How does a firm choose a new geographical market?

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Abstract

The purpose of this dissertation is to discuss how a firm chooses a new geographical market. To answer this research question, we conducted a qualitative study with a case study approach. The company studied was A Poveira, a Portuguese fish cannery.

We use mostly primary type of data, using semi-structured interviews as the main source. Nonetheless, we also use secondary type of data and direct observation to collect additional data.

The findings show that many theories discussed in the literature review were verified in the case of our company, while others were rejected. It was also possible to rank the importance of the criteria used by the company to choose a new geographical market and the connection among the different criterions. The cultural barriers are often heavy and costly; however they are not sufficient to make a market inviable since the company has the ability to overcome them. The political and legal systems might also affect the decision of choosing a new geographical. However, factors such as previous experience, network and economic attractiveness of the host market are more critical in the choice of a new geographical market. Finally, factors such as language or geographic distance have little or none weight in that decision.

O objetivo desta tese é discutir como é que uma empresa escolhe um novo mercado geográfico. Para responder a esta questão de pesquisa, conduzimos um estudo qualitativo, usando um estudo de caso. A empresa estudada foi A Poveira, uma empresa portuguesa produtora de conservas de peixe.

Usamos maioritariamente informação do tipo primário, usando entrevistas semiestruturadas como fonte. No entanto, também usamos informação do tipo secundária e observação direta como fontes adicionais de informação.

Os resultados mostram que várias das teorias discutidas na revisão de literatura são verificadas no caso da empresa em questão, enquanto outras foram rejeitadas. Também foi possível criar um ranking da importância do critério usado pela empresa para escolher um novo mercado geográfico e a ligação entre critérios. As barreiras culturais são frequentemente pesadas e custosas, no entanto não são suficientes para tornar um mercado inviável pois a empresa tem a

capacidade para ultrapassa-las. Os sistemas políticos e legais podem também afetar a decisão de selecionar um novo mercado. No entanto, fatores como as experiências passadas, a rede de contactos e a atratividade económica do mercado são mais críticos na escolha de um novo mercado. Finalmente, fatores como o idioma ou a distância geográfica tem pouco ou quase nulo peso nessa decisão.

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1- Introduction

Globalization is nowadays an undeniable reality. It has an impact in multiple activities, behaviors and thoughts of individuals and collectivities. In a corporate context, firms take advantage of the open of the boundaries between countries to expand their markets and resources, otherwise they might not survive (Greblikaitė, Barynienė, and Paužaitė 2015). Subsequently, many authors start studying the process of a firm's internationalization (Johanson and Vahlne 1977; Coviello and Munro 1997; Oviatt and McDougall 1994).

When studying the firm's internationalization, researchers found interesting to investigate the criteria used by the companies for choosing a foreign market as a target for their international expansion (Johanson and Vahlne 1977; Evans, Treadgold, and Mavondo 2000; Nordström and Vahlne 1992; Hofstede 1980; Bhardwaj, Dietz, and Beamish 2007; Coviello and Munro 1997; Ghemawat and Siegel 2011).

Indeed, the goal of this thesis is precisely to discuss the criteria use by a company for new foreign market selection. We divided our research question: "How does a firm choose a new geographical market?" into two sub-research questions: "How is done the general decision making process?" and "Which criteria a firm uses for choosing a new geographical market?"

The paper is interesting because it fills a gap, the integration between the decision making process of a firm (Cyert and March 1992; Koutsoyiannis 1979; Frisch 2011) with the choice of a market for an internationalization strategy (Johanson and Vahlne 1977; Evans, Treadgold, and Mavondo 2000; Nordström and Vahlne 1992; Hofstede 1980; Bhardwaj, Dietz, and Beamish 2007; Coviello and Munro 1997; Ghemawat and Siegel 2011). It also allows analyzing the rank of importance of all the criteria used by a company to select a market. Although some researches compared the importance between 2 criterions (Johanson and Mattsson 1988), there was not created a relationship among all the criteria used for the decision.

For managers, it is also useful because it may be a tool for them to use in their next internationalization strategy in order to choose the more suitable market for them.

Both the literature review and personal reflection, allow us to conduct a case study guided by a comparison between a theoretical background and the findings of our research.

In order to answer our research question: “how does a firm choose a new geographical market?” we conducted a qualitative research method, specifically with a case study approach. The company chosen is A Poveira, a large Portuguese food manufacturer. The company is a perfect fit for our research question since it has many international experiences all around the world.

The first section of the thesis is the literature review where we discuss previous papers that answered in part this research question. Firstly we analyze how is done the general decision making process. Then we study the different factors that distance may influence the choice of a new geographical market.

The second section presents the methodology used in this paper. As stated before, we use a qualitative study with a case study approach.

The third section is the case study, where we introduce the company. Then, in the chapter of findings, we discuss how A POVEIRA chooses their new geographical markets by analyzing the interviews made with the company, archival interviews and direct observation.

Finally, the final section is the conclusion of our study where we have a critical analyze of the contents of our paper.

2- Literature Review

The internationalization process requires as a first step the choice of the new geographical market that the firm wants to explore. In this section, we will focus on the theories related to this subject. First, we will review the general decision making process of a firm. Secondly we will discuss the theories defending that a firm choose a country according to their psychic distance. Finally, we will consider the importance of the other factors in the decision, such as the geographic distance, the role of experience and network and the economic viability.

2.1 – The decision making process of a firm

2.1.1 – Theories of decision making

First of all, we will discuss the classic approach to the decision making process. The decisions made by humans and organizations are rational and have the goal to maximize the utility (Von Neumann and Morgenstern 1944). In the case of organizations, this utility is often represented by the profit. The major assumption in the classic approach was that managers had perfect information and could easily calculate the payoff of each alternative and therefore choose the one that maximizes their utility.

Nevertheless, some authors started to reject that assumption. Simon (1955) considered impossible to have perfect rational decisions because we don't have neither the access to all information available nor the ability or resources to compute the total payoff of the alternatives. There is a need to revise the concept "economic man" that presupposes a perfect knowledge of the environment, a stable and well organized set of preferences and an ability to evaluate among a set of alternatives, the one that best satisfies their preferences.

Consequently, we need to replace this "economic man", by a "man", or organism, that takes into account the real capacities a "man" has to evaluate the information of the environment and the ability to have clear and well-defined preferences.

The classical approach used in the game theory, where we compute the numerical value of the alternatives to select the preferred one, is impossible to use in real life. *"We cannot, of course, rule out the possibility that the unconscious is a better decision-maker than the conscious"* (Simon, 1955, p.104). Therefore, he proposes a lot of changes to the game theory. For instance, he considered, due to the limitability of the information available, that in reality we don't evaluate the set of all the alternatives available. Instead, we consider only a subset of alternatives, the ones we have the information they exist. This phenomenon that the process of decision making is limited by a set of constraints was named by Simon as the bounded rationality. Additionally, he argued that it is impossible to sum the components of a payoff; consequently we should create vector-payoffs instead of a total payoff. For example, when choosing whether to study in our home country or in a foreign one, at least these two components will have a weight in the decision: the quality of the university and the country's quality of life. Simon argues that these two components cannot be added to each other to form a total payoff for each alternative (Simon 1955).

Cyert & March (1992) agreed with Simon (1955) that information is not perfect and it is costly to obtain it. They also contributed to develop a new behavioral theory about decision making process. For these authors, the decision between alternatives depends on the feasibility of each one as we are going to explain.

2.1.2 - The decision making process

First of all, is important to clarify that Cyert & March (1992) studied in their book large multiproduct firms under uncertainty in an imperfect market. Therefore, the firm must not be seen as a single-individual, but as a coalition of groups with multiple interests. The different groups that composed the firm are the managers, workers, shareholders, suppliers, customers and etc. The firm's decision must take into account the goals of all the groups in their decisions. However, they might be some conflict of interests among the different parties. Nonetheless, ultimately there are five main goals that are set by the top management: production, inventory, sales, share of the market and profit goal. Some of the goals are desirable for all the groups from the coalition while others are not. The numbers of goals might be increased but the efficiency of the decision making process will consequently decrease. The ultimate goal of the firm is to have a satisfactory overall.

Now, we would like to discuss how is done the decision making process. Cyert & March (1992) defended that 4 steps are needed to be made regarding the various alternatives in order to make a decision: 1 - to specify objectives; 2 - to estimate the costs, 3 - forecast the demand and 4 – forecast the competitors ‘behavior. Then, the firm verifies if there is an alternative that allow fulfilling the objectives, the step 1, considering all the other 3 steps. If there is one, the firm should select it. If not, the firm should reexamine the step 2 to verify if then there is a valid alternative. If there is still none, the step 3 should also be reexamined. Then it is the same process as before and if there is not still a viable alternative, the firm reexamine the step 4. Finally, if it still doesn't have a viable alternative, the firm must reconsidered the specified objectives since there is none fit alternative for the original objectives.

In his article, Koutsoyiannis (1979) proposed many limitations to the behavioral theory of Cyert and March. One of them is that the theory is useful to predict behaviors but not to explain them. Another limitation is that the theory is not based in enough cases in order to be extended to a theory of the firm. Nevertheless, the theory, specifically the decision making process might be important to enrich other theories of the firm.

Many other theories about decision making were proposed, however the goal of our thesis is not to discuss in such a detail all these contributions. Nevertheless, we point out some of the models concerned with this topic, such as DECIDE or the GOFER model.

