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INWARD  
INTERNATIONALIZATION AS A  
MOTIVATION TO GO  
INTERNATIONAL

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Orientação da Professora Susana Costa e Silva

António Carlos Campos Canedo Rebelo Pereira  
acamposcanedo@gmail.com

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À Eng<sup>a</sup> Teresa Campos e ao Dr. Gonçalo Macedo pelo tempo que amavelmente me concederam. Votos das maiores felicidades pessoais e profissionais nos tempos que se avizinham.

À minha família, aos meus amigos e ao meu filho que vem a caminho. As pessoas mais importantes da minha vida.

Muito obrigado a todos!

## ABSTRACT

This thesis examines the impact of inward aspects of internationalization in two Portuguese companies from distinct industries: automation engineering (services) and metallomechanics (industry). The goal is to gain a perspective about how buying abroad (products or services) can represent a major role that acts as a trigger to both companies to go international. To achieve this goal, this case-study focuses on the relationship both companies have had with international markets (prior to going international) through their suppliers, which represented clear motivations to going international. This is a case-study research of ARUM (software industry) and SONAFI (metallomechanics industry). Inward activities should contribute to outward involvement, especially in the early stages of internationalization (Welch and Luostarinen, 1993), and both companies support this statement. In fact, inward activities (such as procurement) were the main push to both companies going international.

Only two companies here were objects of study, and many more should be also examined. More in-depth studies should occur, from multiple and distinct activity sectors, in a way that enables a wider range of representation and replication in the future. These findings allow firms to understand that the paths to international markets can also come from within the company itself, its suppliers, its relationship networks, etc. This study attempts to act as a wake up call in regards to inward internationalization as a real trigger in pushing companies abroad and understanding the importance of the knowledge that surrounds a seller-buyer relationship for the company when it comes to start thinking operating abroad.

**KEY WORDS:** internationalization, inward, network, knowledge, motivations, relationship.

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## 1 - INTRODUCTION

According to Korhonen et al. (1999), inward internationalization is defined as the set of purchase and production operations, such as import products, machinery, raw materials, knowledge-acquisition and co-production of goods with a foreign company in the domestic market. Through a literature review, the purpose of this study is to understand the extent to which inward internationalization activities (such as international purchasing) and also the inward-outward connection contribute to the development of the sales process in international markets and lead the companies to obtain competitive advantages. However, regarding the volume of research into the internationalization of exporting firms, there is a clear lack of research that seeks to unravel the process of internationalisation when it is "inward-driven" (Stal, 2000).

Much of the theoretical research on internationalization mainly analyzes the perspective of the exporter and the export process, neglecting the importer and the aspect of import as a means of facilitating and preparing a solid way to the process of corporate sales in international markets (Karlsen et al., 2003). The focus on SMEs is justified by the fact that these type of companies belong to a poorly-studied group in comparison with studies on multinationals. In addition, SMEs develop more vulnerable internationalization processes due to their limited resources. The purpose of this study is to answer to the following question: Is inward internationalization a real trigger that acts as a motivation to push companies to go international?

This study aims to explore the concept of inward internationalization (through international purchasing) as a motivation to go international in two Portuguese companies. The first is a die-casting industry player and the second an automation software designer. They were selected as both exhibit a clear pattern of inward internationalisation. The analysis is based primarily on source material from the companies involved as well as interviews - Teresa Campos, ARUM's IT Manager and Gonçalo Macedo, SONAFI's HR Manager and executive board member). The results of this study should be seen as exploratory study rather than the basis for any generalising theory. Furthermore, it fills a gap considering the lack of studies on importer behaviour which take a longitudinal perspective.

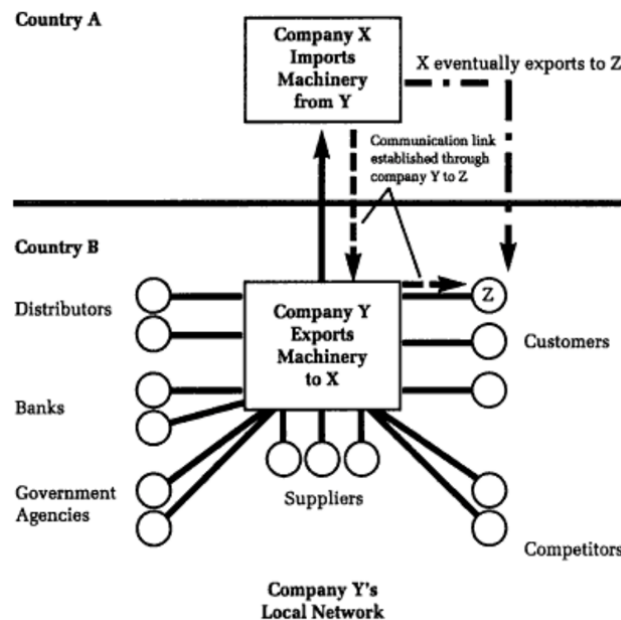
## 2 - LITERATURE REVIEW

### 2.1 - INWARD INTERNATIONALIZATION – OVERVIEW

The business enterprise can be defined as “a pattern of activities that link together a set of actors and resources with the purpose of exploiting exchange opportunities in a market” (Snehota, 1990). “Inward” activities pertain to situations when the firm is the buyer in an exchange situation, “outward” to when it is the seller.

