

Abstract

The main goal of this study is to identify the main business opportunities in Chile, legal advantages in the business perspective and entry strategies for small and medium sized enterprises (SMEs).

The methodology used was qualitative, by conducting several interviews with chamber of commerce representative from Portugal in Chile and Chile in Portugal, several young entrepreneurs from different nations operating in Chile, the CEO of a Spanish company that decided to not internationalize to Chile and one large company that internationalized to Chile ten years ago as SME. The aim of these interviews was to understand the environment and process taken by SMEs and what kind of barriers and advantages did they find in this process. With both chamber of commerce, the author tried to identify macroeconomic factors that make the country interesting for SMEs. Finally, through the CEO of a Spanish SME specialized in IT services, the author tried to identify what made this company to analyze Chile as a possibility but not go further with the internationalization process.

Research results find around ten business opportunities for SMEs, one program for international small business financing and development and the recommendation from the majority of the interviews in starting an internationalization process by developing a partnership or joint venture with a local partner or to internationalize through Startup Chile programs.

Keywords: Internationalization, SMEs, Chile, Business

JEL Classification: F23 Multinational Firms • International Business

F18 Trade and Environment

Resumo

O principal objetivo deste estudo é identificar as principais oportunidades de negócios no Chile, vantagens legais na perspectiva de negócios e estratégias de entrada para as pequenas e médias empresas (PME).

A metodologia utilizada foi qualitativa, através da realização de entrevistas com os representantes da câmara de comércio de Portugal no Chile e de Chile em Portugal, vários jovens empresários de diferentes países que operam no Chile, o CEO de uma empresa espanhola que decidiu não se internacionalizar para o Chile e uma grande empresa que se internacionalizou para o Chile há dez anos como PME. O objetivo destas entrevistas foi o de recolher dados que permitissem compreender o processo de tomada de decisão das PMEs, nomeadamente as vantagens e as dificuldades com que se deparam no processo de internacionalização. As entrevistas com os representantes das duas câmaras de comércio, permitiram identificar fatores macroeconômicos que tornam o país atrativo para as PME do ponto de vista institucional. Por seu lado, as entrevistas com representantes de várias PMEs permitiram identificar vantagens e dificuldades encontradas neste processo. E finalmente, através da entrevista ao CEO de uma PME espanhola especializada em serviços de Tecnologias de Informação, foi possível conhecer as dificuldades com que esta empresa se deparou que inviabilizaram o processo de internacionalização para o Chile.

Os resultados desta pesquisa permitiram identificar quais as principais áreas que constituem oportunidades de negócios para as PME no Chile. O programa para financiamento e desenvolvimento de pequenas e médias empresas *Startup Chile* e algumas das recomendações dos entrevistados constituem um recurso importante para as PMEs que pretendam iniciar um processo de internacionalização para o Chile. O desenvolvimento de uma parceria ou *joint venture* com um parceiro local, surgem como estratégias a considerar no processo de internacionalização.

Palavras chave: Internacionalização, PME, Chile, Negócios

Acknowledgement

Developing a master thesis while working is an extremely hard task, however is probably one of the best ways to prepare psychologically and intellectually someone to the future life as worker and developing learning and working skills at the same time and time management.

I would like to thank my supervisor, Professor Nelson Antonio from ISCTE Business School, for all suggestions and recommendations provided during the development of this master thesis even with distance constraint because I was working abroad and physical presence was impossible.

Also, I express my gratitude to everyone interested in being interviewed to the development of this thesis. Sometimes is hard to make people feel comfortable to be interviewed.

Finally, I would like to thank my family and friends in Portugal and around the world that helped me in this last year.

September of 2016,

João Correia

Table of contents

1. Executive Summary	1
2. Introduction	3
3. Internationalization of SME's	9
3.1. Definition of internationalization.....	10
3.2. Internationalization triggers	11
3.2.1 Proactive.....	12
3.2.2 Reactive.....	14
3.3. Market Selection	17
3.4. Internationalization Strategies	25
3.4.1 Direct exportation.....	27
3.4.2 Indirect exportation	27
3.4.3 Joint Ventures.....	28
3.4.4 Subsidiaries	29
3.4.5 Franchising	29
3.4.6 Licensing	29
3.4.7 Contract Manufacturing	30
3.5. Born Global.....	30
3.6. Internationalization Process Models	33
3.6.1 Uppsala Model	33
3.6.2 Systematic Planning Model.....	36
3.6.3 Contingency Perspective	37
3.6.4 Hybrid Model of Internationalization Process	38
4. SME's development in Chile	41
4.1. Methodology.....	41
4.2. Chilean Economy Overview	44
4.3. SME's Internationalization	49
4.3.1 Business Opportunities.....	49
4.3.2 Legal advantages	58
4.3.3 Funding sources.....	62
4.3.4 Born Global in "Chilecon Valley"	64
4.3.5 Entry strategy	66
4.3.6 Data summary	67
5. Conclusion and Recommendation.....	69

5.1. Conclusion and recommendations	69
5.2. Limitations	72
5.3. Recommendations for further research	73
6. References	75
7. Attachments.....	79

1. Executive Summary

Internationalization of SMEs has been very relevant and in constant change in the last years. With the opening of world for external enterprises, many companies have start to prepare and launch possible internationalization strategies.

In this process, market knowledge, networking is fundamental to prepare and develop an internationalization strategy. This project provides a possible suggestion in the internationalization process of a SME to Chile providing the main opportunities, entry strategies recommended and key aspects that make Chile attractive comparing with the general Latin America.

To provide the significant references and knowledge on this topic, the author conducted a literature review about Internationalization of SMEs and then proceed with several interviews with people specialized in the topic of internationalization of SMEs to Chile. From entrepreneurs, to Startup developers, Chambers of Commerce or managers that decided to not internationalize to Chile. The main goal was to understand and provide some key findings in order to help future entrepreneurs understand and make a screen of the country.

This thesis is divided in four chapters: Introduction, Literature review about internationalization of SMEs, SMEs development in Chile with data analysis and discussion of the results and Conclusions and Recommendations.

Academically this research contributes for developing knowledge about a recent topic and constantly changing in the last years. In the business perspective, this research intends help entrepreneurs in the market selection process, providing relevant information about an unknown country, that rarely is the first choice for Portuguese entrepreneurs.

2. Introduction

Internationalization of companies has been a key factor for global economic development. Many researchers have dedicated long and valuable hours to a theme tremendously important for the world's economy and development in the recent and future decades. The world is no longer dominated only by big enterprises with decades of operations. Nowadays, people's ambition and openness to new ideas, developments and lifestyle have been essential for the world's business mentality and reality changes. A top student will not necessarily be the future Chief Executive Officer (CEO) of a big company but maybe will be its creator.

Innovation has played an important role for business development in the last decades, with the variety and competitive markets, companies have faced years of constant changes, improvements and innovation has been a key for many companies to sustain in markets which are never the same and where continuing changes makes corporate strategy knowledge one of the main pillars of the companies' survival. In Corporate Strategy and Development courses, students get the opportunity to develop business analysis knowledge with important references, such as, Michel Porter or Philip Kotler, and some other well-known researchers in business some of them creators of theories, such as, the Porter Five Forces analysis or the Kotler's theory regarding continuous investment in innovation by companies.

Many products look very similar but key features make a huge difference for a consumer that has been changing as well, and is now much more informed about products, options and trends. The consumer has been the focus of many business and services quality provided. Finding the key features and characteristics of the customer's wishes at a lower price and with a better quality has been the challenge for many companies, mainly small and medium sized businesses that cannot have the chance to provide a larger range of products to its customers.

Remarkable people, such as, Steve Jobs from Apple, Bill Gates from Microsoft, more recently, Elon Musk from Tesla or Mark Zuckerberg from Facebook have changed the world by creating some of the most innovative companies and ideas ever. Today, their businesses are some of the best and more profitable, including the most recognized brands in the world. Tesla is probably one of the future big players and recently started the new

project of a lower cost electric car massive production and it is creating a big communicational impact worldwide with many expectations going on.

Many of us grew with the ambition to take on a project like those mentioned before. After a recent strong boost on entrepreneurship, many individuals believe and start to create their own business, which makes the theme of this thesis very important for business and specially management research. Internationalization is no longer an option after getting maturity. Today, companies are often starting operating worldwide since their creation and not after a few years of experience or getting mature enough to increase operations abroad.

In this study, the author will present and discuss the internationalization process, always trying to focus on Small and Medium Enterprises (SMEs). In the first chapter, some references are offered about the main reasons that make companies start their internationalization. Those reasons can be reactive or proactive, which basically means that companies can take the decision by their own or because the business environment in which the company is inserted is forcing it to internationalize.

After, the author will discuss the different ways that each company can start an internationalization process, considering that some of those strategies require higher risks or lower risks. In case of less prepared companies maybe lower risk strategies are more recommended, as in case of poor knowledge about the market. Companies with higher maturity and experience or a strong knowledge or network may be able to try a riskier internationalization that requires more costs and operational details. Also, some strategies make companies to lose some power over their own products, marketing or management strategy in case of partnership, or agents. Depending on the situation, managers should be able to take the right decision.

In order to close the analysis of the internationalization process, the author proposes a definition of criteria developed by one of the most important reference in this topic. In 2007, Hollensen made reference to market selection with some specific topics. The author found those factors to be key for internationalization of Small and Medium Enterprises (SME) and extremely important to analyze deeply the environment and to make the right market selection.

Recently, the world was able to notice some developments in sub-developed nations with special attention to Latin America and Asia, while Western countries from Europe and

USA have had one of the hardest times of the last decades after a tough economic crisis. Many countries from Latin America and Asia have been able to obtain an increase of their Gross Domestic Product (GDP) above three or four percent, sometimes around ten percent. Those results are a consequence of globalization and trading policies and of some developments in those countries industries and business services and products with innovative proposals to consumers. The development of these nations has created a special attention to investors that are willing to bet on those markets for business.

Ten years ago, BRICS (Brazil, Russia, India, China and South Africa) were mentioned as the future big nations but if we look to what is happening in those countries right now, maybe the focus should be in others. Brazil is living one of the worst economic and political times in decades; politicians and relevant business people are being investigated on charges of corruption and GDP is decreasing around three percent. China has shown some signals of collapse and many specialists are mentioning a large scale crisis worldwide with consequences to many emerging and developed economies that depend upon China. Russia has been conducting military operations in Ukraine and European Union and United States of America declared an embargo on Russian products and exportations to Russia, which has made Russian economy decrease its growth. South Africa development has been slow compared with some projections made before. India is the only remaining country from the BRICS which has shown positive forecasting results for the next years with a GDP growth above five percent however is probably the less developed country of all BRICS nations. This image of the most relevant emerging countries, according to several sources, is just proving that the world economy is constantly changing and companies should be alert and ready to take steps back or forward. Those kind of decisions cannot be made without knowledge regarding internal markets, as well as networking and experience to not give the wrong step in such a competitive globalization.

Globalization of people and companies has been a relevant theme of discussion in the past decade, and today many companies and individuals look to foreign markets as a way to survive, expand and develop their operations. Through entrepreneurship, many people have developed their own business with good and stable ideas; often those individuals have several experiences in business and with different cultures and mindsets with global experiences and networking. By developing professional and personal relationships with people from different parts of the world, many entrepreneurs, usually still young and

ambitious, have created different businesses based on international experiences and ambition. Many businesses have started internationally, the so called “Born Global”, or after a few years of success, managers invested in internationalization by betting on spread their operations to other countries or regions where they believe business can be successful.

For the author, one of the criteria to choose this theme – internationalization of SMEs – is based on his previous international experiences in Spanish language countries and United States of America. As Portuguese, the main contacts we have abroad are based on European Union nations, such as, Spain, France, Poland, United Kingdom and a few others for emigration, business and touristic reasons. Also, historical connections with India and China, Angola, Mozambique, Cape Verde, Saint Tome and Principe, Guinea Bissau regarding the colonization until the seventy’s and Brazil for the same reasons but until XIX century throughout language, cultural similarities and networking. Recently, some Portuguese companies have started operations in other countries which were never considered interesting enough for business development, such as the case of Colombia, Poland, Hungary, Venezuela, and others.

After getting to know more about the world and some specific countries in the program Global Village at Lehigh University, in 2014 and after some research on Latin American economies, Chilean economy emerged as one of the most stable and developed economies of Latin America. However, Portuguese companies show a lack of interest in this country.

After some research on the country, the author also found interesting the fact that Chile provides one of the business conditions for Startups with Startup Chile creation by the Chilean government and Corfo (Corporación de Fomento de la Producción in English Production Development Corporation).

The main goal of this research is to develop a solid knowledge about what is a good approach to internationalization of small and medium enterprises and what can a country like Chile, a reference in Latin America, provide to small and medium enterprises ambitioning expanding operations from their companies abroad.

In order to provide the best information, the author tries to give an input of internationalization strategies and processes for a company with little experience in internationalization movements. At the same time, the author gives an input of a country that has been developing strategies to create companies and not depend upon on

commodities that sooner or later may be gone. This country has increased investment in bringing Latin American entrepreneurs and Foreign Direct Investment by creating the best business conditions for foreigners and internal business people to develop and invest on their projects inside Chile.

This macroeconomic process may be one of the best steps taken by Latin American nations in order to not be seen as a country of commodities and cheaper work force. Chile is one of the countries with the most solid trade strategies and potential for business development has grown consistently.

Samuel P. Huntington in “The Clash of Civilizations”, divides the world in different areas, taking as methodology cultural, religious, historical, economic and social differences. For example, Portugal is considered a Western nation, while Chile is a Latin American nation and therefore, Portugal and Chile are in two different regions with different aspects to characterize our culture, differences and economies.

Getting knowledge about markets with different cultural traits may be an unexpected opportunity or solution, depending on the reasons for internationalization, for small and medium enterprises. Those countries from fast growing economies are characterized by having a more demanding market and very open to new products and usually more vulnerable to massively consume. In those nations, companies should concentrate their operations because markets are usually not saturated.

Chile has developed strategies to attract foreign investment from entrepreneurs looking for financial support for their businesses. It would be interesting to see this kind of financing and business development initiatives among other Latin American countries or even African and Asian countries, where development is relatively lower than US, Canada, Europe, Australia, New Zealand and some other references in Asia, which have a much stronger capacity to develop programs to help entrepreneurs and business growth for small and medium enterprises. By mentioning about development of initiatives and resources provision we can divide them in direct and indirect. Direct if governments from those countries or private organizations provide financial capacity by developing programs, competitions, and other activities or indirect by providing a fine education system, creating a good and open business environment and trying to fight barriers for business development and growth.

Before taking the final decision regarding if the country could fit better with the aim of the study (Internationalization of Small and Medium Enterprises), there was a small research to get some additional knowledge of potential countries. In that list, only Latin America was under interest and Colombia, Brazil, Mexico and Chile were the most interesting.

The last decade was especially hard for the Portuguese economy; many barriers have created an economic recession, unemployment increase and emigration. This is a strong reason to change business mentality in our country. Nowadays many students, entrepreneurs and workers realized we no longer live in the time of a job for life. In this sense, the creation of a business can be a good solution. We must become the most independent and creative people able to create differentiation in the markets with new products and services that no one else was providing before, the so called GAP in the market.

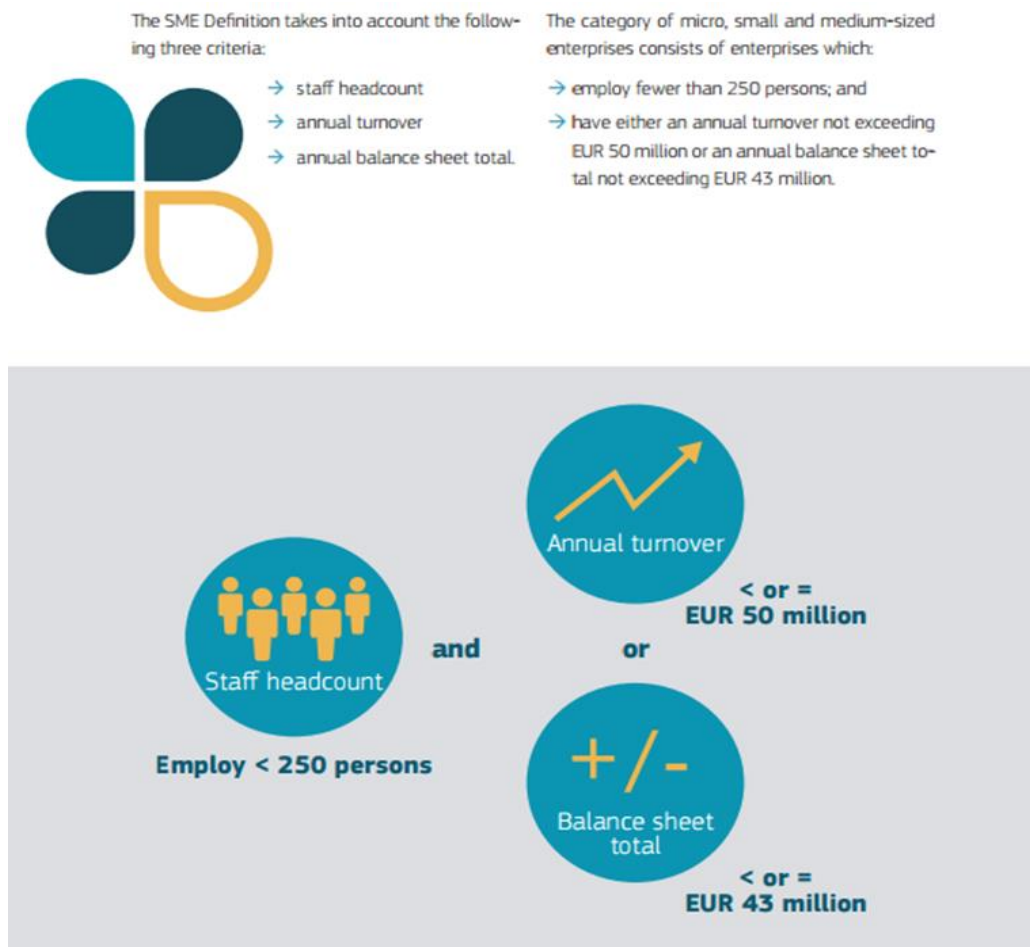
Throughout the collecting of relevant information and data to the study, the author will adopt a qualitative methodology by interviewing relevant people, who may be considered good informants, on the topics in order to understand the environment that companies find when they are planning to internationalize to Chile and what are the opportunities they can get and how to get financial support in order to develop operations or start their own businesses.

After searching and providing references and indications regarding small and medium enterprises internationalization, Chilean economy and small and medium enterprises perspective from Chile, the author will resume the results from the open interviews conducted to relevant people regarding the theme and afterwards will draw final conclusions concerning the research developed in light of the results from the interviews on the field.

3. Internationalization of SME's

Small and medium size enterprises (SMEs) play a significant role in any country's economy. European Union reports (OECD, 2005) present the definition of SME complies with three criteria: i) staff headcount, ii) annual turnover, iii) annual balance sheet total (Fig. 1)

Figure 1 – Definition of small and medium sized businesses



Source: User guide to the SME Definition (EU, 2015)

In Portugal, the SMEs represent 99.9% of the business sector, but account for only 60.9% of the volume of transactions of the sector (INE, 2012).

As recommended by the EU institutions, it is necessary that small and medium-sized enterprises (SMEs) can endure increased competition from developed and emerging economies and take advantage of the market opportunities that these countries offer (OECD, 2013). There is a direct link between internationalization and increased

performance of SMEs. International activities reinforce growth and employment, increase competitiveness and support the long-term sustainability of companies.

The EU strategy for SMEs, as defined in the Small Business Act (SBA) for Europe, launched by the Commission in June 2008 and revised in 2011, called on the EU and Member States into supporting SMEs and encourage them to take advantage from the growth of markets outside the EU, including through specific support approaches to the market and business training activities.

3.1. Definition of internationalization

Internationalization is seen as the process by which companies increase their business involvement in international operations (Johanson and Vahlne, 1977; Cavusgil, 1980; Cavusgil and Nevin, 1984). It is considered a very complex and risky process, where knowledge and experience can be very important in order to obtain a successful and right approach to the desired market. There are many reasons to internationalize and also many ways to do it.

In the case of SME's (Small and Medium Enterprises), this important strategic step is even riskier, not just because of the size and usually poor experience of the company but also because of the consequences of a possible failure, such as, bankruptcy or high debt created by bad decision making.

In this last decade, SME's importance is increasing in the international markets; such companies tend to internationalize rapidly by using diversification as a competitive advantage to achieve growth (Nik Abdullah and Mohd Zain, 2011). For Peng (2011), when enterprises look for new markets to acquire knowledge to develop or improve their products or services, the process can create an impact on the firm's innovation system. An internationalization process can take a long time and usually companies are guided by the Uppsala model (Johanson and Vahlne, 1977) or innovation model (Bilkey and Tesar, 1977) while putting it into practice.

The Uppsala model suggests companies to internationalize in a number of stages with different commitment levels throughout the process, preferably starting with a destination that is geographically in a short distance. In the innovation model, the different stages of the process depend upon the innovation level the company has developed and how can possible keep innovation as the key for growth.

It's impossible to create a model that fits in all companies, not just because of the external differences between countries, economies or industries but also because of the internal differences inside a corporation in the different areas of finance, strategy or operations. Only after evaluating some of those characteristics can the company approach an international market in the more appropriate way and at the right moment.

3.2. Internationalization triggers

With the globalization phenomenon, companies tend to internationalize much earlier and faster than in the past. This step is taken after identifying some needs and opportunities.

Table 1 - Internationalization drivers

Proactive	Reactive
<ul style="list-style-type: none"> • Profit and Growth • Technological/innovational advantage • Managerial urge • Tax benefits • Foreign markets • Economies of scale 	<ul style="list-style-type: none"> • Economic situation and market • Excess of stock/production • Competitors • Seasonality • Work force • Capital (funding sources) • Unsolicited orders • Psychological proximity

Sources: Hollensen (2007) and Observatory of SMEs, EU (2003).

It's essential to find out the potential of foreign markets to ensure the right opportunities to internationalize and have an idea on whether the company is prepared financially and strategically or not to develop such process.

In this subchapter, the author will explain some of the push and/or pull factors that influence companies to engage on the internationalization process. There are numerous reasons to start taking this ambitious step. Czinkota (2004) and the Observatory of European SME's (2003) offer an overview of the typical proactive and reactive motivations to go international, which are presented in table 1. According to Steward and McAuley (1999) internal and external factors influence companies to internationalize before being divided in *pro* and *re* active. Recently, the Observatory of European SME's developed a project where the main reasons for internationalization are the access to new and larger markets for products/services, high production costs on the domestic market and the access to know-how and technology (Observatory of SMEs, 2003).

3.2.1 Proactive

The proactive internationalization decision is based on the fact that managers believe that the company is prepared to internationalize without any obligation but simply guided by strategy. In some cases, these proactive drivers can be internal or external, depending on the management and company main reasons (Czinkota and Ronkainen 1998).

Profit and Growth

Oviatt and McDougall (1994) as well as McDougall and Oviatt (1996) mentioned that two of the most common goals of companies attributed to international expansion are achieving growth and the improvement of profitability results.

Czinkota and Ronkainen (1998) made reference to the fact that managers perceive internationalization as one of the best ways to have higher profit margins and added value.

Technological/innovational advantage

Some scholars mention innovation as being crucial for a successful internationalization process; others report the importance of internationalization to achieve better innovational results. According to Louart and Martin (2012), Hagen, Denicolai and Zucchella (2014) and Rask (2014), growth and performance of SMEs are often driven by the way the companies manage innovation and internationalization. Onetti (2010) also indicated that innovation and internationalization are two major growth options in today's competitive and complex global environment. Eriksson, Johanson, Majkard, and Sharma (1997) indicate some key factors to accomplish competitive advantage domestically and internationally, such as, the innovation in product and process. Filatotchev and Bishop (2002) make reference to newly startups that are able to be successful worldwide and to establish in different markets because of the importance of innovation and internationalization process.

Managerial Urge

Hollensen (2007) describes managerial urge as the managers' desire to internationalize their business. This enthusiasm might come from international socialization, experience abroad, born abroad, experience in international companies or working in different countries, open minded or personal ambition.

According to Hollensen (2007) this desire of international operations as a more personal reason from the top positions of the company (CEO, Managers, etc.), rather than a reflection of operational results. managerial urge is one of the main reasons why so many

companies are “Born Global”. No matter the fact that it is more personal than professional, the truth is that many successful companies achieved their results by being international minded.

For Hollensen (2007), managerial attitudes are critical for starting exportation activities. Despite the number of people taking the decision to internationalize, the head of operations will be the one to choose where and when to do it according to perceptions and information gathered about the market.

Tax Benefits

Hollensen (2007) mention some reasons why taxes can be a key factor to go international. According to the author tax benefits may allow companies to sell their products at a lower cost abroad or have higher margins. The government of United States created a plan to reduce companies' taxes with tax deferrals. On the other hand, some countries use tariffs to protect national companies from external competitors.

Foreign Markets

According to Hollensen (2007), companies may tend to explore markets if managers believe the right conditions are available. Many times, the decision to take foreign markets starts with the most similar countries in terms of culture. Those markets tend to be easier in terms of predicting the response of consumers and to make the right adjustments strategically. In the last decades, emergent markets such as the BRICS (Brazil, Russia, India, China and South Africa) were seen as the most attractive, but by the end of 2015, most of these economies are in crisis or, at least, facing a smaller growth when compared to the projections. One of the most common approaches to new markets is the Uppsala Model. (Johanson and Vahle, 1977). This model not only mentions the different stages of the internationalization process but it also makes reference to the importance of starting by the closest markets, geographically or culturally. Czinkota and Ronkainen (1998) and Hollensen (2007) consider market knowledge obtained from previous experiences abroad, networking, research and personal experiences as a key factor for gathering information about internationalization opportunities.

Economies of scale

Holensen (2007) describes economies of scale as increasing the production and sales, having lower cost per unit and increasing efficiency. Many big multinationals use this advantage in order to have competitive advantage in expansion and internationalization

process. Companies are able to reduce operating costs per unit produced and lower the transaction costs with discounts over volume produced.

According to Ethier (2009), economies of scale play a secondary role after comparative advantage. The author also speaks about different types of economies of scale: “*Internal vs External*” if the company is focused in operating at a higher scale to reduce operating costs; “*National versus International*” being national considered a national investment in a larger plant and international with trading goods abroad.

3.2.2 Reactive

Complementing the proactive triggers to internationalize, the reactive triggers are described as motivations not taken by the company but because of business environment pressures. According to some authors, reactive drivers are more vulnerable to failure.

Economic situation and market size

For Araujo (2008) enterprises might be pressured to start exporting because of the small size of an internal market. For some firms, usually with some maturity and experience, home markets are too small for their scope, ambition and profitability goals. This kind of situations depends on the size of the firms, specialization and not easily found segmentation.

For Hollensen (2007), saturated domestic markets, whether in sales or market share, tend to have similar effects. Products in a decline phase of their life cycle in the domestic market may still be sold in a foreign market, in this case, therefore the company should focus in expanding production and prepare an internationalization process to a foreign and larger market where, because of necessity and technology reasons, the product still has a value.

Excess of stock/production

Excess of production can be a motivation for internationalization. Hollensen (2007) mentions excess of production as a good driver towards internationalization when domestic market sales are below the predicted and selling abroad by a lower price can be one of the best solutions. In this case, fixed costs are not influenced by the place where the product is sold, the variable costs will be higher and if the company is selling the product at a lower price, profit margin will be lower as well. When the domestic market goes back to the expected results the company may terminate operations abroad. This strategy can be a key to try new markets. The reaction of the market might be a motivation

to start a long term internationalization process. External consumers may dislike this products because of the short term period availability.

According to the same author (Hollensen, 2007) and Araujo (2008), many companies see their products being switch by substitute products. In this case, this companies tend to look to overseas market opportunities in countries where their products still are in use or innovative.

Seasonality

Shields and Shelleman (2013) considered seasonal cycles of demand as one of the major problems for small business management. For Koenig and Bischoff (2005) and Moore (1989), seasonality of demand is the movement in a time series during a specific time of the year. Those cycles can be divided in peak season, two shoulder seasons and the off-peak season (Kennedy & Deegan, 2001). Such cycles of seasonality may lead to lower sales and possible cash flow issues (Kaufman, 2012; National Federation of Independent Businesses, 2004). This variation in sales and operations resulting from seasonality affect business profits and region's economic situation with increasing of unemployment or closing businesses, usually the more vulnerable and small (Koenig and Bischoff, 2005).

According to Hollensen (2007), foreign markets exploration may result in a solution for a more stable demand over the year.

Araujo (2008) highlights that some seasonal businesses tend to approach another market during the off-peak season in their domestic market. Taking as example the seasons of the year, some companies have summer as the peak season and by switching operations between north and south hemisphere demand might be more stable. In this case, one market is off peak and another is in peak season, sales are lower in the off peak market and higher in the peak market.

Competitors

According to Hollensen (2007), economies of scale can be considered a proactive driver to internationalize. In case a competitor internationalizes for economies of scale, a firm may also consider internationalizing to avoid losing competitive advantage. For Hollensen (2007), being the first company in a specific foreign market (country or region) can guarantee a higher market share. A quick and unprepared internationalization process to obtain this advantage against competitors can result in a negative impact financially. Companies tend to study what competitors are doing, in this case, internationalization can

be motivated by suspicious or certainty about competitors' internationalization. With this argument, the author claims that competitors are one of the most important drivers to internationalization.

Labour force

One of the most common reasons to internationalize, usually more common in larger companies, is the work force. Many companies tend to internationalize to countries with lower work force costs, in terms of salaries, taxes for employee or work law.

EU, Observatory of SME's (2003) points manufacturing industry as the most common to internationalize for this reason.

In case of SME's related with business services, small or medium sized consulting firms able to work in different languages also choose their location highlighting cheaper cost reasons. Let's take an example of a company that internationalizes to Latin America to offer services in Portuguese and Spanish. This company would rather prefer internationalize to Chile, where two workers might cost the same of one Brazilian because of taxes and location (São Paulo, Brazil and Santiago, Chile for example) and the work force is equally or similarly prepared.

Capital (funding sources)

EU, Observatory of SME's (2003) listed the main reasons why European SME's internationalize, being one of those drivers the access to capital. Although this is not mentioned as one of the most important, it is still relevant to small enterprises growth.

In the case of Small enterprises, startups are continuously looking for capital in the early stages of developing ideas and prototypes and later for production, sales, marketing, and communication. It is very common to see startups being created with a more international perspective and one of the many reasons why they are international is capital seeking and innovation.

Unsolicited orders

Some companies only work internally until the moment someone overseas declares interest in their products. This might be the case of someone from a country without that specific product or service. According to Hollensen (2007), this kind of situation leads some companies to approach an external market and is a very common reason to internationalize.

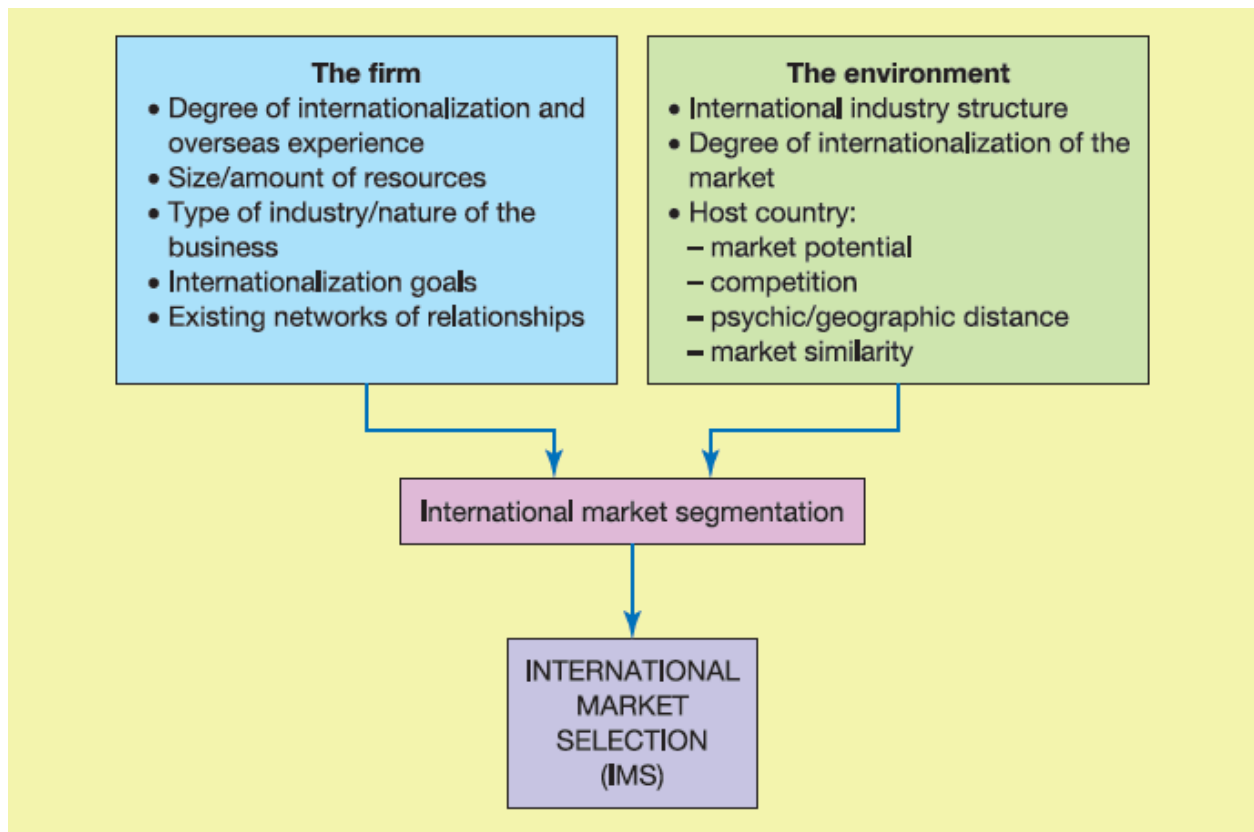
Psychological proximity

Another reactive driver to internationalization is the proximity to international customers. Some countries or regions are very similar in some aspects: culturally, language, physically or psychologically (Hollensen, 2007). Examples could be Nordic nations, or Portugal and Spain or Germany and Austria. This physical and psychological similarity can motivate companies to expand their operations beyond their borders to their neighbor countries. This action can be taken just by exporting to the other country and keeping marketing and operational activities very similar. For Hollensen (2007) and Araujo (2008), cultural variables, legal factors and other societal norms make foreign markets sometimes not that similar. The given example is the case of Pakistan and India, both countries speaking very similar languages, Urdu and Hindi, but where religions are very different. Another example would be Spain and Portugal, which are seen as equal or as very similar nations by many foreigners. In a word, many companies tend to fail their operations by approaching the market in a wrong way.

3.3. Market Selection

The environment and the characteristics of the firms are key factors to internationalization of Small and Medium Enterprises. The figure 2 presents the key factors for international market segmentation by Hollensen (2007). Araujo (2008) mentions about two realities: One is internal and makes reference to the firm: its international experience, size, resources, nature of the industry, goals and networks/relationships. The second factor is external and related to the environment: international industry structure, degree of internationalization and host country. These are the elements that will help companies choosing their internationalization destination.

Figure 2 – Possible key factors for choice of foreign markets. (Hollensen, 2007)



Sources: Hollensen in Global Marketing: A decision-oriented approach (2007)

Defining criteria

According to Hollensen (2007), in order to choose the right market segmentation, selection criteria should be defined.

For Hollensen (2007) the company in phase of internationalization process should define a measurability criterion by gathering data about market size and purchasing power. This information may be hard to gather depending on the country macroeconomic and business openness. It requires verifying population divided by deciles, average salaries, purchase power and other macroeconomic variables.

Operational criteria, such as, the accessibility related with the effectivity segments that can be reached and served is key to ensure an operational strategy where the company have conditions to satisfy demand by developing an accurate logistics and distribution channel.

Profitability segments are mandatory if a company is not developing a market penetration even with losses, which sometimes happen but usually with large sized companies, when trying to compete with lower prices and margins are lower. In the case of SMEs, the most

common strategy is to look for market segmentation to have immediate profits and operational sustainability.

Internationalization is very tough in terms of information and reaching the customer. If a company is willing to internationalize, it should be “action minded” to understand and know how to reach the customer, by creating the right marketing program strategy with a concrete screening of the market selected.

Besides these criteria, companies should make a deep analysis of the country by using PEST/PESTEL analysis (Political, Economic, Social, Technological, Environmental and Legal), SWOT Analysis (Strengths, Weaknesses, Opportunities and Threats) or Press search to gather information about mistakes to be avoided or suggestions.

General Characteristics in Market Selection

- Geographic Location

Hollensen (2007) mentions as one of the most important factors when companies internationalize, geographic by clustering geographical positions is a common practice. If we take a look at Europe, Scandinavian countries present many similarities as consumers, as Portugal and Spain, but in these cases, companies might fail. Some companies have failed in one of these countries but in the country that was seen as similar they didn't. Detailed analysis is required and knowledge regarding consumers is very important to avoid mistakes.

- Language

According to Johansson and Vahlne (1977) and Hollensen (2007), one of the main factors why companies choose some markets before others that may look more interesting is the language. According to World Bank (2015) many Portuguese companies have started internationalization processes to former colonies regarding the language similarity and cultural knowledge. The same can be said about countries such as Spain and Latin America. Language can be a barrier for internationalization, therefore starting with a country with the same language makes the process much easier.

- Political factors/Religion

According to Doing Business report from the World Bank (2015), countries with communist background for example are usually less attractive, as well as dictatorships, or in more extreme cases, religion, such is the example of Israel, a country that is seen as

extremely attractive for Startups but which as a consequence of political and religious issues with the neighbor Middle East nations may become less attractive because “Made in Israel” is banned in most part of Muslim Nations.

Regarding religion, companies like Nike, Ikea or Bosch have had issues with products targeted for Muslim nations. It might be offensive for a country with a specific religion to have a marketing strategy or a product that is seen as offensive or ethically non acceptable in the society. No one wants to export pork to Muslim nations or cow to India, as the consequences might be negative and unacceptable.

- Demography

Hollensen (2007) and Jain (1993) mention demographic analysis as essential to understand the structure of a country population and segment accordingly. Without demographic analysis, companies may mistakenly enter a market that is too short for the business developed by the company. Technology companies wouldn't fit in an old population country or without an extra investment.

Infrastructure available for industry and business development must be analyzed before internationalization to foreign countries. In that case, a business population analysis will be required to give a clear feedback about the business reality of the country/region.

- Technology

Hollensen (2007) mentions technology as relevant for internationalization of companies. In case of undeveloped nations might be less interesting when the core business is related with advanced technology and access to new and more sophisticated items is important for the developed of the business. Startups, which are focused in technology business, usually look for financing sources in countries with better technological capacity, such as, North American or European countries. However, can be an opportunity to invest in a market with fewer competitors, (Observatory of SMEs, 2003).

- Social Organization

When comes to targeting a specific customer from a market a company should focus on a concrete group of the society (cluster). For SMEs, depending on the business concept, clustering a specific part of the society is key. If a company has technology, as core business, lower classes in Sweden, for example, might be able to pay for the product but

in Portugal only middle or upper classes would be, while in India only upper classes would. Other products may be targeted for specific groups of people.

- Education

This topic is important for two reasons, the quality of the workers the company can add to their staff and the potential of their customers. Countries with a higher educational system and results may be more attractive to hire workers, while countries with higher educational results can provide a more informed and interesting customer. One really good example of internationalization regarding the cost of employee and educational background was mentioned by an Indian company in Chile that mentioned this country as more attractive than Brazil for one key reason: the cost of an employee in Brazil can bring two employees with a similar educational background. The cost of employee, which is an economical decision comparing with the educational background of the two countries made this company start operations in Chile rather than in India.

Regarding the customer, one major difference between nations can lie on how the society is educationally divided by ages. For example, elderly Portuguese population doesn't have the same educational background of the Norwegian and that can mean that a country can see a drawback in investing in one country and not in the other.

- Culture

Chiavegatti and Turolla (2011) mention culture as one of the important factors for market selection. Knowledge on the culture can be taken as an advantage in the internationalization process. Quite similar to language advantages, cultural knowledge may come from countries with historical relation with companies own country or neighbor countries. With these relations, the company in market selection process can easily find similarities and gather knowledge about the country in which it is interested to internationalize. Some key cultural aspects can be religion, values, attitudes, history or language.

- Lifestyles

Hollensen (2007) points lifestyles as one factor for market selection. By comparing societies throughout lifestyles, SMEs usually focus on very small details of their customers and try to specialize in something that creates value to the customer. Lifestyle knowledge about a society is fundamental to develop a strategy and a product or to choose a market where the product fits in the normal lifestyle of its customers.

- Personality

Ariely, Dan (2008) mentions about identifying consumers according to their personality and behavior. Customer behavior and personality regarding the temper of people can attract some specific companies. In Europe, it is very common to compare South countries (Latins) with North Europe (Nordics) and how personality is different in consumption of certain products. Those differences are seen as cultural but are part of personality, for example, Latin's are more interested in enjoying life by partying more often or having drinks after work while Nordics usually drink in special occasions.

Screening of markets

After gathering the essential information regarding the possible markets for internationalization, an entity should make a preliminary screening according to external screening criteria, where, according to Hollensen (2007), SMEs limited resources, such as, financial, staffing or knowledge can limit the preliminary screening to only a few countries.

According to Hollensen (2007), macro-oriented screening methods can reduce significantly the number of markets under interest, by eliminating markets with barriers and less attractive throughout, for example, verifying restrictions in exportation, GDP or GNO per capita, certain items owned per one thousand people, government spending, financial resources, business conditions, and others.

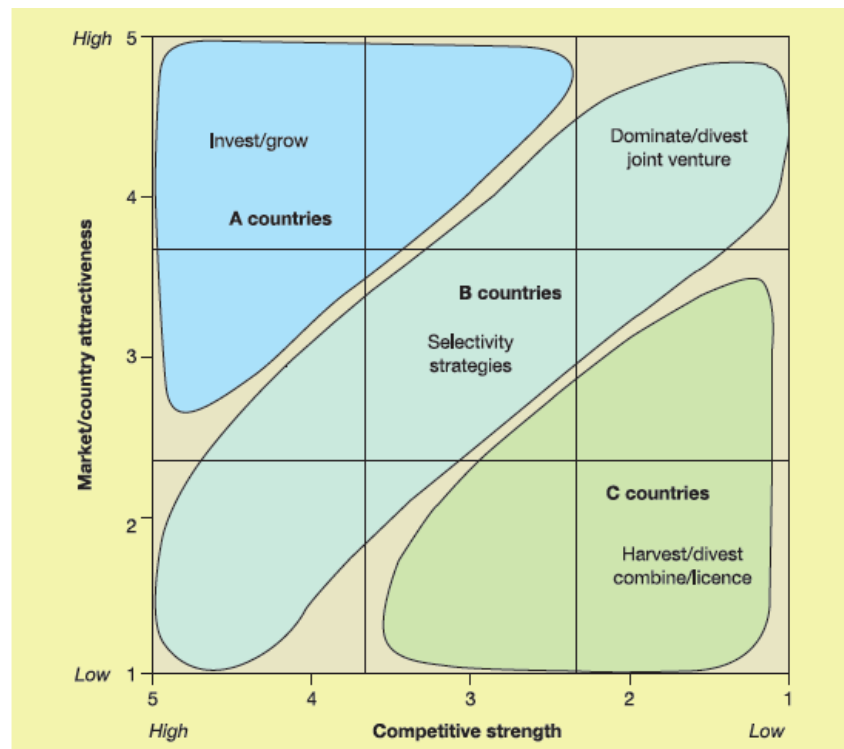
In the last decades, globalization of markets has been a motivation for the development of several studies regarding internationalization. For example, the World Bank created an index called "Doing Business" (2016), where basically all global countries members of the World Bank are evaluated in terms of how easy it is to make business in that specific country; another resource for market selection is the Business Environment Risk index (BERI) that evaluates the risk of several countries regarding business environment and political issues.

According to Hollensen (2007), after preliminary screening, companies should develop a fine-grained screening, where analysis upon company competitive power and competitive advantages are taken into account.

This model proposed by Hollensen (2007), presented in Figure 3, is based on the development of a matrix with two axes where the level of attractiveness and competitive

strength is measured. Lower competitive strength and attractiveness are not that appealing and the best strategy of internationalization might be by licensing, which presents a lower risk investment.

Figure 3 - Market attractiveness/competitive strength matrix. Hollensen (2007)



Sources: Hollensen in Global Marketing: A decision-oriented approach (2007)

According to Hollensen (2007) model, higher attractiveness and lower competitive strength or vice versa presents a reliable internationalization process and more likely to be taken with a joint venture with another identity.

The most reliable and interesting scenario is when attractiveness and competitive strength is higher and the company investing in this market most likely will grow much faster than in the other scenarios.

Market attractiveness is evaluated by screening market size, possible market growth, purchasing power, seasonality tendencies, industries margin, competitive environment, tariff barriers, government regulations, infrastructure, economic and political stability and psychic distance (from home to based foreign market).

Competitive strength concerns upon on market share, marketing ability, product adaptability to country demand, pricing, margins, branding, technology, product quality, market support, logistics and distribution systems and financial sources.

Development of sub-segments

For Hollensen (2007), after selecting markets, companies should identify sub-segments between the markets segmented. Some key variables mentioned before are useful for a more detailed screen of the sub-segment: demographic/economic factors, lifestyles, consumers' interests, geography, buyer behavior, psychographics, etc.

Hollensen (2007) mentions an important issue regarding segmentation: internationalization should be developed on consumer basis rather than countries. Segmentation by geographical factors is purely stereotyping and ignores differences between customers within a nation that have changed with globalization over the last decades.

Market research by clustering different groups to identify the cross-national segments is a common practice to avoid segmentation mistakes in the marketing strategy of the company.

When a company selects a market/country, the next step is to micro segment which products/services fit with the possible demand identified by the company market research and micro segmentation. Hollensen (2007) highlights in segmentation that it is necessary to draw a strategic process by identifying worldwide market segmentation according to similarities between regions/countries; sometimes it is not the market attractiveness that influences the decision of where to go but the recognition of similarities in the demand structure and consumer habits. It is important to the company to find which are more attractive and have higher potential for the goals defined by the company. Clustering may be seen as a puzzle of nations trying to fit in a strategy of internationalization. Managers play a key role in this decision regarding their cultural background, networking and goals, mostly in the case of Small and Medium Enterprises, where, many times, managers have full control and decisions taken are mostly likely taken regarding their perspective and experience.

Regarding the SMEs internationalization, Rahman (2003) mentions that management feeling about the market selection is important for the final decision and decisions might

be taken with uncertainty regarding future unpredictably. Decisions will be taken from accessing the limited information available.

3.4. Internationalization Strategies

New ventures are defined as companies with six years old or younger (Brush, 1995), also they are willing to internationalize in an early stage of their life cycle (Oviatt & McDougall, 1994, 1997) being influenced by many factors, such as, proactive or reactive.

Hill, Hwang and Kim (1990) identified three factors that influence the entry mode: control, resource commitment, and dissemination risk. Enterprises with “multidomestic” strategies prefer to make licensing and joint ventures because of its low-cost advantage, while companies truly committed to a global strategy tend to prefer a high control mode, those are the subsidiaries.

Hollensen (2007 and Araujo (2008) highlight seven different internationalization entry modes are presented: The export entry mode includes direct and indirect exportations, contractual entry mode happens when agreements with franchisee, licensing, contractual manufacturing or joint ventures are created in order to internationalize with the support of another partner and with an investment, which is basically the case of equity joint ventures and acquisition of subsidiaries. Each of these processes is approached in a different way, with some pros and cons.

For Araujo (2008) exports represent the less risky and costly internationalization strategy being all the production operated in the home country and then exported by a third part, a producer or a client, to the final destination. In these low-control transactions, the main company has few interactions with markets, suppliers, and customers. The company doesn't commit much to the final consumer and other parts in the internationalization process.

Contracts are agreements made between two or more parts; in some cases, the company may lose some power over its internationalization investment but it may achieve a higher expansion by giving some rights to third parts, or select a third party to make production tasks to get higher margins of profits. This would implicate a transfer of know-how, processes, knowledge, skills and assets to other entities, which can also be seen as risky according to Araujo (2008).

Foreign investments are considered the riskiest ones. Jones (2001) mentions that foreign direct investment (FDI) entry modes can be made by ownership and control of foreign operations through subsidiaries or by sharing control and ownership with other entities, which is called joint ventures. FDI requires high-control transactions with close interactions with multiple international market stakeholders (Oviatt & McDougall, 1994).

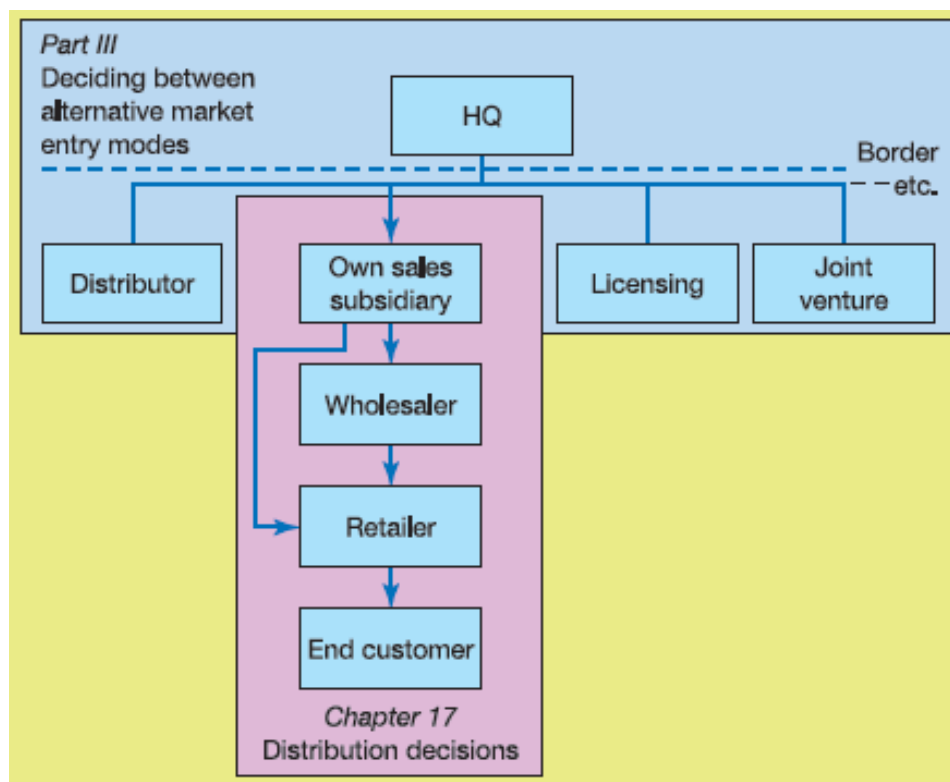
When a company chooses the entry market strategy, that choice should be taken for a long term period, as eventual changes in the company scope might require more investment in money and time, something that can become problematic for SMEs with poor resources. Hill et al (1990) and Root (1994) make reference to foreign entry mode changes over time because of the constant changes in the business and macroeconomic environment worldwide and the capacity companies have to overpass barriers.

According to Zahra, Ireland and Hitt (2000), ventures with high-control entry modes in international markets are more likely to result in a learning experience for enterprises than the situations of less involvement.

Welch (1992) makes reference to networking in internationalization. This author mentions the potential use of alliances or cooperative arrangements by small firms in the internationalization process, which can provide a potential successful penetration by giving access to networks or resources.

This idea presented by Welch (1992) is important for SMEs when considering that poor resources and maturity increase the risk of failure, which can be avoided by creating networks with entities from a foreign country with the right network and knowledge to achieve success.

Figure 4 – Examples of market entry modes.



Sources: Hollensen in Global Marketing: A decision-oriented approach (2007).

3.4.1 Direct exportation

For Hollensen (2007), direct exportation is a commitment between a manufacturer, or an exporter within a sales channel abroad, and an entity responsible for distribution, and with agents or via subsidiary, by creating a network of contacts, developing marketing research, designing marketing mix and setting agreements of transportation. In this process, distributors are responsible to make the product transportation process until the buyer, while agents try to find possible buyers by using their knowledge of the market and networking. Both play an important role in the direct exportation, with high responsibility over the trading process and therefore companies tend to look for someone trustable. According to Root (1994), direct exportation is even riskier than indirect exportation.

3.4.2 Indirect exportation

Indirect exporting happens when organizations, independently of their location and completely independent from the manufacturer of the product, take care of the exportation and strategy processes. This methodology of internationalization might be recommendable for companies with poor knowledge of business strategy or poor

resources to export initiatives or for an initial phase of internationalization to test global markets before taking decisions involving higher risks and efforts to enter new markets (Hollensen, 2007).

For Root (1994), indirect exportation provides little control for the manufacturer, lower revenues, less know-how and information about the internationalization process, because this part of the process is taken by another identity, and lower growth results, which can mean that the company will take a longer period to be ready to internationalize by its own.

According to Hollensen (2007), SMEs that have longstanding experience in taking traditional exportation operations may not have enough capacity to open many operations abroad. For those, using indirect exportation by exporting with help from other organizations with the necessary resources is a plausible solution even with the mentioned disadvantages. Indirect exportation can be handled by export-buyer agents, brokers, trading companies or export houses.

3.4.3 Joint Ventures

According to Araujo (2008), a joint venture is a strategic alliance between two or more parties. A global joint venture would be considered as a partnership between two identities from different countries.

Joint ventures have become a common strategy to access foreign markets by creating strategic alliances between investors and entrepreneurs. Joint ventures are developed by informal agreements, equity sharing or cross holding equity (Grant, 2008), or in the case of a strategic alliance, by developing non-equity cooperation (Hollensen, 2007).

SME's may see joint ventures as the best chance to internationalize by creating alliances with investors with equity resources to access market knowledge, marketing mix and create conditions to investment to internationalization.

One option for SME's is to create joint ventures and alliances with companies from countries where they want to enter. Capitalization, know-how and physical resources are much more accessible if alliances are signed with companies from targeted countries.

Governments from emerging markets, looking further to increase investment and entrepreneurship internally, might see joint ventures as an opportunity to attract foreign investment to help local businesses technologically and strategically (Grant, 2008).

For Hollensen (2007), both parts have cost/benefits, such as, financial commitment, synergy, management commitment, risk reduction, control, long-run market penetration and others.

3.4.4 Subsidiaries

A subsidiary can be defined as the local company acquired by a foreign company under the laws of the host country (Hollensen, 2007). This control/ownership over other enterprise can be direct or indirect, depending on the nature of the agreement; while some companies are owned others are controlled (Lourenço & Lopes, 2014).

For Araujo (2008), the acquisition of a subsidiary can be one of the riskiest internationalization strategies for SME's and that is the reason why it is not one of the most common strategies to internationalize. In order to take this high risk entry mode, the company must have several resources available to approach the market.

Once the subsidiary is acquired, the owner will have the opportunity to overcome many barriers, such as, legal procedures, available know-how and knowledge from previous employees, facilities, brand, lower costs, workers, operations and depending on the situation, profits but also a long-term commitment on behalf of the investment made.

3.4.5 Franchising

For Hollensen (2007) franchising is the practice of a franchisor to give the right to the franchisee by receiving a payment/royalty. This is the case of many retailer shops owned by investors but using the brand name, copyright, designs, trade secrets, geographic exclusivity, patents, physical concept, resources and know-how of the brand owner. This concept has some risks, most of them related with the brand image and the possibility of brand degradations by franchisee errors in daily operations.

Franchising is more suitable for services industries, and can lead to a faster expansion of business worldwide. McDonalds or IKEA are some of the most known franchising companies; on the contrary, other renowned brands, like Zara, do not work with franchising.

3.4.6 Licensing

Licensing is very similar to franchising but in this case the agreement is over the manufacturing of a certain product based on a patent by giving some agreed royalty (Hollensen, 2007).

Frequently, the agreement between both parts is related with a patent covering a product or process, manufacturing know-how without patent, supply of technical advice and assistance, marketing advice or trade mark.

Arona and Fosturi (2002) mention that using licensing requires small investments. Later on, licensing may lead to large returns on investment.

3.4.7 Contract Manufacturing

For Araujo (2008), outsourcing is commonly used in manufacturing activities by companies from textile, automobile, hardware, technology and other industries. Enterprises use this internationalization strategy to reduce production costs and concentrate more financial resources in other operations, frequently for R&D, marketing, distribution, management teams. Companies like Benetton and Toyota tend to operate in low labor cost countries but SMEs can also take advantages of this practice by developing production operations in foreign countries like China, India, and others, with the purpose of reducing production costs.

According to Hollensen (2007), the most important advantage of contract manufacturing is to concentrate financial resources in operations of marketing, distribution, and sales despite the risk of instability or possible contractual issues with manufacturing identities.

3.5. Born Global

Internationalization processes were mostly guided by the traditional standards but a new concept has recently become widespread: the so-called born global companies. They are defined companies are defined by Oviatt and McDougall (1994) as companies holding a vision of becoming rapidly global without any preceding long term internationalization period.

In recent years, many small sized companies were born global. As pointed out by Madsen and Servais (1997), global SME's founders with a born global mentality had a previous international experience and knowledge behind their country borders, which basically extended their perspectives to a more open minded perspective and by creating networks they developed a possible new business venture. Born global The most important characteristics of the Born Global is definitely the management team and their visionary profile, who look to the world without borders since the beginning of its life cycle. Born Global is an interesting dynamic case within a modern scenario of firms that are operating

under a tough time, space and scope since their initiation, usually following a startup methodology. According to Harvey (1996), this means that the geographical process can be reduced and compressed into trading and information sharing worldwide with the right resources for those processes.

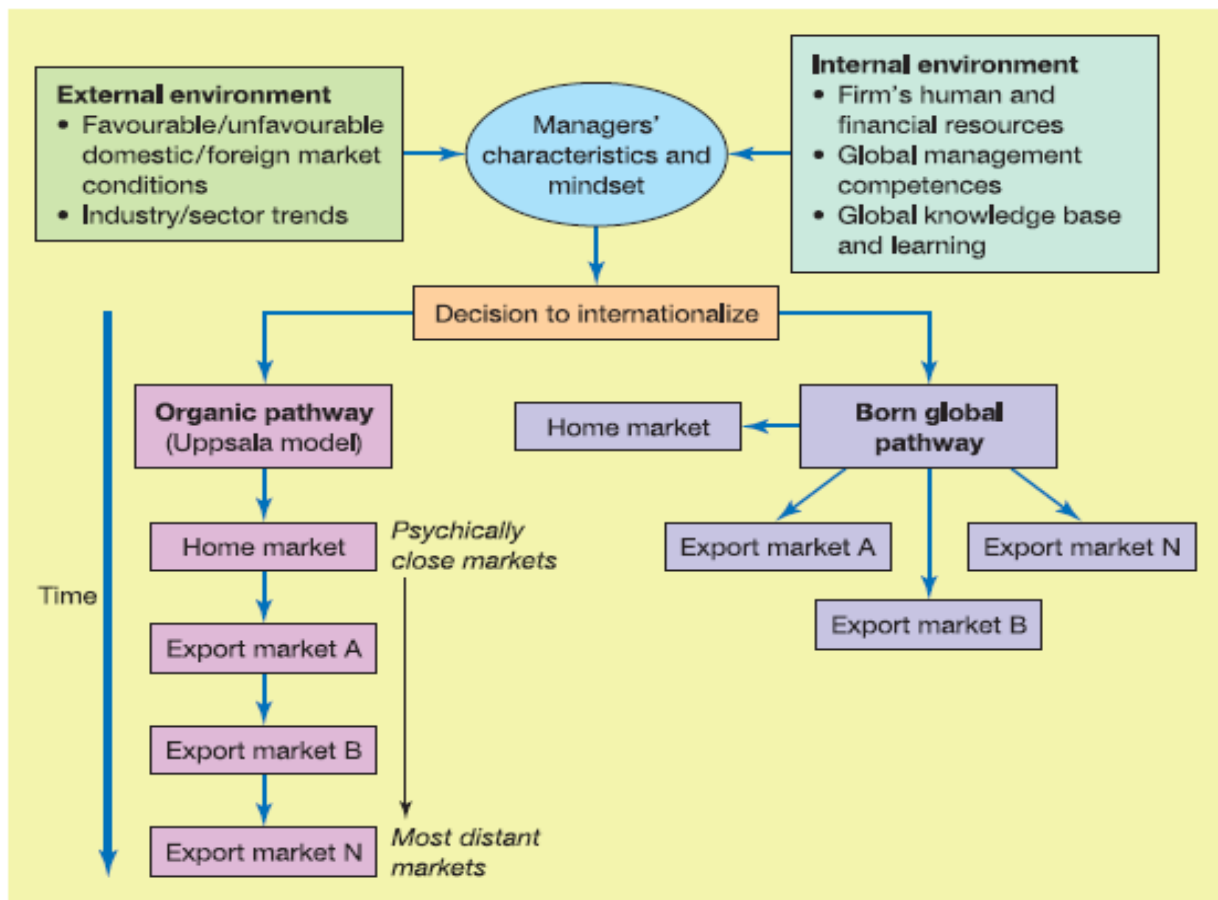
Bell (2001) mentions a new concept of born-again global firms consisting of long established firms previously focused on their domestic market and which have suddenly embraced a quick process of internationalization. Johanson and Mattson (1988) refer that global internationalization processes take place much faster with coordination and integration within domestic borders and more independent from partners, distributors or allies.

Most of the Born Global enterprises are focused in innovative products. These kind of products tend to spread quickly and globally in new markets because of the homogeneous demand of today's world which is much more international minded than ever before.

Figure 5 presents the differences between the traditional internationalization process and the born global scope, according to Åijö (2005). In this case, the external and internal environment, which includes some proactive and reactive drivers and managers willing to internationalize are key for the decision. In internationalization, Aijo (2005) describes two ways to internationalize: by following the Uppsala model exploring the home market and later try countries with similar characteristics or take the risky decision to bon global by starting operating in various countries.

Born global internationalization process can only be successful in a homogeneous and stable marketing mix business area because a SME can't take a different approach to each different country without a great deal of resources (Hollensen, 2007). In the case of a single product offer, born global companies should explore markets where they will get leading positions with high market shares; this is particularly important because SME's tend to have high fixed costs in developing their projects, so one of the priorities is to achieve payback as soon as possible.

Figure 5 - Uppsala model and Born Global



Source: Uppsala model and Born global pathways (Åijö, 2005).

Hollensen (2007), presents some major factors for the emergence of born global:

- **Increasing niche markets:** Growing demand from mature economies in specialized products from a global niche to compete against multinationals. The competitive advantage from these firms is in small details that make the product different from the one made by big companies.
- **Advances in the production process/technology:** Technological development has been one of the most important factors for born global growth; new technologies allow companies to compete against multinational by creating sophisticated and dynamic products worldwide. Most of these products are targeted in a special niche market and placed in the global market. This tendency from SMEs increases specialization in many industries and some of these SMEs are acquired by large size companies because of their products or know how.

- Flexibility of SMEs: Small and medium sizes enterprises tend to be quicker, flexible to adapt to foreign environments because of its international mentality and standard approach.
- Global networks: Partnerships with foreign business is a key for SMEs growth. Distributors, trading companies, subcontractors are an essential network for small business to internationalize rapidly.
- Advances and speed in IT: Information technology knowledge is another common characteristic in born global. Communication technology to allow a faster flow of information and with higher efficiency, both internally and externally, is a key for SMEs, in order to reach clients outside and get the internal information to flow between the company insiders.

3.6. Internationalization Process Models

Internationalization process models represent three theoretical perspectives regarding going global. First, experimental learning, also known as the Uppsala Model (Johanson, Vahlne, 1977); second, Systematic planning (Root, 1987, 1994); and third, Contingency perspective (Welch, 1995).

For Li, Dalgic and Li (2004), the establishment of one of these models would be helpful for examining internationalization of small and medium size enterprises (Fujita, 1995, Liesch8Knight, 1999, Manolova, 2001). According to the same authors, SMEs have three major issues over internationalization. Because of limited resources for information and knowledge acquisition of possible markets, they cannot afford to take a systematic planning process as the big sized firms can. Secondly, they have little experience in undertaking such a complex detailed planning without committing mistakes. Finally, today's competitiveness is extremely different compared with ten or twenty years ago.

3.6.1 Uppsala Model

Regarding internationalization process models, the Uppsala model (Johanson & Vahlne, 1977) is one of the main references since its study with Swedish companies. The conclusion of this study was that apparently Swedish manufacturing companies tended to start operations abroad in nearby markets and only later would gradually penetrate into culturally similar markets. Companies should start their internationalization with less complex countries with closer cultural relations with the company's home country and expand progressively to more complex countries with distant cultural relations (Silva,

Pacheco, Menses & Brito, 2013). Later on, once companies have acquired enough know-how in internationalization and experience to approach other markets, cultural and geographical distance can become smaller barriers (Root, 1994).

According to the Uppsala model, the internationalization process is not a matter of obtaining sales and profitability. It is a very risky process in which companies may find difficulties in finding accurate information about markets with higher cultural differences due to lack of knowledge (Johansson and Vahlne, 1977).

This model is also known as the Incremental Internationalization model (Johanson and Vahlne, 1977), since it is based on the firm's growth process (Penrose, 1959). Knowledge on the foreign market will determine what kind of commitment should be taken by the company in this process. By increasing such knowledge, commitment will also increase regarding foreign markets.

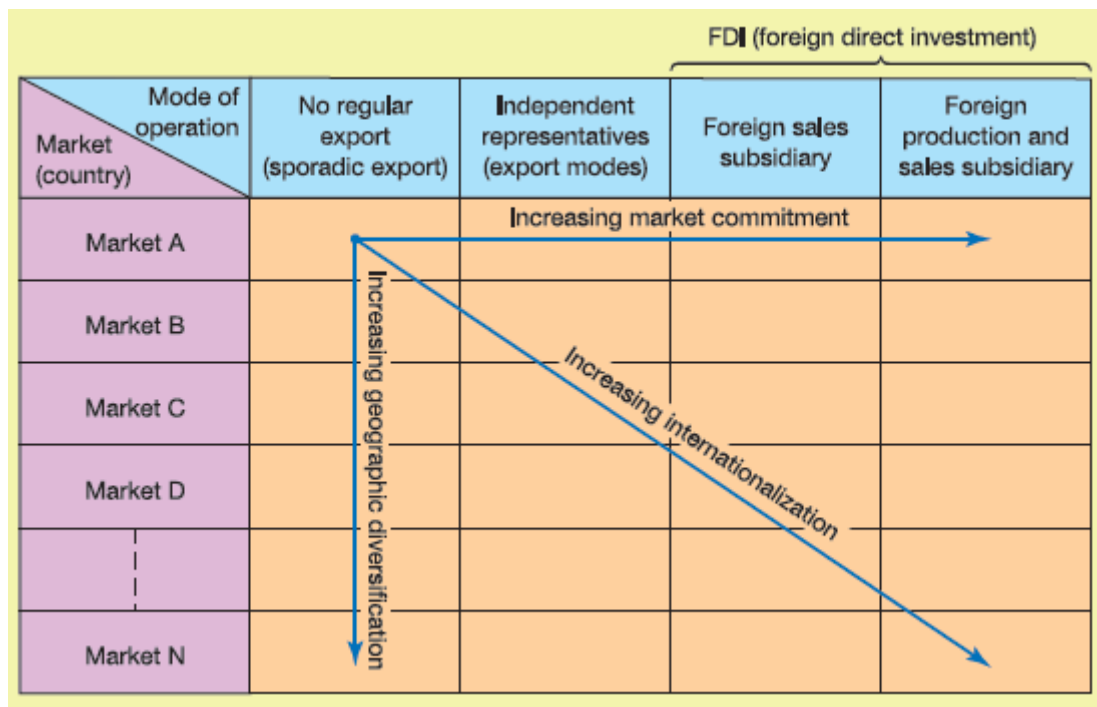
For Johanson and Wiedersheim-Paul (1975), there are four different approaches to a new market, presented in the following list, where the successive stages present higher commitment and involvement with the market.

- Stage 1: No regular export activities
- Stage 2: Export via independent representatives
- Stage 3: Establishment of a foreign subsidiary
- Stage 4: Foreign production/manufacturing units

In the Stage 1, the company only exports when orders are placed and that happens with some irregularity due to very few customers. Once the company gets more regular orders, export activities can be taken with the help of independent representatives, which consists of Stage 2. These independent representatives may have a more important scope because companies are more interested in getting additional knowledge about their clients. Stage 3 is a more mature investment for the company regarding its larger investment. According to Johanson and Wiedersheim-Paul (1975) opening a subsidiary for production or sales increases the commitment and companies' main priority may include gathering high quality information that can be useful for increasing sales.

For Araujo (2008), by moving one of the stages forward, the levels of commitment are increased, and moreover applying those stages in more and more markets increases the geographic diversification of a company's internationalization.

Figure 6 – Commitment and diversification in increasing internationalization



Sources: Hollensen in Global Marketing: A decision-oriented approach (2007).

According to Zohari (2008), the Uppsala model has some limitations in the new global era. For this author, since its development by Johanson & Vahlne (1977), business internationalization environment changed considerable. This model doesn't take into account management incentives and its effects in decision making, or the fact that the Uppsala model mentions about four steps of market entry and doesn't include other entry modes (mentioned in the Internationalization Strategies subchapter), such as, Franchising or Licensing (Doole, I & Lowe, R, 2008). The main reason for this is the fact that the Uppsala model is from 1977 and the globalization atmosphere changed in the last decades with innovations in communication, transportation and production technology areas, or with new macroeconomic players in the globalization like BRICS, or even by eliminating some barriers that no longer are a problem for global business. Zohari (2008) makes reference to another important detail in the Uppsala model. The author questions if the Uppsala model approaches SMEs, LMEs, MNCs or is a general concept for all kinds of companies, also if the model can be applied to companies from countries like China or India, which have a different approach to the business strategy than western nations like USA, Canada and European countries.

Networking in the Uppsala Model

However, the Uppsala model was initially focused in the market knowledge and market commitment, (Johansson and Vahlne, 1977). Recently, the approach changed to acknowledgement in the network relations in the internationalization process (Johansson and Vahlne, 2003). According to Galkina and Chetty (2015), this new version highlights a network perspective on internationalization deals with build and develop managerial network with several actors. According to Wright and Dana (2003), entry barriers are associated with the establishment of new contacts and their exploitation. A more recent version of the Uppsala model from Johansson and Vahlne (2009) mentions that the main barrier is no longer the physic distance and liability of foreignness but is associated with the network position in a foreign market.

For Johansson and Vahlne (2009), creating a trustful network relation is important for this process in acquiring an insider position with knowledge people in their targeted market.

According to Galkina and Chetty (2015), different types of relations are essential for internationalization of SMEs. Yeung 2002, Wright and Dana 2003, Keupp and Gassmann 2009 refer that this networks may help obtaining financial resources, new capabilities, know how about the market the company is trying to enter. By the other hand, Coviello and Munro (1997), Mort and Weerawardena (2006) and Sasi and Arenius (2008) mention that network relations may be a con for the internationalization process because of high risks, network rigidity, liabilities, negative performance or trust.

3.6.2 Systematic Planning Model

This model is based on the market research and scanning for international performance. Root (1994) developed an internationalization process based on assessing market opportunities, setting goals, selecting entry modes, developing marketing plans/strategies and executing. Recently, Yip et al. (2000) proposed another model that is more focused on SMEs, by developing a strategic planning, market research, market selection, entry mode selection, problem planning, and post-entry commitment. These models developed by the aforementioned authors are much more rational and planned than Incremental Internationalization model, which is based on market knowledge and commitment.

The methodology of this model is based on the classic economic theory of perfect rationality (Li, Li & Dalgic 2004) and on a perfect information portfolio availability to evaluate all the possible options in the planning of development.

3.6.3 Contingency Perspective

The last theory for the internationalization process of small and medium enterprises is related with contextual factors. This theory is seen as a criticism of the Uppsala model mentioned before (Turnbull, 1987). This author mentioned that a company's internationalization is influenced by the operational environment, industry scope and company's strategy and goals. This internationalization model is based on networking by creating formal and informal inter-firm relationships (Coviello and Munro, 1997). For Boter and Holmquist (1996) traditional SMEs still approach international markets by using an organized process, while startups adopt rapid internationalization processes without respecting any specific order or traditional plan, such as in the case of the "Born global" companies (Knight, Cavusgil, 1996). Those companies are an example of rapid internationalization without any specific order and based on internal and external factors, such as, economic rationality and managerial behavior.

According to Li, Li & Dalgic (2004), these three models are evolving since the 70's and have been changing as a result of the development of information technology and the evolution of the international business environment in the last decades.

Internationalization processes started in the 70's with poor information issues and foreign markets experience by using experimental learning perspectives (Uppsala Model) to penetrate new markets.

Then, in the 80's and 90's, with the development of information technologies and integration of international markets and foreign knowledge, information became much more clear and available for planning methodologies.

By the end of the 90's, globalization made the business environment much more competitive and volatile and companies now try to focus on product life cycles and liberalization of economies, especially for Small and Medium Enterprises.

SMEs experimental learning can be a good basis to explore new markets but international knowledge, competence and capacity to operate in volatile economic sectors is fundamental to approach a new economic environment defined as regionalized, based in information technology knowledge and deconstruction of value chain (Evans, Wurster

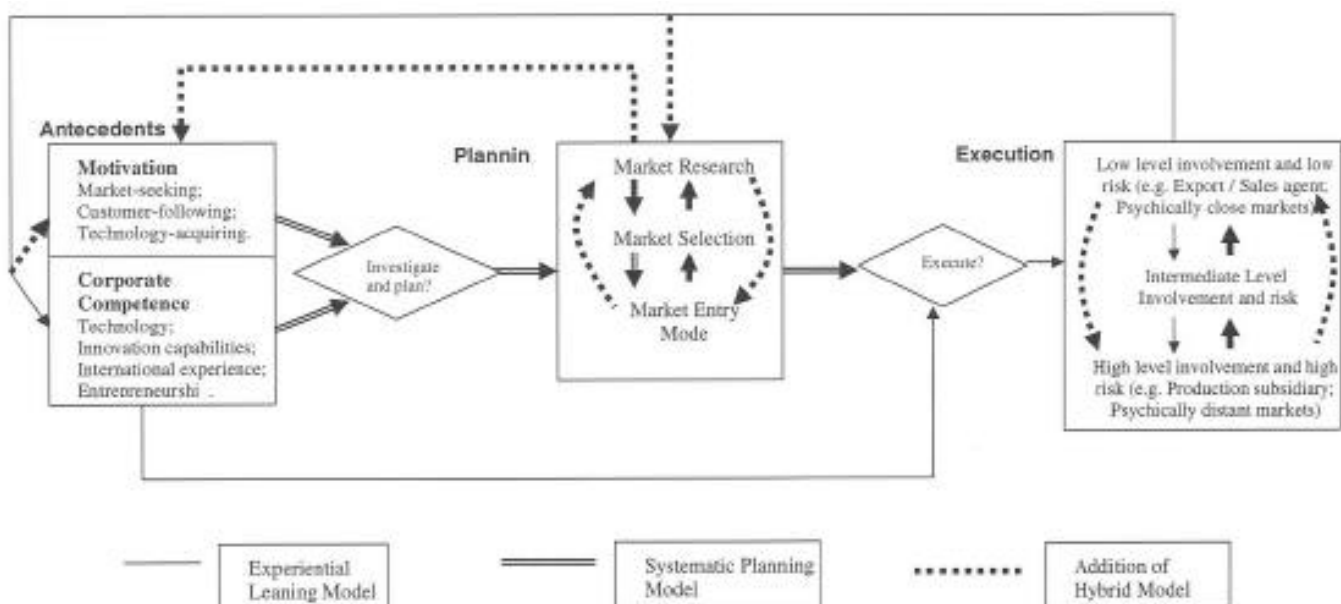
1997, Rugman 2000). According to Li, Li, and Dalgic (2004), systematic planning might be the best option for SMEs engaged in mature industries or having more technological knowledge and advantages.

3.6.4 Hybrid Model of Internationalization Process

Li, Li, and Dalgic (2004) created a model that integrates experimental learning and systematic planning models. This model is based in antecedents, planning and execution. Here antecedents are motivations and corporate competences, planning is the whole range of market research, market selection and market entry mode approach and execution is related with risk management and business strategy.

As shown in figure 7, the experimental learning model ignores firm motivation and focuses on companies' competencies, (such as, knowledge and experience) and execution. This model is based on the theory that companies with low knowledge and experience should start an internationalization process by low risk and low commitment with exportations to physically close markets and increase the commitment by increasing operations abroad as knowledge and experience gets mature and significantly stable. The hybrid model suggests that internalization can even start by higher leveled commitment and risk with direct exportation or joint venture (intermediate) and then change for a lower risky and commitment strategy, such as, exporter or agents.

Figure 7 – Hybrid Model of SME internationalization



Source: Li, Li, and Dalgic, 2004

Figure 7 demonstrates systematic planning approach is encouraged by companies' motivation and competencies, which take it to general knowledge and planning. This model suggests that a company may start by choosing a location and then study about market research and market entry modes, especially for SMEs, which are much more unpredictable and resources constraints, this makes the process less systematic, multidirectional and less sequential. For Dalgic and Heijblom (1996), systematic planning has to be taken within other processes because probably wouldn't have an effective knowledge about the markets that is needed to avoid possible constraints.

Systematic planning and experiential learning are complementary, according to Li, Li, and Dalgic, Tevfik, 2004, these two models are sequential for the internationalization process of SMEs.

Figure 7 shows the addition of a hybrid model by integrating and giving a contingency perspective to experimental and systematic planning. In creating balance between both planning processes this addition to both models framework would improve the internationalization process, also by capturing the variety of non-rational patterns and giving strong normative implications. The hybrid model is particularly focused on SMEs regarding the scope of the model, which is based on early stage internationalization process. According to Liesch, Knight (1999) and Aharoni (1966), although an expensive investment, this model is very specific and adapted to low resources organizations (capital, experience, management, and others) and poor international experience. For Li, