até viajou connosco para a inauguração de outro Vivafit, portanto esteve sempre também a ajudar-nos nos media... em tudo. Depois quando foi*

*a viagem do Paulo Portas, então ministro dos negócios estrangeiros..foi também o embaixador que propôs que o Paulo Portas inaugurasse um dos Vivafit. O Embaixador Jorge já tinha inaugurado um ou dois, mas conseguiu que o Paulo Portas inaugurasse um Vivafit em Gurgão.*

Que é um dos que a Manisha está a gerir...

**Pedro Ruiz:** *Foi muito bom, deu muita exposição aos media.*

O auxilio que foi prestado foi mais ao nível de comunicação?

**Pedro Ruiz:** *E institucional, Apresentações... Nós não estamos à espera que a Diplomacia económica, ou que o AICEP ou que o ministério faça coisas por nós. Nem esse é o vosso nosso papel.*

E em termos de informação? Foi prestada informação ou ficou mais a cargo da Vivafit e da parceria local. Uma vez que fizeram uma parceira local que tinha um maior conhecimento aqui do Mercado.

**Pedro Ruiz:** *Claro, quer dizer. É claro que o AICEP sempre nos deu informação do Mercado, mas o que nós valorizamos mais dos apoios institucionais é a parte de credibilização*

*(...)*

*Por isso o facto de sermos acompanhados pelo Embaixador e pelo ministro, é digamos que uma chancela, uma marca credível no nosso país e portanto podemos fazer a mesma coisa num país estrangeiro. E portanto, isso nós dizemos.. isso nao vale nada. É claro que já temos 10 lojas abertas no caso da India, já é diferente. Já temos 10 lojas abertas, já somos alguém, já somos uma marca. Mas ao princípio é muito difícil uma marca vingar no estrangeiro. Neste caso a Manisha meteu-se num avião, veio a Portugal ver quem eramos. Mas caso contrário chega-se a umas apresentações, a umas reuniões e ninguém acredita em nós não é...*

Em termos de visibilidade foi muito importante.

**Pedro Ruiz:** *Dá visibilidade, mas mais importante que a visibilidade é a credibilidade que dá aparecermos com o Embaixador, com políticos, com a AICEP. Portanto, é evidente que qualquer pessoa sabe que o Governo não ia apoiar uma marca fantasma,*

*que não exista. Por que é típico, quando se vai para um país tão longínquo..Claro, a Espanha é diferente qualquer pessoa que fala espanhol percebe português, entra na internet e vê quem somos. Mas nestes casos não se acredita não é? É preciso credibilidade e essa credibilidade é dada pelo Estado. Depois as apresentações, o tirar uma fotografia com o ministro...Quer dizer tudo isso dá muita credibilidade na hora de penetrar o Mercado.*

*Eu sei que há empresas que estão à espera de outra coisa, estão à espera que o AICEP e os embaixadores lhes arranjam clientes. Quer dizer, isso acontece uma vez em mil, não é essa a vossa função. Mas por exemplo, temos agora outra marca que é a Personal20, e nesse caso como também vendemos equipamentos aí é mais fácil o AICEP ajudar-nos. E estão agora a ajudar-nos a dar-nos listagens de possíveis distribuidores.*

Uma das coisas que mais acho mais interessante acerca do conceito Vivafit.. Lá está, a literatura diz que muitas vezes as empresas tendem a internacionalizar-se primeiro por países com mais próximos em termos de Mercado, mas a Vivafit está em países como Omã, Singapura, Saudi Arabia e até a Índia..e é completamente diferente.

**Pedro Ruiz:** *Emirados, Taiwan..*

**Pedro Ruiz:** *Malásia..Está assinado mas ainda não..não ficou acho que até já está cancelado esse contrato.*

O facto de ser um conceito só para mulheres, casa muito bema qui com a cultura Indiana onde a mulher ainda..Por tanto acha que o conceito aqui tem um papel determinante pelo facto de ser um sucesso?

**Pedro Ruiz:** *Na india há dois factores determinantes. Um é o facto do Mercado fitness na India ainda estar muito atrasado e portanto ainda é um Mercado praticamente virgem. E outro é que, embora só 15% da populace seja muçulmana, mas toda a cultura, não a religião mas a cultura, segrega bastante as mulheres. Eu acho que é um bocadinho misto, o facto de estarem duas culturas, muçulmana e Hindu misturadas, faz com que o produto final das culturas é um bocado muçulmano.*

Na forma como veêm as mulheres e do que esperam das mulheres sim..

**Pedro Ruiz:** *É muito muçulmano sim.*

Seria um conceito que se calhar na Europa não funcionaria tão bem?

**Pedro Ruiz:** *Em Portugal funciona, mas é claro que em países do Norte seria mais difícil. Por isso é que agora lançámos outra marca, Personal20, que funciona melhor em países mais liberais, como os EUA.*

Portanto, basicamente conseguiu criar sinergias entre a Vivafit e a Embaixada, que lhe permitiram conseguir penetrar no Mercado Indiano.