For example, Company X (Country A) is buying machinery from Company Y (Country B). This relationship can work as a professional network enabler to Company X in Country B. This network can possibly be seen by Company X as an interesting sales channel in Country B, for example with Company Z. This can be described as inward internationalization, if Company X starts selling its products in Country B due to a previous relationship with Company Y, as we can see below in figure 1:

Figure 1 - Using a Foreign Suppliers Network



Source: Welch, Lawrence S., and Luostarinen, Reijo K., (1993)

Inward activities like purchases of machinery and the procurement of raw materials and semifinished goods provide opportunities for building relations with foreign companies. They also offer opportunities to learn about foreign trade techniques and ways of using various operation modes, and it is through the active use of such knowledge that companies can find themselves in a better position to start or extend outward foreign operations.

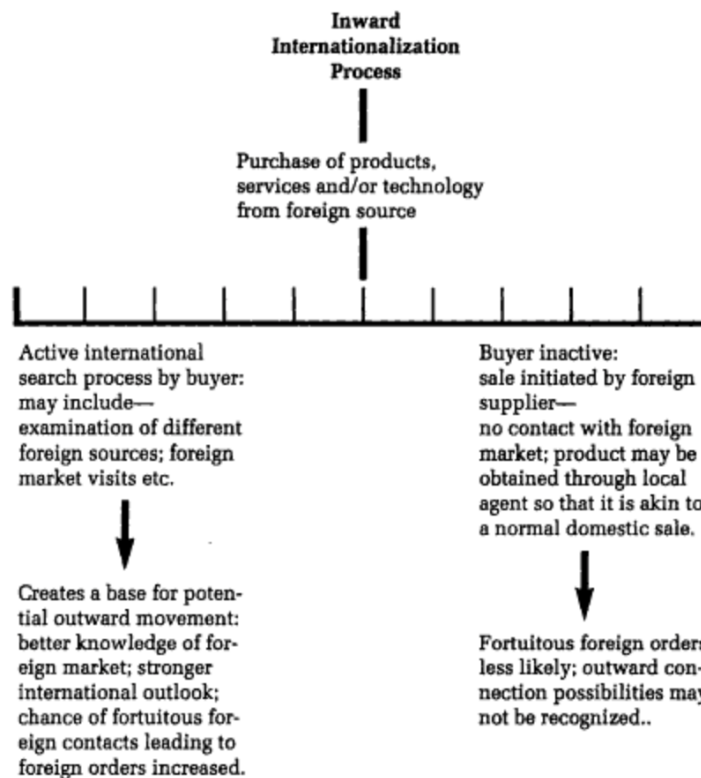
International purchasing is of growing importance for the firm (Hallén 1982; Monczka & Trent 1991), and it is likely to become even more so as international trade and investment continues outpacing world GDP growth (WTO 1999). The most significant motivations for international purchasing seem to be lower price, improved quality and a more dependable supply (Liang & Parkhe, 1997; Min & Galle 1991; Monczka & Guinipero 1984). Other relevant factors are better technology, or at least access to technology, a greater willingness of foreign suppliers to adapt, and increasing the size of the supply base.

Research on inward internationalization activities has been somewhat neglected - searches are limited in this area (Karlsen et al., 2003). These activities are defined as purchasing and production operations (for example, importing products, raw materials, knowledge acquisition and co-production of goods) with a foreign company in the domestic market (Korhonen et al., 1999). The same author suggests that an importer start buying low standard products and gradually change to raw materials, replacement parts, equipment, goods to be resold, among others. Various types of inward FDI type, such as joint ventures (JV) with foreign partners, are also examples of inward type of activities. These activities may include import of physical equipment, staff and experts (Korhonen et al., 1996).

Figure 2 (Welch and Luostarinen, 1993) shows us a scale between active and reactive profiles regarding purchasing at international markets that can promote future business internationalization. On the left (active buyer) we can predict a greater potential of outward internationalization due to acquisition of the intelligence of foreign markets during its analysis. On the right side of the scale (reactive buyer) we see the opposite, once the buyer is not aware of the real market potential overseas.



Figure 2 - Foreign purchasing activity and internationalization



Source: Welch, Lawrence S., and Luostarinen, Reijo K., (1993)

For Quintens et al. (2005) concerning the inward internationalization activities, it is knowledge and experience which are the important factors that explain the geographic expansion of the company. Analyzing inward operations in depth and over time has been difficult because they often are developed within the business work circuit through procurement staff, and therefore tend to be seen as support activities (Hollensen, 2001). Strategic decisions of long-term business are usually made by top management, perhaps in cooperation with the production, marketing personnel and valid information on international opportunities created by inward operations (Hollensen, 2001). However, in recent years, the perception of the role of the procurement function has undergone various changes. Rather than being considered as merely administrative or as a service function, in many cases, it has become accepted as an important strategic resource for

the company. This is reflected in the increasing importance in analyzing the international supply chain and international marketing management (Hollensen, 2001). Gadde and Håkansson (1993) describe three strategic roles of the purchasing function which potentially affect the competitive position of a company: the role of rationalization that includes activities that reduce costs, for example, making or buying decisions, streamlining flows, the reduction of stored goods and identification of potential suppliers; the role of development describes how the purchase is involved in the development of suppliers working to achieve better coordination and greater development in economizing costs and time; and finally the structural role of the purchase is defined as the way in which the companies affect the structure of the supply markets. Karlsen et al. (2003) suggest several ways in which increased internationalization can influence the purchasing function. Some are related to the degree of the company's internationalization, and others are related to the change of supplier structure caused by international competition.