Now that we have seen how the decision making process is done, it is interesting to investigate who are the actors in such a decision.

2.1.3 – The actors in an organization

Usually, due to their power and authority, the top executives are the major responsible for decision making (Adam Cobb 2016). Indeed, the background of the top executives often affects the decisions they make for the firm (Ocasio and Kim 1999). For instance, managers with a background in finance or economics will give more importance to the shareholders' interests rather than the stakeholders' since they were thought to be more shareholders' oriented by their field (Peer C. Fiss and Zajac 2004). Although the top executives usually have this responsibility; they have to take into account all the stakeholders 'interests when making a decision (Freeman 1984; March 1962).

However, Frisch (2011) considered important to define who the top executives are. Usually, they are composed by the CEO and some of his confidents, like the CFO, the head of sales and HR. Moreover, although the real power of making a decision belongs to this group of people, usually the executive committee is the official responsible. This bias between the theoretical decision making process of a firm, where the executive committee seems the responsible, and the real decision making, done by the group of people composed by the CEO and his confidents, makes this process ambiguous. This official, but not real, power may lead to the top senior manager's dissatisfaction. Frisch proposed that the solution should be for the firm to acknowledge the existence of this nameless team in order to make more deliberate use of them.

We have seen how the general decision making process is done. Now we want to study the different factors influencing the choice of a new market for an internationalization strategy.

2.2 – The psychic distance between countries

One of the factors affecting the choice of a new geographical market is the psychic distance. Indeed, the choice of the market is highly and inverse correlated with the psychic distance between the home and foreign country (Johanson and Vahlne 1977; Johanson and Wiedersheim-Paul 1975; Evans, Treadgold, and Mavondo 2000; Nordström and Vahlne 1992; Brewer 2007). This means that firms prefer entering in psychically close markets because it reduces the uncertainty face by the firm (Johanson and Vahlne 1977; Brewer 2007) since they can easily understand how a psychically close market functions (Kogut and Singh 1988; Brewer 2007). Therefore it is interesting to study how the different factors of the psychic distance may influence the decision of choosing a new target market in the internationalization process of a firm.

The psychic distance term was first introduced by (Beckerman 1956) but only after a few decades, researchers put an effort into defining and quantifying this dimension (Johanson and Vahlne 1977; Johanson and Wiedersheim-Paul 1975; Nordström and Vahlne 1992). This dimension is one of the most used among researchers in the internationalization strategy field (Sivakumar and Nakata 2001). It incorporates several factors; however those factors are not unanimous among the different researchers (Gabriel R. G. Benito and Gripsrud 1992; Johanson and Wiedersheim-Paul 1975; Evans, Treadgold, and Mavondo 2000; Kogut and Singh 1988). Some researchers relied on Hofstede's work about quantifying cultural distance between countries to define the psychic distance. Indeed, they considered cultural distance to be a synonym of psychic distance (Kogut and Singh 1988; Gabriel R. G. Benito and Gripsrud 1992). Nevertheless, other researchers disagreed that psychic distance was the same as cultural distance. They considered that there was more in the psychic distance than the cultural factor, such as the structural factor, that is legal and political systems, and the language factor (Johanson and Wiedersheim-Paul 1975; Evans, Treadgold, and Mavondo 2000; Nordström and Vahlne 1992).

We will assume as a reference the definition by Johanson & Wiedersheim-Paul (1975, p.308): psychic distance is *"factors preventing or distributing the flows of information between firm and market"*. However, the factors are not all the same for the different researchers, so it is important to define which factors we will consider in this paper.

Although some authors considered cultural distance to be a quasi-perfect approximation of psychic distance, we will assume psychic distance to be more than that. As stated by Brewer (2007, p.47) *"it is not demonstrated that culture is the central or even the most important element of psychic distance"*. Indeed, we will take Nordström & Vahlne (1992) perspective, and therefore take into consideration 3 factors of the psychic distance: the cultural distance, the structural aspect and the language.

Although cultural distance it is not sufficient to individually explain why a specific country is chosen as a host for international business (Dow 2000; Dow and Amal Karunaratna

2006), it is very relevant to analyze it. We will start by scrutinizing it first and then debate the other factors of the psychic distance, such as the structural and the language one.

2.2.1 – Cultural distance

Several definitions of culture are present in the literature. One of the most cited authors in this field suggested that culture is *"the collective mental programming of the people in an environment"* (Hofstede, 1980, p.43). Not only culture is a dimension that cannot be easily changed but also determines the patterns of behavior of a group of people as well (Hofstede 1980). Therefore, understanding the culture of a foreign market is crucial for a successful internationalization strategy.

The analysis of these dimensions allows the study of the culture's effects in the choice of the host country for an internationalization strategy. Indeed, there is a strong and negative relation between culture distance and foreign direct investment (Dow and Ferencikova 2010; Davidson 1980). As a matter of fact, an indigenous firm has a location advantage over a foreign company since the cultural distance may lead to a misunderstanding of laws, government or business practices of the host country, as we are going to discuss (Oviatt and McDougall 1994).

In fact, when people are working together and are culturally different, it might happened some misunderstandings (Adler 1986). The probability of having such problems is higher; the bigger is the cultural distance between those persons. Consequently, the cultural distance forces a higher control of the parent company over the subsidiaries in the foreign country (Boyacigiller 1990). When two countries are culturally distant, the management uncertainty in an internationalization strategy is higher and the firm is more risk averse to invest in this market (Davidson 1980). Therefore, the more two countries are culturally distant, there is a need to increase the control due to the uncertainty of the market and as a result higher are the costs of implementing an international strategy. Additionally, the degree of cultural distance may also affect the choice of entry mode, since in a cultural distant country, the cost of control and management will be much higher in the case of an acquisition than a joint venture. This is due to the fact that the joint venture allows decreasing the negative effect of cultural distance because the staff from the host country increases the understanding of the foreign culture (Kogut and Singh 1988). In other words, cultural distance is an obstacle for internationalization and therefore there is a tendency to select a culturally close country when choosing a new foreign market (Kogut and Singh 1988; Davidson 1980).

We were analyzing the global effect of culture in the choice of a foreign market. Nonetheless, culture is an extreme vague term so there was a need to measure and separate the dimensions of culture in order to be able to have a deeper analysis of this subject (Hofstede 1980; Dow and Amal Karunaratna 2006). Actually, the cultural distance assumes that all the dimensions are equally important whereas certain dimensions are more meaningful than others (Shenkar 2001). Indeed, a single specific feature may be the reason for choosing a specific country as a target for foreign investment as we are going to discuss.

Hofstede (1980) made the first big step in reducing the vagueness of the term culture by defining its different dimensions. One of that dimensions was uncertainty avoidance. That is *"the extent to which a society feels threatened by uncertain and ambiguous situations and tries to avoid these situations by providing greater career stability, establishing more formal rules, not tolerating deviant ideas and behaviors, and believing in absolute truths and the attainment of expertise"* (Hofstede, 1980, p.45). That is to say, cultures with high uncertainty avoidance, due to their fear of the ambiguous, have a need for a more complex set of rules to reduce the risk (Hofstede 2001). Therefore, for those countries, what is different is interpreted as dangerous (Hofstede 1999). Consequently, these countries are more reluctant to the entrance of foreign firms; government, consumers, suppliers and completion will react negatively to the foreign firm (Hymer 1960; Doney, Cannon, and Mullen 1998). Additionally, since in a high uncertainty avoidance country there is a greater need for well-defined and rigid structure and rules, it is more costly for a foreign firm to obtain such information comparing to a local firm (Hymer 1960). Hence a high level of uncertainty avoidance of the host country is a barrier for choosing this market for an internationalization strategy (Bhardwaj, Dietz, and Beamish 2007).

Subsequently, another dimension of culture that affects the choice of a new foreign market is the level of trust. The level of trust among individuals *"influence both trust at the individual and inter-organizational levels"* (Bhardwaj et al., 2007, p.33). Actually, trust allows the society to have *"spontaneous sociability"* (Fukuyama, 1995, p.29). For this reason, firms are more open to develop relationships with new firms, such as foreign ones (La Porta et al. 1997). Furthermore, in this high-trust societies, there is a tendency for cooperation instead of opportunism (Hill 1990). Finally, these societies require less monitoring costs than low-trust societies. Given these points, it is more attractive for a company to invest in a market with high levels of trust (Bhardwaj, Dietz, and Beamish 2007).

2.2.2 – Structural dimension

Even though the cultural perspective is important to understand the choice of a new geographical market, other factors may also affect this decision such as the structural one, this is the political and legal systems.

Regarding the political side, the more two countries have different political systems; the riskier and uncertain is the interpretation that a country has on the behavior of the host government (Dow and Amal Karunaratna 2006). Indeed, a firm may have a tendency to choose a country that has strong commercial political ties with the firm's home country. Those commercial ties can be due to political ties, such as a free-trade areas and aid programs, or historic colonial ties. In fact, the closer the political relationship between two countries, the shorter the psychic distance between them and thus the higher the probability of firms choosing those countries as markets for an internationalization strategy (Brewer 2007; Witter 2004). Additionally, a different currency may also be an obstacle as stated by Ghemawat & Siegel (2011) with the CAGE distance framework that pretends to analyze the factors a firm should considered for international strategies. Therefore, a company will be reticent to select a country political distinct.

A firm should also take into consideration the political risk of a given market. If a firm chooses a market with political instability, they will have a higher concern with the operations in that market, for example by increasing the level of information. Thus, for a firm who is risk adverse, it will be reticent into choosing such country as an international target. Indeed, the decision to invest in a certain country is only negatively influenced by political instability when those countries are culturally distant (Thunnell 1977).

In the same reasoning as similar political systems, firms will also prefer to invest in countries with same legal systems since it reduces the costs of gathering information and the likelihood of misinterpretations of the laws (Berry, Guillén, & Zhou, 2010; La Porta, Lopez de Silanes, Shleifer, & Vishny, 1998).

2.2.3 Language

Language is also a criterion for foreign market selection. For instance, when two countries have the same language, their communication is more clear and efficient (Tushman 1978; Ghemawat and Siegel 2011; Berry, Guillén, and Zhou 2010). Therefore the costs of communication are lower, and firms will have a preference to choose countries that share the same language (Welch, Welch, and Marschan-Piekkari 2001). Indeed, the lack of a common language may lead to misunderstanding and therefore be an inhibitor to an efficient flow of information (Brewer 2007).

2.3. Geographic distance

In some cases, a firm may choose a new market only according to their geographical proximity since that adjacency facilitates the business process. With regards to this, according to Beckerman, *"What is important (...) is to be "near" other countries - preferably important countries"*(Beckerman, 1956, p.37). The differences of times zones or climate due to the geographical longevity may lead a company to avoid choosing a specific country as their target (Ghemawat and Siegel 2011).

It seems obvious that a company who is going abroad has many disadvantages comparing to an indigenous firms since it has many obstacles to overcome. Nevertheless, some characteristics may help the company overcome those barriers and therefore facilitate the choice of a specific country as their internationalization target.

2.4 – Previous experiences

Previous experiences play an important role in overcoming the barriers we discussed in order to have a successful international strategy. Thus, we are going to explain how the role of experience and the role of network might be an important criterion for choosing a new geographical market.

2.4.1 – Role of experience

According to Johanson and Vahlne, the internationalization process is slow unless one of the 3 conditions is verified: *"the firm has very large resources and/or market conditions are stable and homogeneous, or the firm has much experience from other markets with similar conditions"* (Johanson & Vahlne, 1977, p.30). To put it another way, the process of internationalization will be more efficient in a country similar to one where the company has already experience. Therefore, the company will have a stimulus to select a range of new geographical markets resembling to each other. Basically, if a firm had a successful experience with country A, and a poor one in country B, it will be rational for this firm to choose country similar to A, and not B, for future internationalizations.

In fact, the lack of internationalization knowledge, due to the absence of experience, leads to a lack of both business and institutional knowledge, increasing consequently the internationalization 'costs (Eriksson et al. 1997). By the same token, experience will stimulate internationalization since the company is more confident and the perceived risk is smaller. Fletcher, Harris, and Richey, Jr. (2013) defined market entry international knowledge as the ability of a firm to choose the right market and establish an initial position there. The primary sources of this knowledge were the direct experiences of managers and internal experts and the indirect experiences of external advisors and consultants. To conclude, experience in a specific market allows a firm to have more knowledge about that market and therefore have a higher probability of choosing it as their new geographical market.

Moreover, the simple nature of a company may facilitate also its internationalization process. Firms that are knowledge intensive can expand quickly. Indeed, the progress of technology allowed to make the transfer of knowledge faster and less costly, allowing companies to overcome the barriers, discussed in the first chapter, more efficiently (Oviatt and McDougall 1994). Therefore, a company that can easily transfer their knowledge to subsidiaries may attribute less importance to the psychic distance barriers when choosing a new geographical market.

2.4.2 – Role of Networks

As defined by Cook & Emerson (1978, p.725), a network involves *"sets of two or more connected exchange relationships"*.

According to Johanson and Vahlne, the internationalization process model is gradual and influenced by the continuous relationship between different parties (Johanson and Vahlne 1992). Subsequently, these developed relationships allow the firms to expand their network and have more incentives to internationalization (Deo Sharma and Johanson 1987). In fact, the work of Coviello and Munro showed that by integrating the gradual internationalization model with the network perspective, it is possible for have a better understanding of the internationalization process of small firms. The choice of a foreign market is clearly influenced by early partners and resultant network relationship (Coviello and Munro 1997).

Even more, the choice of a new geographical market is more dependent of the existing network relationships of the firm than the culture of the market (Johanson and Mattsson 1988). Nonetheless, having a valuable network may not be sufficient to a successful internationalization. The knowledge needed for internationalization is highly firm specific in nature; thus to have a successful strategy, network should be led by some previous experience. Otherwise, although the network will be useful for the company to make the initial establishment in the foreign market; it will be insufficient for a long term success (Fletcher, Harris, and Richey, Jr. 2013).

Undoubtedly the factors stated before play a significant role in the firm's choice of a new geographical market. Nonetheless, such decision is only made after analyzing the economic viability of the chosen market; this is the demand of the host country and resources of the firm. Indeed, the lack of resources is one of the major barriers to internationalization (Johanson and Wiedersheim-Paul 1975).

2.5 The economic viability

The industry and economy of a country can be determinant in a company's decision of an internationalization target as well. As an example, *"The communication and business norms in a subsistence agrarian economy are likely to be dramatically different from those of a highly industrialized economy with a large service sector. These differences introduce extra costs and uncertainty into transactions, and thus are likely to influence market selection decisions"* (Dow & Karunaratna, 2006, p.582-583). This means that firms will have a tendency to choose markets with industry and economic levels similar to the firm's home country.

Moreover, the host country local demand may even mitigate the effect of cultural distance into the choice of the internationalization target (Bailey and Li 2015). It means that if the benefits from the host demand are strong enough to overcome the constraints impose by cultural distance; the firms will have interest in choosing that specific geographical market. However, a firm may not be interested in a specific market if it is a poor country where the customers don't have the ability to buy the product or service offered by the firm (Ghemawat and Siegel 2011). Actually, the size of the potential market is many times considered as the most important factor for deciding to go abroad (Johanson and Wiedersheim-Paul 1975). As Root (1964, p.11) said, *"The first activity phase of export planning then, is identifying and measuring market opportunity".*

3- Methodology

In this section we will explain the methodology use for this paper and the reasons behind it.

3.1- A qualitative method

First, we would like to justify the choice of a qualitative method for our research.

According to the *Strategic Management Journal*, it is beneficial for studies to use qualitative empirical methods in order to identify *"generalizable patterns concerning important questions in the field of strategic management"* (Bettis, Gambardella, Helfat, & Mitchell, 2015, p.637). We use in this paper a deductive qualitative research on prior work so we might investigate if the previous literature is verified in our case study.

3.2- A case study approach

Now we are going to justify why we use a case study approach.

In order to understand the choice of the case study method, it is important to remind our research question: how does a firm choose a new geographical market? 3 conditions must be verified so the case study approach is the preferred one as we may observe in the graph below: the form of research question, the require control of behavioral events and the focus on contemporary events.

Table 1 - Relevant Situations for Different Research Methods *(source: Yin, 2009, p.8)*

METHOD	**Form of Research Question**	**Requires Control of Behavioral Events?**	**Focuses on Contemporary Events?**
Experiment	How, why?	Yes	Yes
Survey	Who, what, where, how many, how much?	No	Yes
Archival Analysis	Who, what, where, how many, how much?	No	Yes/No
History	How, why?	No	No
Case Study	How, why?	No	Yes

According to Yin (2009), since the goal of this paper is to answer a *how* type of question, that is an explanatory one, it makes sense to use a case study approach. *"This is because such questions deal with operational links needing to be traced over time, rather than mere frequencies or incidence"* (Yin 2009, p.9). We want in our study to understand why A Poveira have chosen a specific criteria to select their new geographical market, and not just to know what are their internationalization targets. Therefore, a survey, experiment or archival analysis would not be sufficient to answer our research question.

Additionally, like the history method, the case study does not imply a control of behavioral events, contrary to the experiment. Nevertheless, it is more pertinent to apply the case study approach for our research question since we are studying a contemporary event. Therefore, we have direct observations and interviews of the persons involved in the events; such investigation will not be possible with a history since histories have a preference to deal exclusively *"with the "dead" past"* (Yin 2009, p.11). Nonetheless, histories may also deal with contemporary events and consequently overlap with the case study. The major difference is the variety of evidence a case study uses: documents, artifacts, interviews and observations.

We choose to use a single case study. Our goal is to check if the literature review is supported by the real case of a firm, A Poveira. Instead of analyzing a specific process of internationalization, we study the different criteria for choosing the multiples markets in the last 5 years. The reason for that it's to be able to analyze how the hierarchy of criteria might change according to the market being discussed. Since the company was born in 1938, it would not be possible to analyze all the internationalization choices. Therefore, we decided to focus on the last 5 years since it represents the period where the actual board of the team entered the company, as we explain in the case study section.

3.3 – Data collection

We use mostly a primary type of data. Nonetheless, we also use a secondary type of data, an interview of one firm's administrator for Jornal de Notícias in April 2014 and the company's website. Regarding the primary type of data, we had two different sources of information: interviews and direct observations. We use semi-structured interviews. This means that we had a list of questions we wanted to discuss with the interviewees, but then we asked the questions depending on the answer of the interviewee. Therefore, we could have a more flexible and fluent conversation and gather better information.

We conducted 4 interviews of approximately 1 hour each with 2 interviewees. Both of the interviewees are members of the Administration Council. The reason to choose these interviewees is that the Administration Council is responsible for selecting the markets for the internationalization strategies. Therefore, the members of the Council are the ones with more ability to provide information about the criteria used for such selection. Additionally, we interviewed two members separately in order to triangulate information and consequently gather valuable knowledge.

The observations were done with a tour guide across the factory with members of the Administration Council. The purpose of this visit was to gain trust of the informants, to have a deeper knowledge about the firm's operations and to gather more information through informal conversations.

Nonetheless, it was not possible to gather information about the timings of internationalization because the managers were not willing to provide that information. Consequently, we were not able to construct a timeline with the internationalization processes.

3.4 – Data Analysis

In order to make sense of the data collected, we use a coding approach. It means that we link pieces of data as representative of the same phenomenon. More specifically, we use an open-coding, where the codes appeared after collecting the data. Lets consider an example of this first interview to better understand: *"in India the products can't have cow because they are sacred for them"*. We consider this quote as cultural criteria for selecting a new market; therefore we label the code Culture for this text. Sometimes, a same quote may belong to 2 different labels. For example: "*The most flagrant case where politics affected our business was the invasion of Ukraine. Due to that event, we were forbidden to ship orders to Russia and we lose a valuable market"*. This quote was label both as political criteria because the invasion of Ukraine was a political decision, as well as legal criteria because as a consequence of the invasion, it became forbidden to ship product to Russia. In the table below we may observe a portion of the complete table that is presented in the appendix:

Table 2 – Coding *(source: Author with information from interviews)*

	Interview 1 (member 1 of the Administration Council)	**Interview 2 (member 1 of the Administration Council)**	**Interview 3 (member 2 of the Administration Council)**	**Interview 4 (member 2 of the Administration Council)**
Culture	"Certain countries have specific requirements".	"We have the Halal certificate because it is very important for us due to the size of	"Our product is easy to adapt to the needs of the market"	" We don't take into consideration the bureaucracy of a country since

		the Muslim market"		Portugal is highly bureaucratic so we are used to it"

In the table below, we may observe the use we took it from each source of evidence in order to complete our study, as we have previously discussed.

Table 3 - Data sources and use ***(source: adapted from Corley et al., 2004)***

Data Source	**Type of Data**	**Use in the Analysis**
Interviews	4 semi-structured interviews of approximately 1 hour duration each. Interviewees were members of the Administration Council of A Poveira. Also, a secondary interview from one of the Council's member to Jornal de Notícias on April 2014	Gather information about the criteria used by A Poveira to select new markets for internationalization strategies. Gather general information about the company
Observations	Tour guide to the company with members of the Tour Administration Council. Informal Conversations	Gain trust with informants; Deeper knowledge about the firm; Gather information about the research question

4- Case Study

In the case study section, we will introduce the company studied by presenting its history, the products and the figures. We will also explain their internationalization goals.

4.1 – The firm

4.1.1 History

A Poveira is a fish cannery founded in June, 16th 1938 in Póvoa de Varzim, Portugal. In 1945, the company joined Olfaixe, a company resulting from the synergies between the factories in Póvoa de Varzim and Vila do Conde. In 2003, A Poveira started to modernize the firm. In 2012, a new group of partners acquired 75% of the company and decided to make a big investment in order to respond to the firm's decline. In 2013, A Poveira builds a new factory at the Industrial Park of Laúndos, Póvoa the Varzim. With a capacity to produce annually approximately € 35 million worth in product, this new facility was a big improvement for the company. Actually, the new factory has the size to frozen 500 tons of product in order to meet on the biggest challenge of the industry, the lack of fish. Although the new factory is equipped with most advanced technology of the sector, it still uses the traditional manufacturing methods for the purpose of guarantee a high quality product.

4.1.2 – Products

As stated before, the goal of the company is to produce high quality products. The majority of the production is based on the following sea food: sardines, mackerels, tuna, roe, cod, octopus and other specialties. To the fish, the company adds a variety of ingredients, such as olive oil, onion, tomato, etc. Consequently the company has ample range of different products. Their main brands are Ala-Arriba, Alva, Bela, D'Henry IV, Galleon, Minerva and Taby.

4.1.3 - The figures

The graph below represents the high evolution of sales in the past 5 years. From € 4,5 million in 2012 to almost € 20 million in 2016, the increase is considerable. This is due to the investment done into the company in the recent years, specifically with the new manufacturing facilities. The reason behind such investment into the company was the acquisition of 75% of the firm by new investors. Those investors saw A Poveira as a great opportunity to scale and make it one of the biggest players in the canned fish sector. Therefore, they made a big investment and the returns are showed in the increase of sales. In 2012, they sold € 4,5 M, in 2013 € 8 M, in 2014 € 12 M, in 2015 € 19 M and in 2016 € 20 M.

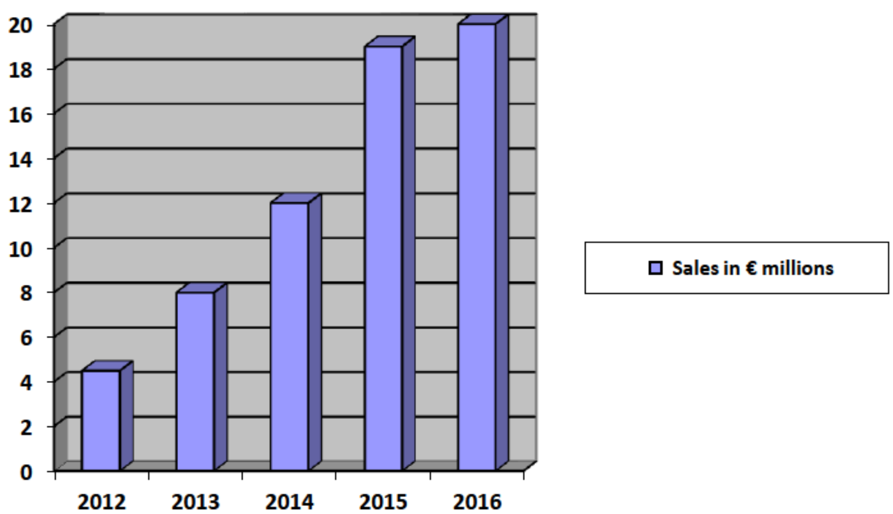

Figure 1 - Sales in the last 5 years (source: Author with information from interviews)

The figure below shows the sales distribution across nations in 2016. Portugal is the main source of revenues, with 67% of sales. The second biggest contributor is Austria with 10% of the sales, followed by USA and Switzerland both with 5%, Italy with 3% and Spain with 2%. As a matter of fact, this numbers are different from the common ones. Usually, Portugal only represents 50% of sales and USA has a higher percentage, around 10%. However, this year Austria had a surprising share in the sales distribution which explains the decrease of the USA.

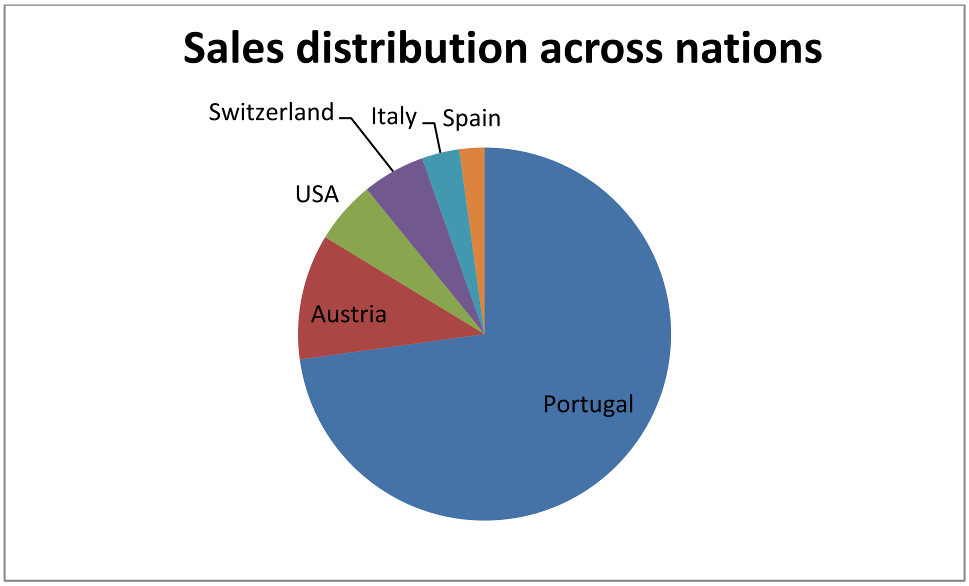

Figure 2 - Sales across nations in 2016 ***(source: Author with information from interviews)***

Additionally, the current number of employees is 180, in which 160 are workers in the manufacturing facility. The experience of workers in the production department is highly related to their efficiency. Due to our own personal observation and discussion with the managers, we realize that workers that work for many years have a higher pace in their job. Actually, the company can easily control it because, due to the technology used, they have access to the amount of word produce by each employee. Although they are not currently using a payment method that is proportional to the efficiency of each work, they are considering implementing because they already have the technology to quantify each employee's contribution. Today the amount of flexible salary to the production's workers is common to everyone. This means that they receive a bonus if the company as a hole meets the production goals of the year.

4.2 – The internationalization

Since its foundation that A Poveira exports its products abroad. However, in 2012, with the entrance of the new investors, it was given an even higher importance to the internationalization process of the firm. Nowadays, exports represent 50 % of the sales, although 2016 was an exception as explained previously. The Portuguese market is almost saturated, so the goal of the company is to have 80% of the sales coming from internationalizations.

Nevertheless, it was not possible for us to obtain data about the timings of the internationalization. The managers were not able to provide that information because they didn't have that information. Consequently, we weren't able to construct a timeline with the different stages of the internationalization processes of the firm.

5- Findings

In this section we pretend to compare the information gather from the data collection with the literature review in order to understand which theories are supported or not with our case study.

5.1 – The decision making process of the firm

First of all, the managers recognize that is impossible to have perfect information before making a decision. However, they try to gather all the information available that is useful for them to make the best rational decision. As interviewee 1 said: *"It is not possible to have all the information needed for making a decision. Our job is to try to collect the most we can"*. As we are going to discuss in detail then, they gather information about the multiple criteria they considered important to choose a new geographical market for an internationalization strategy. Interviewee 2 explained us that they *"take into consideration all the criteria we have been discussed before"*. Therefore, the classic approach defended by Simon where we have access to perfect information and may easily compute the numerical value of each alternative; it is not verified in real life according to A Poveira.

When A Poveira is choosing a new geographical market, they have as an objective to growth the company through the increase of international presence. As stated by Antonio Cunha in his interview for Jornal de Notícias in April 2014, *"50% of our sales are in the international markets, however our goal is to increase and reach 80%"*. Therefore, they take into account the cost of overcoming the different barriers to the entrance on each specific market they are interested in. In the next section, we will discuss these costs in detail. A Poveira also evaluates if the market is economically appealing, that is if there is demand for the product and what kind of product does the market prefer. For example, some markets prefer high quality canned fish as other prefer low quality such Morocco or the Philippines. Since A Poveira sells a high quality product, they are not interested in the Morocco or Philippines market. As stated by the interviewee 1, *"They are countries with a canned industry with low quality but that have* *success (...) Thus we are not going to be able to compete in price, the quality doesn't matter for them (...) Consequently we have no interest in those markets"*. Another information that A Poveira searches is data about the players already present in each market. For example, some market may be considered not feasible, because the canned fish industry is already saturated. Considering the same example as before, Morocco and the Philippines have already a well-established low quality canned fish industry, as interviewee 1 said *"the canned industry is already very powerful"*. The company always weights those 3 components to select between the alternatives the one that better fulfills the specified objectives.

Thus, we may conclude that March and Cyert 4 step approach is respected by A Poveira. Step 1 refers to the goal of the company to increase their international presence. Step 2 is the costs related to going abroad. Step 3 refers to the evaluation of the demand in the host country. Finally, step 4 is the collection of data about the competitors in the foreign market.

A Poveira has 3 layers of decision. The lowest layer is composed by 2 departments: production and sales. They are autonomous in their work, however in the top layer, the executive committee is responsible for coordinate those two departments. This committee is responsible to follow the daily business of the company in order to guarantee that the objectives are attained. Finally, the top layer is the administrative council, responsible for setting the goals of the company and making all the strategic decisions. All this information was provided by interviewee 1, *"We have 3 layers of decision. We have the production and sales departments in the lower layer. They have some autonomy between them to work. Above, you have the executive committee that follows daily the business and integrate the work of the production and sales department. On top, you have the administrative council who is responsible for making the strategic decisions, the approval of funding, etc."* The information that the decision of a new market is done by the administration council and then, the executive committee makes the decisions needed to fulfill the orders of the clients chosen by the council is also defended by interviewee 2, *"the administration council is responsible for all the strategic decisions and the executive committee makes sure we complete the objectives"*.

Therefore, the idea defended by Frisch that the real power of decision making belong to the executive committee although in theory is the administration council that has this power, is somehow rejected. Indeed, the administration council is the real responsible for the long term strategic decisions and the executive committee then makes all the decisions needed to make sure that the objectives set by the administration council are completed. Basically, both have decision making power but the power of the executive committee is dependent on the decisions made by the administration council and the other way around it is not true.

Now that we have analyzed the theories of decision making process with the case of A Poveira, we will do the same regarding the criteria for selecting a new geographical market for an internationalization strategy. This section is where we have found the most information and the most interesting results. We were able to conclude that some theories are not verified and some of them cannot be completely separated. We are now going to discuss it in detail.

5.2- Factors affecting the choice of a new geographical market

5.2.1- Cultural distance

Cultural distance is an important obstacle for choosing a new geographical market for A Poveira. However, A Poveira considers that it is an obstacle that can be efficiently overcome, either by the acquisition of certification, by the adaptation of the product or by the strategic use of partnerships.

According to interviewee 1, *"For Muslims, you need the Halal Certificate that insures your product didn't have any contact with pork or by-products of pork"*. With this example, we may observe that culture is a barrier for choosing a market. It is impossible to sell in the Muslim market without the Halal Certificate and this certificate costs almost 100 thousand euros. Therefore, as stated by the interviewee 1, *"it is a heavy barrier"*. Nonetheless, once the investment in the certificate is done, A Poveira may effectively explore the Muslim market. In addition to this certificate, A Poveira also acquired the Kosher certificate in order to explore the Jewish market and the MSC certificate that guarantees the firm supports responsible fishery to explore the market sensitives to the fishery issue, like the USA, UK or Austria. As said by the interviewee 1 *"In Austria, you don't sell a single can if you don't have MGC"*. Besides the cost of those certificates, the company is capable of obtaining them and thus works around the cultural barrier.

In addition to the acquisition of certificates, the company sometimes has to adapt their product to the culture of the market. However, the product is easy to adapt and be adjusted to the tastes of the market so the barrier is easily overcome. As explained by the interviewee 2, *"Our product is easy to adapt to the needs of the market. For example, in Europe it is very common to ask rounded shaped cans. So we bought the machinery necessary to produce rounded canned fish. It was a high cost, almost 90 thousand euros, but it was a one-time cost. Now we have the ability to produce as many rounded canned fish as we want".* Another example of how the firms shape their product according to the culture of the market is given by the interviewee 1 *"For example, in Colombia they don't care about sardine but like horse mackerel. The sardine price was high and the horse mackerel accessible, lets try it. Horse mackerel with onion sauce, Colombia, success. We were the ones adapting to local culture."* Regarding the use of partnerships to overcome cultural barriers, we will develop it later.

Thus, in general, cultural distance is an obstacle for internationalization as discussed in the literature review, although it can be overcome.

Nowadays, the company knows that certain countries have different behaviors and therefore A Poveira must expect different business relationships. Some cultures have a more confusing way of communicating leading to a higher amount of communication needed and therefore a cost in time for the company. Consequently, A Poveira shows preference to explore markets in which they may have a more competent communication. The perfect example is the comparison between the African and South American markets and the North Europe explained by the interviewee 2: *"In some countries, like Colombia or Angola, the way of doing business is very different from North Europe. In North Europe, we receive a purchase order in the beginning with everything detailed: quantities, type of product, price, delivery date, etc. With Colombia or Angola, to have the same information we need to have numerous conversations and exchange of e-mails. So it is more time consuming. We prefer to work with North Europe in that aspect because it is more clear and efficient".*

As has been mentioned in the literature review, the cultural distance might induce to some misunderstandings and therefore there is a need of a higher control. In fact, we may conclude that A Poveira agrees with that statement.

Portugal is one of the countries with a higher score in the uncertainty avoidance index by Hofstede, thus the company is used to a complex set of rules when doing business, a way of defending themselves to the fear of ambiguity by the Portuguese culture. Interviewee 2 summarizes the situation: *"We don't take into consideration the bureaucracy of a country since Portugal is highly bureaucratic so we are used to it"*.

Thus, the tendency, discussed in the literature review, that a company has a preference for choosing markets with low levels of uncertainty avoidance is rejected. The fact that this topic doesn't have any importance for the firm is justified by the company's nationality.

Additionally, we also try to gather information about the preference of choosing high trust societies as target for internationalizations strategies which we are going to develop in the discussion of previous experiences.

To conclude, although culture might be a barrier, it is hardly a reason for not choosing a market as a new target to an internationalization strategy. The only cultural obstacle that is strong enough to eliminate a market as a candidate to an internationalization is if the consumers don't like fish, as mentioned by interviewee 1, *"It' hard for a cultural barrier to make a market inviable. The only one I can imagine is a culture where they don't like any type of fish"*. Thus, the idea defended by Davidson and Dow & Ferencikova that culture distance means fewer foreign direct investment is rejected by A Poveira due to their ability to overcome the cultural obstacles.

Although cultural barriers are not sufficient to discard a market as a target for internationalization, the legal and political systems might be.

5.2.2 – The political and legal systems

We were not able to identify any clear situation where a different political system from a country might affect the decision of choosing a new geographical market as Interviewee 2 told us: *"We don't have any situation where we take into consideration if a country shares or not with us the same political system when making that decision".* Thus the idea defended by Dow & Karunaratna that the divergence in political system might be an obstacle to select a certain country as a new market was rejected by A Poveira.

Nevertheless, political instability may affect the choice of a new geographical market by having as a consequence the impossibility of doing more business with that country. Interviewee 2 explained how this situation affected the company recently: "*The most flagrant case where politics affected our business was the invasion of Ukraine. Due to that event, we were forbidden to ship orders to Russia and we lost a valuable market".* In this case, the political decision of Russia led to a legal measure that forbidden A Poveira to internationalize to Russia. However, the fact that Russia was no longer a target for A Poveira was post the event of the new law. This is to say that, the fact that Russia was politically instable, before the invasion of Ukraine, was not sufficient for A Poveira to take a step back and avoid accepting deals with the Russian market.

Since Portugal and Russia are culturally different, the idea defended by Thunnell that political instabilitility affects the choice of a new geographic market when the two cultures are distant is not proven with that situation because A Poveira still wanted to go to Russia and only steped backed when they were forbidden.

Nonetheless, the interviewee 1 defended that political instability is also a criterion for market selection although it is not sufficient to turn a market undesirable: *"When countries are in a political position unstable, we consider it as a disadvantage and it has a weight in the final decision of choosing a market. However, we don't have any situation where we discard a market due to that reason".* Thus, after all, the manager agrees with the theory presented by Thunnell.

With regards to the legal systems, A Poveira has an interesting and actual case, that appeared all over the newspapers, where there was a misinterpretation of the law in an international deal with Austria. Interviewee 2 explained us what the problem was: "*There is an Austrian player that produces a brand, Jamis. It produced in Portugal, in Pinhais Factory. They had a business relationship for a long time, so Pinhais asked the rights to develop the brand in*

Portugal. However, there were some trouble between them, so the Austrian company came to us to make an order to sell in Austria. When we were going to ship the order, ASAE came in and seized the product. The reason was that we didn't have the right to produce Jamis because that right belongs to Pinhais. However, we were not producing to selll in Portuguese market but in the Austrian one".

However, here the problem is not that the law is different between Austria and Portugal which led to that misunderstanding. The interviewees couldn't specified any case where that happened. If that was the problem, the theory of Berry, Guillén & Zhoun, La Porta, Lopez de Silane, Shleifer & Vishny was clear with that example. Nonetheless, the problem of that situation is that the law, both in Portugal and in Austria, is not clear enough about that specific situation. It is not the difference of laws that led to the misunderstanding, instead it was the vagueness of the law that created that problem. Nowadays, the situation is still in court and we will have to wait to see who is right besides the confidence of A Poveira that they have done nothing illegal.

Also related with Austria, A Poveira had an opportunity to consolidate its presence in the Austrian market, a market very attractive for them. However, the currency was not favorable for A Poveira to make a deal, as Interviewee 1 said *"At that time, the conversion ratio between Euro and Swiss Francs didn't allow us to accept the order"*. Only when the currency became favorable, they decided to accept the deal with the Austrian player. Additionally, A Poveira is nowadays very interested into investing more in the USA market since *"with the strong dollar, the USA are an attractive market because they have more power to import"*.

Therefore, the idea defended by Ghemawat & Siegel that currency may affect the decision of a new geographical market is validated by A Poveira.

To conclude, neither differences in political systems and legal systems have a heavy importance in the choice of a new geographical market. The company knows that problems may arise from such differences but there are not sufficient to decide if a market is chosen or not as a new internationalization target. Nevertheless, currency may play a decisive role in the verdict of exporting to a specific market as illustrated by the Austrian and USA example.

The third factor we consider in the literature as being part of the psychic distance and therefore affecting the choice of a new geographical market is the language.

5.2.3 – The language

Indeed, language is not critical for choosing a new foreign market. This is due to the fact that communication in the canned industry *"is relatively simple and everyone speaks English"* as interviewee 2 clarified.

Therefore, we were not able to test the hypothesis of brewer about the occurrence of misunderstanding due to the lack of a common language since A Poveira has a shared language with all of their clients, the English. , contrary to the thoughts of Welch & Marschan-Piekkari.

Now that you have analyzed the effect of psychic distance in the choice of a new geographical market, we want to do the same reasoning with the other factors that might affect that choice, such as the geographic distance.

5.2.4 – The geographic distance

Actually, the geographic distance is not a criterion for market selection in the case of A Poveira. In fact, interviewee 2 explained us how the type of product sold by the firm justifies the low importance of geographic distance for their business: *"Since we produce canned food, we have a very mobile product that can easily be transported from one place to another. Indeed, when the product is kept in the can long enough, the flavor improves"*. Additionally, the transportation costs associated with doing business with market that are geographically distant don't affect A Poveira since it is *"easy to transport and we don't pay the transportation, it is the client"*.

The idea, defended by Beckerman and Ghemawat & Siegel, that firms tend to choose physically close markets for their internationalization strategy is rejected due to the nature of the product sold by A Poveira.

The following discussion is associated with the role of experience and networks in the decision of a new geographical market.

5.2.5 – Role of experience

When doing the interviews, both of the interviewees couldn't find an example of A Poveira choosing a market because it was similar to one where they have already been. They told us it was common to reinforce a position in certain markets, after an initial approach, due to the gain of knowledge about the functioning of a market. However, this happens in all internationalizations and they couldn't specify one situation where that was clearly shown. Interviewee 2 explained us that thought: *"When we start to penetrate a specific market, along the time we obtain more knowledge about the market and are more able to increase our presence in the market"*.

Thus, the literature review is confirmed since there are benefits of having experience in a market in order to have a deeper knowledge and thus a successful internationalization. To put it in a nutshell, A Poveira might has a tendency to choose a market where they have already been since they have more knowledge about the functioning of that market. .

Nonetheless, the opposite reasoning is also true. Their negatives experience with the African markets in the past made them reluctant into developing business relationships with that market. Interviewee 1 summarized us the situation: *"We had some bad experiences in Africa. Nowadays, when an Angolan client makes a big purchase order, we prefer to not accept because we already know that there is a high risk due to previous experience (...) If it is a small order, there is no big difference, you accepted and tested, you test and learn. In Mozambique, it happened and today we have some presence there"*.

This means that experience may play an important role in the decision of selecting a market as an internationalization's objective.

5.2.6 - Role of network

The first step made by A Poveira when they are wondering if they should approach a certain market, is to make sure they have the right partner to penetrate the market. Therefore, the existence of a suitable partner is by itself a condition that must be verified for a market to be chosen. As interviewee 2 assumed *"Partnerships are crucial for our internationalization strategy. We always need to identify a partner to help us explore the brand abroad"*.

In the literature review section, we have concluded that network is an incentive for internationalization because finding early partners is crucial for the choice of a market. Indeed, both managers agreed with the importance of finding the right partner for choosing a market.

Interviewee 1 reinforces the importance of network by ranking it as more important than the cultural obstacles: *"The right partner is more important than a cultural barrier because the barrier we can overcome, but without the partner we cannot approach the market"*.

Consequently the manager shares the idea defended by Johanson & Mattsson that the role of networks is more important than the culture of the market.

The interviewee 2 also explains why the choice of entry mode is an advantage for their internationalization success, *"due to our partnership approach to enter a new market, I think we don't have many disadvantages comparing to the local firms. Our partners are usually local partners or partners that have a deep knowledge about that market"*.

Indeed, the idea of Oviatt & McDougall that an indigenous firm has a location advantage over a foreign company due to the cultural distance is therefore rejected by the managers of A Poveira.

Additionally, the role of networks might be related with the acquisition of certificates due to cultural constraints discussed previously. Interviewee 1 explained us in which case that situation happened: *"The Kosher has a high demand in the USA since there is a big Jewish community (...) Our partner in the USA is Jewish, so he saw an interest into exploring that market"* This means that the network had a clearly influence on A Poveira acquiring the certificate that allows them to sell for the Jewish market.

Last but not least, the economic viability plays a decisive role into the decision of a new geographical market.

5.2.7 – Economic viability

Undoubtedly, the economic attractiveness of a market is crucial for the decision of electing a new target. Interviewee 1 stated that the economic dimension is the top of the rank of the multiple criteria considered for choosing a market *"The first thing we take into consideration is the economic constraints. We have 2 types. The first, if there is a strong industry of canned food (...) The second economic constraint is the barriers at entrance. You have the common customs tariff and duty rates, and in some cases even prohibition"*.

As a consequence, the manager validates the idea defended by Root that the first step is to verify if the markets are economic appealing or not.

In fact, for A Poveira, the most important is to have a demand for canned food and then they just need to adapt their product to the taste of the market. Interviewee 1 defended that idea that if there is demand, A Poveira will sell: *"When you have some canning industry tradition, it is much easier to adapt to their taste. For example, in Poland they ask us something terrible, mackerels with white sauce. I couldn't even try it"*.

We concluded that the constraints of culture distance are not strong enough to eliminate a market as possible candidate for an internationalization strategy. One of the main reasons for that is exactly the fact that the host country demand is much more powerful than the cultural barriers as we have already quote from Interviewee 1. To summarize, a country that is economic appealing and culturally challenging, might be a viable option for an internationalization strategy, as the opposite it is not true. Thus, Bailey & Li claim that a strong demand may mitigate the constraints of culture distance is true for A Poveira.

As has been noted, the 2 types of economic constraints that make a market undesirable are the canned industry of the country and the economic barriers at entrance. The first means that A Poveira is only interested in markets where people like canned food, there is demand for a high quality product and the market is not saturated. *"We evaluate the existing competition and the demand of the market"* said interviewee 2. The second point makes allusion to the tariffs you have to pay to export the product. Those tariffs depend on the market and may have the power to make a market undesirable. Interviewee 1 gives us an example: *"Brazil has a common custom* *tariff so high that makes that market unfeasible. We are not in Brazil, it is not economically viable. I mean, imagine I produce a can at 1€, with shipping it arrives there at 1,5€, it gets a tariff and goes to 3,5€ and finally, the retail chain sells it at 7€ to make a profit. Who is going to buy a sardine can at 7€? It is not possible".*

Thus, A Poveira agrees with Ghemawat & Siegel statement that a market with no demand will not obviously interest the firm as we may conclude from the previous paragraph.

Finally, the managers defended that they don't care if the canned industry is the dominant industry in the country or which one is. According to interviewee 2, *"We don't look at the dominant industry of the host country; we just care if the canned industry is attractive enough".*

This means that the conclusion of Dow & Karunaratna that a firm will have a tendency to select markets with industry and economic levels similar to the firm's home country was rejected by the interviewees.

We may conclude from the findings that not all the theories of literature review are empirically verified by A Poveira. Some factors have more importance that others when choosing a new geographical market and often cannot be separated among each other. In order to have a clear overview about the different criteria from the literature review that we analyzed with this case study, we present a table that summarizes that information.

Table 3 - Summary of findings ***(source: Author with information from interviews)***

Factors		**True (✔) or false (×)**
Psychic distance – culture	Barrier to internationalization	✔
	Choose market with low level of uncertainty avoidance	×
	Culture distance means fewer FDI	×
Psychic distance – political and legal	Select countries with same political systems	×
	Political instabilitility affects the choice of a new	✔

	geographic market when the two cultures are distant	
	Firms prefer to invest in countries with same legal systems	×
	Currency may affect the decision of a new geographical market	✔
Psychic distance – language	Language is critical for choosing a new foreign market.	×
	Lack of common language leads to misunderstandings	**?**
Geographic distance	Geographic distance is a criterion for market selection	×
Role of experience	Experience play an important role in the decision of selecting a market	✔
Role of network	Network is an incentive for internationalization	✔
	Role of networks is more important than the culture of the market	✔
Economic viability	The first step is to verify if the markets are economic appealing	✔
	Strong demand may mitigate the constraints of culture distance	✔
	firm will have a tendency to select markets with industry	×

	and economic levels similar to the firm's home country	

Conclusion

The goal of this paper was to discuss how a firm chooses a new geographical market. We conducted a qualitative study, using the method of a case study to answer the research question. The reason for that was that we wanted to test the theories, discussed in the literature review section, in the real case of a company.

The company chosen was A Poveira, a Portuguese fish cannery. A Poveira exists and has international presence since its creation in 1938. However, in the last 5 years, with the acquisition of the company by new investors, their goal has been to reinforce their internationalization strategy. Therefore, we conducted semi-structured interviews, direct observation and secondary type of data in order to obtain most information possible about the criteria used by A Poveira to select their new geographical markets.

With the findings section, we were able to conclude that A Poveira uses a multiple-criterion in their decision making process for selecting their target market. By comparing the data obtained with the theories discussed in the literature review, it was possible to conclude that some internationalization theories were verified in the case of A Poveira, while others were not.

For instance, the language and geographic distance are not perceived as influencers in the decision of choosing a new market according to A Poveira's managers. On the other hand, culture is alleged as a contributor factor to the decision. Although cultural distance is a heavy and costly barrier, the company is able to overcome that problem through the acquisition of certificates, by the adaptation of their product or by the strategic use of partnerships.

Regarding the political and legal system, it was hard to find examples where A Poveira has been affected by the events discussed in the literature. Nevertheless, we conclude that political and legal systems may affect the decision of selecting a new market.

Despite the influence of culture and political and legal system into the decision, the role of experience, the network and the economic viability of the factors appeared as the most critical factors influencing that decision. In one hand, A Poveira being in a specific knowledge gains knowledge about that market throughout time and thus is more able to reinforce their presence there. In the other hand, a negative experience in certain may turn the company reluctant to enter that market or similar ones in the futures.

The network is obligatory for A Poveira to select a market. Their internationalization strategy is dependent on the identification of the right partner to help develop their brand in the host country. The other condition that also needs to be verified in order for a market to be selected is the economic attractiveness of that last one. A Poveira always takes into consideration the existing competition, the type of demand and the economic barriers at entrance to decide if a market is economic appealing or not. Just then, they decide to evaluate the other criteria discussed.

Last but not least, we observe that the different criteria are many times related and, although their rank of importance seems well define; it may vary according to each specific situation.

Appendices

Table 4 - Codings ***(source: Author with information from interviews)***

	Interview 1 (member 1 of the Administration Council)	**Interview 2 (member 1 of the Administration Council)**	**Interview 3 (member 2 of the Administration Council)**	**Interview 4 (member 2 of the Administration Council)**
Culture	"Certain countries have specific requirements". " For example, in India the products can't have cow because they are sacred for them" " You need to certificate that your product didn't have any contact with cows" "However, India is like Brazil, the high tariffs doesn't make the market worth it" " For the Jewish, you need the Kosher Certificate" " For Muslims, you need the Halal Certificate that insures your product didn't have any contact with pork or by-products of pork" "Those certificates are expensive" "The Halal Certificate costs almost 100 thousand euros" "Therefore it is a heavy barrier" " The Kosher has a high demand in the	"We have the Halal certificate because it is very important for us due to the size of the Muslim market" "It is not possible to reach that market without the certificate" " In order to have the certificate, little changes were made in the production process because we already fulfilled the requirements" "It's hard for a cultural barrier to make a market inviable. The only one I can imagine is a culture where they don't like any type of fish" "It is sufficient for us to have a culture that like a certain type of fish because we adapt to their	"Our product is easy to adapt to the needs of the market" "For example, in Europe it is very common to ask rounded shaped cans. So we bought the machinery necessary to produce rounded canned fish. It was a high cost, almost 90 thousand euros, but it was a one-time cost" "Now we have the ability to produce as many rounded canned fish as we want" "When we are communicating with a culturally different country, we would like to have a higher control of operations. Unfortunately, it is not the case. Some countries, like south America or Africa, we would like to increase the communication to control better the	"We had a recent case that appeared in the newspapers. " "There is an Austrian player that produces a brand, Jamis. It produced in Portugal, in Pinhais factory. They had a business relationship for a long time, so Pinhais asked the rights develop the brand in Portugal. However, there was some trouble between them, so the Austrian company came to us to make an order to sell in Austria. When we were going to ship the order, ASAE came in and seized the product. The reason was that we didn't have the right to produce for Jamis because that right belongs to Pinhais.

	USA since there is a big Jewish community" "Our partner in the USA is Jewish, so he saw an interest into exploring that market" " Nowadays, the world has great sensitivity to the fishery issue; if it is made responsibly or not; if it is line or trawl fishery" " There are countries, such as the UK, who are ultra-conservative in that issue. So we need to guarantee that our product comes from responsible fishery" "There is the MSC certificate. This certificate doesn't depend only on us" "The Portuguese government needs to take the necessary measures to insure that there is responsible fishery so they obtain the certificate" "Then, each producer needs to fulfill certain requirements and there are biannual audits to guarantee we are respecting the requirements" "That certificate is very powerful" "In	needs" "If they like sardine, we sell sardine"	operations. However, we cannot do it because we won't be answered. They have a way of operating and we can just adapt to the way they work and hope for the best" " the return of extra-communication is zero" "We know how the different countries operate so we can easily adapt" "We go with the flow" "However, it is true that the more advanced a country is, the more efficient is the business relationship" "Currently, language is not a problem for us. The communication in our industry is relatively simple and everyone speaks English, so we don't take into consideration language for market selection"	However, we were not producing to sell in the Portuguese market but in the Austrian one. So we didn't break any rule. We showed ASAE the purchasing order as well the evidence of the brand ownership. The problem is now in the court but we are convinced that we are going to win because with have the proof that we were not producing for Portugal. This is a clear example of a misunderstanding between us and a foreign country. However, I don't think this example is due to cultural difference but instead is due to the ambiguity of the law, both in Austria and in Portugal" "In some countries, like Colombia or Angola, the way of doing business is very different from North Europe. In North Europe we receive a

	the USA it has impact, in the UK it has major impact, in Central Europe also, like Switzerland, Germany, Austria" "In Austria, you don't sell a single can if you don't have MGC, the retail chains don't allow". "It is a dangerous certificate because it doesn't depend only on us, but also on the government, the IPMA in this case, the sea ministry " " 4 years ago, Portugal lost that certificate for a few months and we suffer" "We adapt to the market" " For example, in Colombia they don't care about sardine but like horse mackerel. The sardine price was high and the horse mackerel accessible, lets try it. Horse mackerel with onion sauce, Colombia, success!" "We were the ones adapting to local culture" "However, it is obvious if we have a country that doesn't like fish, neither canned food, it will be			purchase order in the beginning with everything detailed, quantities, type of product, price, delivery date, etc. With Colombia or Angola, to have the same information we need to have numerous conversations and exchange of e-mails. So it is more time consuming. We prefer to work with Nort Europe in that aspect because it is more clear and efficient" " We don't take into consideration the bureaucracy of a country since Portugal is highly bureaucratic so we are used to it"

	much harder to convert the consumer" " But, when you have some canning industry tradition, it is much easier to adapt to their taste" " For example, in Poland they ask us something terrible, mackerels with white sauce. I couldn't even try it". “Another thing on trend is healthy and biological food".			
Political	"For example, we cannot send products to Russia. Two years ago, we were preparing a big truck to send to Russia but, due to the invasion of Ukraine, we were forbidden to send product to Russia which create a loss for us "Brazil has a common custom tariff so high that makes that market unfeasible"	"Now, with the strong dollar, the USA are an attractive market because they have more power to import" “When countries are in a political position unstable, we consider it as a disadvantage and it has a weight in the final decision of choosing a market. However, we don’t have any situation where we discard a market due to that reason”	"We had a case with an Austrian client. They ask us to buy our product at x Swiss francs. At that time, the conversion ratio between Euro and Swiss francs, didn't allowed us to accept the order. However, the Swiss franc has appreciated and then we could fulfill the order" “We don’t have any situation where we take into consideration if a country shares or not with us the same political system when making that decision”	"The most flagrant case where politics affected our business was the invasion of Ukraine. Due to that event, we were forbidden to ship orders to Russia and we lost a valuable market"
Economic	"The first thing we take into	“ We don’t look at the	"We need to know if the market we	“The first criterion for

	consideration is the economic constraints. We have 2 types. The first, if there is a strong industry of canned food, like Morocco or the Philippines. They are countries with a canned industry with low quality but that have success. They are not countries that search quality. Thus, we are not going to be able to compete in price, the quality doesn't matter for them and the canned industry is already very powerful. Consequently, we have no interest in those markets. "The second economic constraint is the barriers at entrance" "The second economic constraint is the barriers at entrance". “You have the common customs tariff and duty rates, and in some cases even prohibition". "For example, we cannot send products to Russia. Two years ago, we were preparing a big truck to send to	dominant industry of the host country; we just care if the canned industry is attractive enough”	are considering to choose as a tradition of eating canned food, otherwise we won't be able to sell our product" "Then we adapt our product to the client's taste"	choosing a country as a possible target is the economic attractiveness. Then, we evaluate the other criteria” “We evaluate the existing competition and the demand of the market”

	Russia but, due to the invasion of Ukraine, we were forbidden to send product to Russia which create a loss for us" "Brazil has a common custom tariff so high that makes that market unfeasible" "We are not in Brazil, it is not economically viable" " I mean, imagine I produce a can at 1€, with shipping it arrives there at 1,5€, it gets a tariff and goes to 3,5€ and finally, the retail chain sells it at 7€ to make a profit. Who is going to buy a sardine can at 7€? It is not possible" "However, India is like Brazil, the high tariffs doesn't make the market worth it"			
Legal	"The second economic constraint is the barriers at entrance". "You have the common customs tariff and duty rates, and in some cases even prohibition". "For example, we cannot send products to Russia. Two years ago, we were preparing a big truck to send to			"We had a recent case that appeared in the newspapers. There is an Austrian player that produces a brand, Jamis. It produced in Portugal, in Pinhais factory. They had a business relationship for a long time, so Pinhais asked the

	Russia but, due to the invasion of Ukraine, we were forbidden to send product to Russia which create a loss for us" "Brazil has a common custom tariff so high that makes that market unfeasible" "We are not in Brazil, it is not economically viable" " I mean, imagine I produce a can at 1€, with shipping it arrives there at 1,5€, it gets a tariff and goes to 3,5€ and finally, the retail chain sells it at 7€ to make a profit. Who is going to buy a sardine can at 7€? It is not possible" "However, India is like Brazil, the high tariffs doesn't make the market worth it"			rights to develop the brand in Portugal. However, there were some trouble between them, so the Austrian company came to us to make an order to sell in Austria. When we were going to ship the order, ASAE came in and seized the product. The reason was that we didn't have the right to produce for Jamis because that right belongs to Pinhais. However, we were not producing to sell in the Portuguese market but in the Austrian one. So we didn't break any rule. We showed ASAE the purchasing order as well the evidence of the brand ownership. The problem is now in the court but we are convinced that we are going to win because with have the proof that we were not producing for Portugal. This is a clear example of

				a misunderstanding between us and a foreign country. However, I don't think this example is due to cultural difference but instead is due to the ambiguity of the law, both in Austria and in Portugal."
Network	"Among the yellow countries, we decided the markets we will select and the demarche we will take in order to find a partner to help us develop the brand there." "The partner might be an agent or we might find a direct contact with a retail chain" " The gourmet products goes more via agent while the mainstream goes more via distributor, retail chain". "The difference is that a distributor buys it its own name and then put the product in its chain. An agent only serves as an intermediary; it means that they don't have stock risk. With a distributor I don't	"The right partner is more important than a cultural barrier because the barrier we can overcome, but without the partner we cannot approach the market"	"Partnerships are crucial for our internationalization strategy. We always need to identify a partner to help us explore the brand abroad"	"Due to our partnership approach to enter a new market, I think we don't have many disadvantages comparing to the local firms. Our partners are usually local partners or partners that have a deep knowledge about that market"

	have credit risk, with the agent I have" " The Kosher has a high demand in the USA since there is a big Jewish community" "Our partner in the USA is Jewish, so he saw an interest into exploring that market" " Having a partner is crucial for a successful internationalization strategy" " For example, lets look at the Germany example. We don't have on our team people who speak Germany, it represents a different culture from us. However, due to the right partner, we were able to penetrate the market"			
Experience	"We had some bad experiences in Africa. Nowadays, when an Angolan client makes a big purchase order, we prefer to not accept because we already know that there is a high risk due to previous experience". "So, yes, there is the conditioning of previous experience" “If it is a small order, there is no big		“When we start to penetrate a specific market, along the time we obtain more knowledge about the market and are more able to increase our presence in the market”.	

	difference, you accepted and tested, you test and learn. In Mozambique, it happened and today we have some presence there" "Angola is a blatant case"			
Geographic distance	"When we are looking at a market, geography does not count"		"Geography it is not important for us" "Since we produce canned food, we have a very mobile product that can easily be transported from one place to another" "Indeed, when the product is kept in the can long enough, the flavor improves" "Easy to transport, and we don't pay the transportation, it is the client"	
Decision making process	" First bottom up and second top down" " We have a world map projected with in green the countries where we already are, in red those where it is not worth to think about and in yellow those we have interest in going there". “Among the yellow countries, we decided the		"The Administration council is responsible for all the strategic decisions and the Executive committee makes sure we complete the objectives"	"The Administration council is responsible for choosing the market where we want to go" "To do it, we look at the world map and exclude both the markets where we already are there and the market where we don't want to go” “Then, we decide between the

	markets we will select and the *demarche* we will take in order to find a partner to help us develop the brand there." "Then we search for contacts". "The partner might be an agent or we might find a direct contact with a retail chain" “It is not possible to have all the information needed for making a decision. Our job is to try to collect the most we can” “We have 3 layers of decision. We have the production and sales departments in the lower layer. They have some autonomy between them to work. Above, you have the executive committee that follows daily the business and integrate the work of the production and sales department. On top, you have the administrative council who is responsible for making the strategic decisions, the approval of funding, etc."			remaining markets, the ones that are better for us. To do that selection, we take into consideration all the criteria we have been discussed before"
Company general	"This year Portugal has a higher share	“I agree that we don't have	"The fact that our sales increased	"Nowadays, the

information	in sales than usual with 67%. Typically it is around 50%. Austria 10%, USA 5%, Switzerland 5%, Italy 3% and Spain 2%, these are our biggest markets this year". "This was a bad year for USA, who usually represents 10 % of sales. This is due to this year fishery. There are strategic issues behind it." "In 2015, the price of sardine increased a lot so we needed to turn to the tuna. And with tuna, the national market is much more important that the international because Portugal is a big consumer of tuna. However, the EBITDA margin of the company is completely crushed, even more because the tuna price is also more expensive. Now, sardine price is getting better" "A Poveira always prefers quality over quantity." "In 2012, sales were € 4,5 M, 2013 were €8M, 2014 were €12M, 2015 were €19M and 2016 were	perfect information. Our goal before choosing a market is to try to find as much information as possible so we can make the best decision" "Sometimes we accept to fulfill an order that is not advantageous for us so we may have future deals with that client" "For example, we did it with Pingo Doce where we produce a product that was crushing our margins because we know the importance of that client"	dramatically from 2012 was due to a big investment in the company, like the new factory for example"	growth stabilizes because the effects of the large investment are cooling down. We produce annually € 20 M, but we have the capacity to produce € 10 M more, which we believe we will do in the next years" " The decrease of the USA share in our sales this years is due to the growth of the Austrian market but also from the national market due to the fishes' prices. " The price of tuna was relative lower to sardine this year, and Portugal is the preferred market for tuna"

	€20M" "Product of two types of quality: good and less good. Good is the gourmet one with the traditional process where the fish is first cooked and then goes to the can. The less good is the mainstream with the modern process where the fish is cook inside the can. There the fat stays in the can and consequently the flavor is worst"			

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