**Pedro Ruiz:** *Exato, deu credibilidade, deu também outra coisa que costumo fazer com a ajuda da Embaixada e da AICEP..Normalmente os contratos arrastam-se...sobretudo nestes países onde a noção de tempo é diferente. E muitas vezes estes eventos, servem como catalizadores no momento da assinatura. Ora vamos agora aproveitar que vai o ministro ou que vai o secretário de estado da internacionalização e vamos aproveitar para assinar nessa altura. É uma coisa que pode arrastar-se arrastar-se arrastar-se..pronto.*

E a Vivafit tenta sempre aproveitar esse momento.

**Pedro Ruiz:** *Aproveitamos sim. Agora aproveitamos com a viagem do secretário de estado da internacionalização à Arábia Saudita, aproveitamos para marcar a data e assinar o contrato enorme que assinamos agora na Arabia Saudita. O facto de haver um secretário de estado da internacionalização também foi muito bom. Foi uma decisão ótima, acho que é a primeira vez que isso existe.*

E para isso precisa de uma boa relação com o governo?

**Pedro Ruiz:** *Olhe eu com o governo não tenho, não sou político mas o AICEP é que coordena esses eventos.*

A AICEP também é considerada como parte da diplomacia económica portuguesa.

**Pedro Ruiz:** *Sim a parte comercial. Agência de trading que apoia as empresas. Faz a coordenação entre as empresas e o governo.*

Seria possível para a vivafit internacionalizar-se na Índia, sem que a embaixada tivesse tomado qualquer posição? Acredito que fosse possível, mas de forma tão eficiente?

*Pedro Ruiz: Pois, seria mais difícil, não teríamos a credibilidade que temos agora. Provavelmente não teríamos assinado o Segundo master, que é o do sul, onde estamos a ter mais sucesso..que é o de Bangalore.*

Quantos parceiros tem?

*Pedro Ruiz: Temos dois só, portanto temos o do Sul que está em Bangalore e temos a Manisha, portanto ainda temos muito território..mesmo Pune não é master. E neste momento estamos a negociar um contrato, uma parceria muito grande (...Nao fique escrito, é segredo...) Não sei se conhecesse a RLCC..na indústria de emagrecimento e spas e é um dos maiores do mundo e só na Índia tem 400 lojas e está em 12 países.*

É um Big player.

*Pedro Ruiz: Estamos a negociar uma parceria com eles, eles são muito próximos ao governo e portanto o facto de nos aparecermos com o governo... Estou a ver se consigo que o PM inaugure um Vivafit agora em Bangalore, em Janeiro. Pedi ao AICEP a ver se eles conseguem. Estou a tentar dia 9...(Conversa sobre a visita de Estado sobre a possibilidade de o PM inaugurar clubes em Bangalore).*

Voltando ao assunto da Diplomacia Económica. Acha que o auxílio prestado pela Embaixada foi suficiente ou esperava mais?

*Pedro Ruiz: Não, eles sempre deram tudo aquilo que a gente pediu e mais.*

E a mudança de embaixador não influenciou?

*Pedro Ruiz: Eu já conhecia este embaixador, é claro que com o Embaixador Jorge tinha uma relação já mais fluída..eramos amigos.*

As relações são muito importantes?

*Pedro Ruiz: Sim são muito importantes ,são 4 anos que ele esteve aí e agora espero continuar com ele..A ver se entramos no México com ele. Ele vai fazer tudo que possível para entrarmos no México.*

Mas acho interessante que só aplica o modelo franchising na Vivafit como método de internacionalização. Ou usa outros?

*Pedro Ruiz: Também temos lojas próprias, na Arabia Saudita. Mas na Índia é só franchising, Embora ainda estarmos a delinear o formato desta nova parceria com a RLCC. Na Arabia saudita entramos como socios na empresa saudita mas estamos abertos a outras formas, mas na base somos franchisadores, é isso que nós sabemos fazer.*

É vice president da associação portuguesa de franchising. . .

*Pedro Ruiz: Exato, mais uma razão para usamos o franchising.*

E porquê o franchising, porquê a preferência?

*Pedro Ruiz: Olhe porque isto são negócios, a Vivafit, muito pequenos. E gerir um negócio pequeno à distância é muito difícil. Nós já temos essa experiência e é muito muito difícil. E portanto o ideal é ter um dono que gere um negócio localmente com a nossa marca, isso é o franchising. E tem a vantagem de que não precisamos de investir e portanto o crescimento, a expansão é muito mais rápido.*

Mas também depende muito do poder de investimento do parceiro?

*Pedro Ruiz: Claro, e depois tem a desvantagem que os benefícios para o franchisees são muito mais pequenos. Os Royalties são uma coisa muito pequena em relação ao que poderiam ser os proveitos. Não há prejuízo também, se houver prejuízo nunca passa para a casa mãe em Portugal ou não deveria.*

Adaptaram de alguma forma o modelo? A Manisha falou me que tiveram de adaptar um pouco o modelo ao Mercado Indiano?