Welch and Luostarinen (1993) also identify several roles of inward-type operations. International operations, through inward activities, can be a prerequisite for establishing the outward activities of the company - for example, when domestic sources of technology, management and marketing know-how is insufficient to start a business. Franchising, licensing or other projects are possible solutions to the lack of commercial and/or technical expertise in a country. Other types of this activity include, as already mentioned, various forms of inward type foreign direct investment (FDI) including joint ventures, which may involve an import package of physical, personal equipment and know-how (Korhonen et al., 1996). It is also important to note that inward activities allow for many learning opportunities about international business and enable relationships with foreign actors (Karlsen et al., 2003). Often these activities, either directly or indirectly, lead also to outward type opportunities for companies (Karlsen et al., 2003).

Table 1 summarizes the authors' review of concepts and benefits of inward internationalization activities.

Table 1 – Concepts and benefits of inward internationalization activities.

Type of Internationalization	Characteristics	Benefits	Authors
Inward		Knowledge, experience and contacts;	Quintens et al. (2005) Karlsen et al. (2003)
	Imports of products, components, raw materials and machinery;	Cost reduction; Procurement process development; allocation of the suppliers' market structure;	Gadde e Håkansson (1993)
	Knowledge acquisition;		
	Co-production of goods with a foreign company inside the domestic market;	Promote outward activities; Solution to the lack of commercial and / or technical knowledge;	Karlsen et al. (2003) Luostarinen e Welch (1990)
	Several IDE types of inward activities (joint ventures).	FDI may involve package import (physical equipment, personnel and know-how);	Korhonen et al. (1996)
		Low investment and lower risks.	Gadde e Håkansson (1993) Luostarinen e Welch (1993)

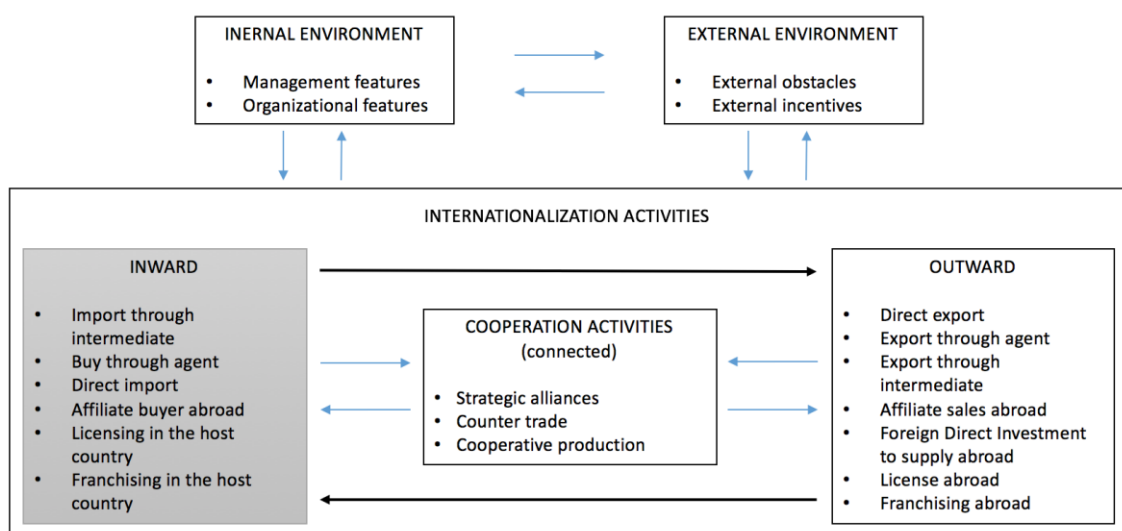
Source: author systematization

## 2.2 - MOTIVATIONS TO GO INTERNATIONAL

The factors influencing companies' internationalization is first divided into internal and external factors, and these can be defined as proactive and reactive factors as well. Proactive factors explain that the companies' decision to internationalize is influenced by its interest in exploiting unique ideas and/or competences or the possibilities of the foreign market. Reactive factors explain that the companies act passively and respond to internal or external pressure (Stewart and McAuley, 1999).

Previous publications on internationalization have portrayed it as being an export-led phenomenon. Although this is a phenomenon that extends to other activities such as licensing and manufacturing overseas, it is usually considered from an 'outward' perspective. Internationalization is no longer just an outward-driven activity as firms also become internationalized by undertaking activities in which 'inward' and 'outward' activities are 'linked', as happens with strategic alliances, cooperative manufacture and countertrade (Fletcher, 2001). Figure 3 shows a conceptual model developed by Fletcher (2001), a holistic approach to internationalization:

Figure 3 - Conceptual model of the internationalization process



Adapted from: Fletcher (2001)

Fletcher (2001) tries to show that the factors previously found to apply to an outward type of internationalization process also have an impact on forms of international cooperation and inward-type. The model also shows that outward activities may lead to inward activities and vice-versa. Furthermore, it is also illustrated that the cooperative activities may be conducted by outward activities or the inward activities. As is shown, inward activities can represent a real catalyst to promote or motivate the internationalization process.

Czinkota et al. (1999) propose a set of eleven factors as main motivations for internationalization grouped into proactive motivations (profit advantages, technology, unique products, exclusive information, the commitment of management, tax benefits and economies of scale) and reactive motivations (which include competitive pressures, excessive production capacity, saturation of domestic market and proximity to customers and landing ports).

Brito and Lorga (1999) suggest that there are three types of motivations: proactive, reactive and mixed (motivations that result from a mix of proactivity and reactivity). The level of proactive motivations highlight the company's growth strategies and taking advantage of opportunities created in a foreign market (often these opportunities are detected by the company's business partners in a given market or are the result of poor partner performance, which leads to the redesign of the company's strategy). In reactive motivations authors included trailing internationalization (following a client to a new market) and own business imperatives (there are businesses that are of international nature, such air transport companies, activities that do not have a regular demand or require a higher market dimension compared to domestic market). With regard to mixed motivations the authors believe that there are several stimuli that can enhance the internationalization, such as: geographical proximity and cultural and linguistic affinities, risk reduction, the reduction of costs and benefit from economies of scale, the image of the country of use, and government support.

OECD (2009) found that growth and knowledge-related motives are influential in driving SME internationalization. Growth-related factors appear to be increasingly important to SMEs, reflecting their rising appreciation of the international pathways and associated opportunities for future business growth. SMEs' stock of knowledge resources and quest to leverage knowledge assets residing in external actors also seem to

respectively push and pull them into international markets (OECD, 2009). Besides, external factors, including network and supply chain links, social ties, immigrant links, improved global trade infrastructure, and sector and region-of-origin factors seem to stimulate SMEs' internationalization. OECD (2009) also summarizes the recent research findings on SMEs' motivations and/or stimulus to Internationalization, which are outlined in Table 2:

Table 2 – Recent research findings on SME motivations to internationalize

Motivation / Stimulus	Authors / Study
MARKET GROWTH	EFIC, 2008; Orser et al., 2008; Rundh, 2007; Reynolds, 2007; Stoian, 2006; Barnes et al., 2006
PROFIT	Reynolds, 2007; UPS, 2007; Stoian, 2006; Barnes et al., 2006
MANAGER PREVIOUS INTERNATIONAL EXPERIENCE	Rundh, 2007; Lopes, 2007; Stoian, 2006
FIRM SIZE, AGE OR EXPERIENCE	Orser et al., 2008; Lopes, 2007; Wengel and Rodriguez, 2006
LIMITED DOMESTIC MARKET	Orser et al., 2008; Stoian, 2006; Barnes et al., 2006
IMMIGRANT LINKS	Iwata, 2008; USA Today, 2008; Orser et al., 2008
BUSINESS NETWORKS	Camara and Simões, 2008; Stoian, 2006
SOCIAL CAPITAL	Orser et al., 2008; Stoian, 2006
KNOWLEDGE AND RELATIONSHIP SEARCH	Kocker and Buhl, 2008; Garvey and Brennan, 2006
WEAK DOLLAR	Iwata, 2008; USA Today, 2008
INTERNET GLOBAL REACH	Iwata, 2008; USA Today, 2008
RISK REDUCTION	Reynolds, 2007
SUPPLY CHAIN CONTROL AND COST REDUCTION	EFIC, 2008
PRESENCE OF FOREIGN BUYERS	Wengel and Rodriguez, 2006
MANAGEMENT CAPACITY FACTORS	Orser et al., 2008
GLOBAL TRADE INFRASTRUCTURE	USA Today, 2008
R&D INVESTMENT	Orser et al., 2008
FIRM EXPORT ORIENTATION	Wengel and Rodriguez, 2006
REGIONAL LOCATION	Lopes, 2007
COUNTRY OR REGIONAL IMAGE	Lopes, 2007
UNIQUE PRODUCT OR TECHNOLOGY	Rundh, 2007

Source: adopted from *OECD 2009, P.12-13*.

### 2.2.1 - PROACTIVE MOTIVATIONS

As mentioned above, proactive factors explain that the companies' choice to internationalize is influenced by its interest in exploiting unique ideas/competences or the possibilities of the foreign market (Stewart and McAuley, 1999). Proactive motivations are summarized below in Table 3:

Table 3 - Classification for internationalization proactive motives

	Internal	External
Proactive	Managerial urge Unique production/competences Marketing advantages Economies of scale	Foreign Market Opportunities

*Adapted from: Albaum, Strandskov and Duerr, 1998, P40.*

Managerial urge is the driven force, desire, enthusiasm in entering a new foreign market. The decision to go international in SMEs is often made by one person. The decision of entering a new foreign market depends on the decision maker's awareness of the foreign market, expectations concerning these markets, and the perceptions of their company's ability (Albaum, Strandskov and Duerr, 1998).

A unique product or competence helps the company to go into a new foreign market much more easily (Albaum, Strandskov & Duerr, 1998), as the company is more likely to receive inquiries from a foreign market, than those who don't have unique products or competences.

A company's specialized marketing knowledge or access to specific information will differentiate it from other competitors. Albaum, Strandskov & Duerr (1998) suggest that this is the incentive for the company enters the new markets, since the company will receive a competitive marketing advantage from this. It is also an entry barrier for competitors in foreign markets.

Economies of scale is another motivation for the company to enter new markets, as production will increase while at the same time production cost will decrease (Hollensen, 1998). The opportunities of the foreign market often influence the company's willingness to go international (Albaum, Strandskov & Duerr, 1998), because the market opportunities only function as a stimuli when the company has already prepared itself to do so. Hollensen (1998) also mentions this point and further argues that the first foreign market the company enters always has opportunities which are similar to the company's domestic market.

### 2.2.2 - REACTIVE MOTIVATIONS

Reactive factors relate to the way that companies act passively and respond to internal or external pressure (Stewart and McAuley, 1999). Inward activities are in fact considered reactive motivations.

**Table 4 - Classification for internationalization reactive motives**

	Internal	External
Reactive	Risk diversification Extended sales of seasonal products	Small Domestic Market

*Adapted from: Albaum, Strandskov and Duerr, 1998, P40.*

Regarding Figure 5, companies which sell to different foreign markets will have lower risk than those companies running their business solely in domestic markets (Albaum, Strandskov & Duerr, 1998). This is because the economic situation is quite different in different countries; for example they often have economic recession or boom in different time, the sales drops in one market might be balanced by another growing market. Additionally different demands of products depending on the season in different markets are a strong incentive for companies that have products that are affected by seasons to enter new markets (Hollensen, 1998). According to Albaum, Strandskov and Duerr (1998), there are two main reasons why seasonality functions as



stimuli for SME's internationalization: it will reduce fluctuations in the product life cycle; and it becomes a way to secure continued growth and profitability, especially if the domestic market becomes eroded. Figure 5 can also tell us that stability in sales will also be increased for an SME by selling their products to those countries which has opposite seasons compared to domestic; moreover this means a more balanced production throughout the year (Albaum, Strandskov & Duerr, 1998). A small domestic market is one of the reasons for many SMEs to go for internationalization, sustain economies of scale and to promote the companies search for larger markets (Hollensen, 1998). But some companies still choose to expand in foreign markets as there are better opportunities (Albaum, Strandskov & Duerr, 1998).

### 2.3 - INTERNATIONALIZATION OF SMEs

The analysis of the internationalization process is relatively abundant, although not so much in the case of SMEs (Liang and Parkhe, 1997). However, it is easy to see that the process of internationalization of SMEs is largely influenced by the interests and ambitions of managers and the limitation of resources (Agndal, 2006). The internationalization processes SME's are often seen as directed by uncontrollable events (Meyer and Skak, 2002). In this sense, to Agndal (2006), internationalization can be called reactive - in other words, that it occurs due to some pressure on the companies in an internal or external environment. The reasons which can lead an SME to enter into new purchasing markets may relate to: needs, pressures and unsolicited opportunities (Scully and Fawcett, 1994; Quintens et al., 2005).

Rapid globalization has increased the opportunities for SMEs to market their services abroad (Ball et al., 2008). Despite the prevailing idea of non-commercialization of services, these accounted for 20% of world exports in 2004 (Ball et al., 2008). However, the expansion of the services sector is much more complex compared with the industry, as it will depend on the nature of the services to be delivered abroad (Ball et al., 2008). Many of the service provider's SMEs that go international want to learn and accumulate knowledge that is not available in the domestic market. Investing in countries with a large

cultural distance relative to the internal market is an effort to expand and enrich the knowledge base of a company (Agndal and Elbe, 2007). Another reason for the external expansion of service SMEs may be due to the need to follow their customers to the new market (Majkgård and Sharma, 1998).

## 2.4 – CONCLUSION

Although there is a large number of bibliographic research in this field, these studies do not cover all areas of internationalization - only export activities are subject to a reasonable amount of research. In this sense, the activities of inward internationalization, are subject to a limited attention from researchers. This situation may be due to several reasons: first, because inward activities tend to be seen often as accessory, ignoring its role as a medium that can promote internationalization; on the other hand, by the outward internationalization practices that are still seen as a phenomenon that underlies the internationalization process.

Operate in the international market is not an easy task, not only because of the greater business` complexity, but also because of the physical and psychological distance. In the case of SMEs these difficulties are increased due to limited resources, not only financial, but also technical and human. These reasons often lead companies to withdrawing from international markets focusing on other markets. Later, they will return again but with a heritage of experiences and knowledge, they hadn't previously. Several explanatory theories about the internationalization process were developed, in order to understand the process itself. All these theories were developed based on empirical research on the past export practices. However, due to the constant development and trade growth, it is important the emergence of a new approach. The various players in the international business (the general scientific community, businesses and more precisely its top management) must face the inward internationalization activities as a means of promoting the internationalization and competitiveness of companies in international sales markets. Through an empirical research of two companies this study aims to demonstrate that in fact the inward activities are a real motivation for companies to go international.

### 3 - METHODOLOGY

In order to describe and explain a business phenomenon, giving a faithful account of a real-life aspect in question, the descriptive, non-positivist approach is used, as it is in the case of much of explanatory research performed up to this time (Remenyi et al., 1998). Fidel (1992) states that the case study method is a method of field research i.e, an investigation without significant interference from the researcher. Still regarding Fidel (1992), it is possible to conclude that the objective of this study is revealed congruent with the theory of the case study method in the development of generic theories about a particular phenomenon observed. In this case it is intended to study in both companies how inward internationalization acted as a stimulus to push them to the international markets.

The empirical basis for this investigation is provided by two in-depth case studies from different backgrounds, services and industry – ARUM and SONAFI. There have been only two interviews, to each one of company's managing partners. Questions focused on how the business had developed, motivations that led them to expand their businesses abroad, its current status and possible future developments, and scope and structure of supplier relationships. Cases are first presented with a general background, followed by a case discussion on relationships, knowledge and business development. Eisenhardt (1995) calls for a sample of between four and ten cases. The research in this study however, due to limited resources, is based on two cases. In order to enhance the present findings, further research can be performed and additional cases can be added. The firms were chosen to embrace different industries and different sizes. The case firms' characteristics are summarized in Figure 6. Interviews were conducted by the author with executives, the people with the most responsibility of each firm.

## 4 - CASE STUDIES

### 4.1 - CASE STUDIES OVERVIEW

To accomplish this study's mission, two companies were selected to be part of this research – ARUM, a software and industrial automation player, and SONAFI, a metal industry company.

Founded in 1994, ARUM - engineering and automation systems Ltd, develops its activity in the field of industrial automation. Its main activities are the following: software development, commissioning, technical assistance, electric diagrams in EPLAN, and consulting. ARUM is a certified partner of Siemens Industry Automation and Drive Technologies specializes in the following modules: SIMATIC Automation Systems, Process Control Systems SIMATIC PCS 7, Human Machine Interface HMI SIMATIC, Industrial Communication SIMATIC NET. ARUM is currently certified according to ISO 9001:2008. Year 2015 revenues were about one million euros and they operate in ten different countries.

SONAFI was founded in 1951 and is specialized in aluminium die casting and machining of medium size technical parts and was the first die casting plant in Portugal. The main activity of SONAFI consists of the production of die casted aluminium components and sub-assemblies, as well as the development of tools for its production, working for high demanding sectors, such as the automotive Industry. It has extensive internal expertise in process automation as well as product development. The production operates in three shifts twenty four hours per day. SONAFI produces yearly fifteen million parts of ninety three different references for sixteen different costumers. In 2015 SONAFI's business revenues were about thirty one million euros.

#### 4.2 - RESEARCH DESIGN

The case study method was applied to both firms. An interview with both managing partners was designed to extract the information needed to assemble this work. Both interviews were recorded and later transcribed for analysis. In order to enrich the methodology chosen, additional information sources, such as the firms' websites were also used. Presented below in Table 5 is some relevant corporate information and also information about the interviewed managers:

Table 5 – Corporate and interviewed managers' information

	<i>SONAFI</i>	<i>ARUM</i>
<b>FOUNDATION</b>	1951	1994
<b>CORE BUSINESS</b>	Die-casted aluminium components and sub-assemblies	Industrial automation software
<b>EMPLOYEES</b>	210	6
<b>WENT INTERNATIONAL</b>	1983	1998
<b>MAIN COSTUMERS</b>	RENAULT, MERCEDES	SIEMENS, UNICER
<b>2015 RESULT (GP)</b>	31.800.000 EUR	1.013.000 EUR
<b>(% export)</b>	(100%)	(25%)
<b>direct / indirect</b>	80% / 20%	5% / 20%
<b>OPERATING COUNTRIES</b>	6	10

<i>INTERVIEWED NAME</i>	E1	E2
<b>AGE</b>	53 yo	52 yo
<b>YEARS IN FIRM</b>	30 years	22 years
<b>FUNCTION</b>	EXECUTIVE BOARD	MANAGER
<b>AREA</b>	HR	IT

Source: author systematization

Regarding the trigger that pushed both companies to the international markets, each manager described briefly how it happened. ARUM manager E2 said:

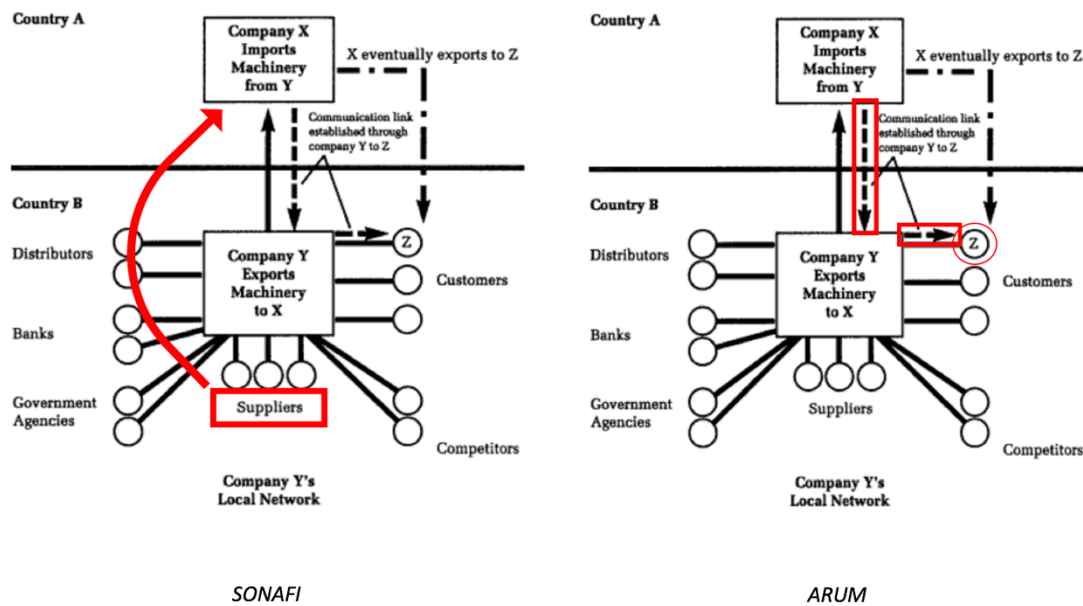
*“(...) back in 1998 we decided to attend a very expensive but state-of-the-art formation plan in Germany to be “Siemens Solutions Partner Automation” in Portugal. In that meeting we get along with other companies that were attending the same formation plan, mostly non-Portuguese companies. From this network numerous opportunities came to light and we saw the chance to cooperate with a couple of them or at least sell them our services. (...)”.*

By the other hand, SONAFI manager E1 stated as follows:

*“(...) the internationalization process started in 1981-83 when we were elected by Renault to be a strategic supplier of the Cacia plant (Portugal). To be competitive we started buying raw materials to foreign suppliers, started to learn how to operate internationally, and that moment was the real trigger. Things went well and Renault recommended our products to Valeo. We started with Valeo, a French company”.*

We can see in Figure 4 a schematic overview that shows the path ARUM and SONAFI took to the international markets. The left side clearly shows that SONAFI partner's suppliers acted as the real trigger to internationalization. The diagram on the right side of Figure 4 shows that ARUM designed a different strategy by using a supplier's network (customers) to start its international business endeavour.

Figure 4 – Inward internationalization – a schematic approach



Adapted from: Welch, Lawrence S., and Luostarinen, Reijo K., (1993)

Regarding the motivations that caused both companies to enter international markets, being reactive is a common characteristic. However ARUM’s trigger was an internal decision to go international, whereas SONAFI was “invited” to go international which is an external motivation, as seen in Table 6:

Table 6 – Motivations to go International – ARUM / SONAFI

	Motivations
ARUM	<b>Internal, Reactive</b> - ARUM managers went to Germany to attend a technical training period given by SIEMENS (partner in Portuguese market), where they met other corporations they have seen as potential costumers. Contacts have begun.
SONAFI	<b>External, Reactive</b> - Renault invited SONAFI to be part of a new business in Cacia, Portugal. The challenge was accepted and it was a success. SONAFI was then recommended to Valeo (France) by Renault as a reliable supplier. Valeo contacted SONAFI and the relationship began.

Source: author systematization

When managers were asked about how their international path evolved over the last years, ARUM manager E2 said:

*“Back in the beginning we had just portuguese projects undergoing, now we work almost under SIEMENS partnership, fact that gives us knowledge, a solid background and most importante of all, experience. Nowadays we work with companies from Aruba, Spain, Turkey, Germany, Poland, among others.”*

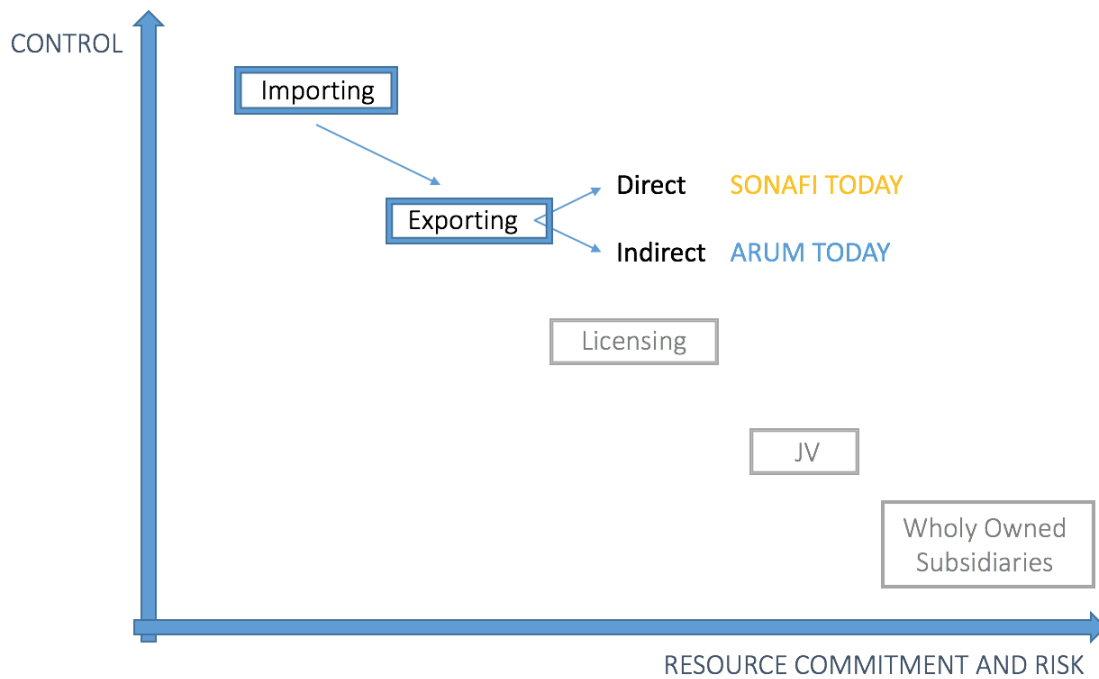
SONAFI manager E1 stated:

*“(...) we were elected by Renault to be a strategic supplier of Cacia plant (Portugal). To be competitive we start buying raw materials to foreign suppliers and that moment was the real trigger. Things went well and Renault recommended our products to Valeo. We started with Valeo, a French company. Later on Renault elected us again, now to be the suppliers of plants in Spain and France. We were already selling in the international market but this opportunity together with Renault in Spain and France gave us strenght and faith in our operations abroad. Now we work with Porsche, Mercedes, Renault, Volkswagen, etc.”*

An analysis of the paths chosen by each of the companies since they went international reveals several differences. The beginning was similar starting with international purchasing experience and learning (inward activities). But ARUM developed a more complex path as it did business side-by-side with SIEMENS. On the other hand, SONAFI is almost a pure exporter - finished goods are packed and shipped overseas directly to costumers (80% of business is direct export, and the remaining 20% is relative to indirect export). It is possible to check when ARUM and SONAFI start running different ways in Figure 5:



Figure 5 – The evolution, from international purchasing to internationalization



Source: author systematization

Managers were already asked about what went wrong (or at least not so good as expected) about their international endeavours. Both businesses are totally different, as different were their answers. SONAFI manager E1 said:

*“In our industry you should be carefull because every order you accept is a whole new process that is starting: designing the production chain, new molds must be made (high costs involved – large amounts of pieces need to be sold to optimize the whole process), employees formation and learning, production schedule, raw-materials, etc. And for us it was hard to negotiate with our costumers. We needed to be profitable and avoid slippery moves. Our CFO made a great work!”*

ARUM manager E2 had other challenges:

“Everything was faster than we expected! The meeting in Germany was a catalyst to our expansion to foreign markets. Our main struggle was to get the proper certifications to operate internationally. They are very expensive, and are also numerous, but is the only way for you to show your potential customers you know what you’re doing...”

## 5-DISCUSSION AND FINDINGS

### 5.1-THEORETICAL FINDINGS

Welch and Luostarinen (1988) proposed a broader view of internationalization involving both the inward and outward international activities of a firm. Internationalization was thus defined as “the process of increasing involvement in international operations” (p.35). This definition encompasses the two sides of internationalization, with inward internationalization being seen as “a mirror image of the outward process” (Welch and Luostarinen, 1993, p.44). The connection between the two sides of internationalization might not be obvious as inward and outward activities could occur at different times. It is proposed in the literature that inward activities should contribute to outward involvement especially in the early stages of internationalization (Welch and Luostarinen, 1993) and in smaller firms (Kohonen, Luostarinen and Welch, 1996).

## 5.2-MANAGERIAL FINDINGS

This study allows managers to understand how can inward activities be in fact a motivation that leads companies to move forward and go international. But it can happen differently as we have seen in both the SONAFI and ARUM case studies. Both entered into their international endeavours because of a third party intervention, and that is the most relevant inspiration we can gain from this work.

The fact that entrepreneurs, industrialists, businessmen and women can now have a clear view on how internationalization triggers can occur in early stages is the biggest achievement of the present study. In both cases studied, SONAFI and ARUM, inward internationalization was the stimulus to go international, and it happened before managers noticed they were already on the road to internationalization. The advantage a company has in realizing as early as that they are going international is that it allows for them to prepare and adapt the company for upcoming new international reality. And the sooner it starts, the better international performance is expected.

It is also possible to assume that inward activities represent a reactive motivation to go international - there was a motivation that came from a supplier (SIEMENS) that pushed ARUM to the international market, and SONAFI was set on global when Renault decided to recommend them to a French company, Valeo. It is now safe to admit this case-study research answer the main question positively: is inward internationalization indeed a trigger that pushes companies to the international market? Yes it is.

## 5.3-LIMITATIONS AND HINTS FOR FURTHER RESEARCH

Inward internationalization is not yet a fully researched matter. Thus, one of the limitations of this study is its restricted number of presented case studies, two – SONAFI and ARUM. However, having the possibility to study companies operating in such different activity areas (industry and services) hopefully will give this work more reliability.

This is certainly a topic that will undergo significant change in the short term, given the developments we see in relation to international trade, globalization, internet trends

and trading - increasingly borderless. The motivations to go international are getting more and more, and also diversified. To enhance the present findings, further research should be performed and additional cases can be added in order to enhance the credibility of this study.

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