*Pedro Ruiz: Sim, tivemos de adaptar mas não muito. Olhe uma das maiores adaptações que tivemos de aprender é a dos balneários. Como sabe na Europa as*

*mulheres e os Homens mudam se na casa de banho, despem-se e mudam-se à frente de toda a gente e no caso na Índia e dos países muçulmanos as mulheres não se despem umas na frente das outras e portanto o nosso modelo de balneário europeu não serve. Portanto tem que ser tudo com cabines e a maior parte das mulheres prefere até tomar duche em Casa. Portanto aí tivemos de aprender a lição. Quisemos fazer igual como em Portugal e saíu-nos mal.*

E quando criou o conceito da Vivafit em Portugal já tinha em mente a internacionalização da marca ou surgiu depois?

**Pedro Ruiz:** *Sim, desde o primeiro dia que planeamos a internacionalização, desde sempre a nossa língua foi o inglês. Desde o princípio que começamos a registar a marca, portanto não esperamos para registar a marca no estrangeiro, começamos a registar a marca antes de internacionalizar. Portanto ir para fora já com a marca registada e a comprar os domínios... Temos os domínios comprados quase em todo o mundo. São despesas muito grandes para uma empresa pequena mas são indispensáveis. Sei que há franchisadores que vão para o estrangeiro sem a marca registada e é uma trapalhada.*

E na Índia, existe esse proteccionismo?

**Pedro Ruiz:** *Quer dizer, existe o registo da marca. Na altura a Índia ainda não tinha aderido à convenção internacional, chama-se a convenção de Madrid. Que é uma convenção onde grande parte dos países do mundo aderiram e portanto faz-se o registo centralmente. Neste momento já a Índia aderiu e portanto já é muito fácil registar a marca na Índia. Qualquer empresário que queira registar a marca na marca, o ideal é registar a marca internacional na Organization Mondiale de la Propiedad Intellectuel e acrescentar o país Índia.*

Se alguém quiser agora abrir o negocio com o mesmo modelo o nome Vivafit nao é possível?

**Pedro Ruiz:** *Neste momento nao é possível não, está protegido na Índia e em metade do mundo. Está registado.*

Já tinha experiencia no Mercado antes de criar a Vivafit?

*Pedro Ruiz: Não, a minha mulher é que tinha, a minha mulher é que foi a impulsionadora disto em 2002, foi ideia dela e já tinha muitos anos de experiência na Holmes Place.*

É formado em engenharia Naval?

*Pedro Ruiz: É nao tem nada a ver, mas já era empreendedor.*

É um empreendedor virado para a internacionalização.

*Pedro Ruiz: Exato, sempre trabalhei em negócios internacionais.*

E a competição em Portugal, não existe nada do género? Os seus concorrentes nao o impulsionaram a tomar estas decisões?

*Pedro Ruiz: Não, os nossos concorrentes sempre foram bastante fracos..Quer dizer tivemos..mas depois com a crise de 2011 morreram todos, ou seja a concorrência desapareceu. Portanto, o problema em Portugal é o empobrecimento da classe média.*

Que na Índia está a subir...

*Pedro Ruiz: Pois na Índia está a subir e em Portugal está a descer.*

O conceito em si é uma fonte da vantagem competitiva comparativamente aos concorrentes?

Está habituado desde novo a ser exposto, a outras culturas ou ate mesmo em viagens e se isso contribuiu de alguma forma para esse vantagem de internacionalizar os seus conceitos, as marcas que cria.

*Pedro Ruiz: Sim, agora temos casa nos EUA e passo metade do ano a viajar. Pela Vivafit, pela família, por varias razões. Sempre viagem muito e sempre achei que uma marca que esteja só num país muito dificilmente vai sobreviver 100 anos. Basta vermos a história das empresas antigas e quase todas são internacionais, porque todos os países passam por altos e baixos e o idela é estarmos em várias ecónomias...Assim cosegue-se sobreviver. Se uma não dá...dá a outra e o futuro das empresas passa muito por aí. Portugal é um país muito pequeno e com grande possibilidade de*



*internacionalização devido aos recursos humanos, as pessoas são muito bem formadas e falam inglês, coisa que não existe na maior parte dos países. Portanto tem não só necessidade mas também grande potencial para internacionalizar. Portugal está a crescer muito na internacionalização, não estava porque julgo que as pessoas estavam numa zona de conforto. É um Mercado pouco competitivo e portanto de alguma maneira..*

Exatamente por essa necessidade crescente de procura externa é que é preciso internacionalizarem-se corretamente e evitarem ao maximo erros estrategicos que possam acontecer por falta de informação necessaria de abordagem ao mercado e também é por isso que eu estou a concentrar os meus esforços neste tema. E A Vivafit é um exemplo, até pela lição que me está a dar agora e em que eu vou ter muito gosto em falar sobre e em defender a minha tese.

**Pedro Ruiz:** *Eu é que agradeço.*

Muito obrigado pela disponibilidade prestada.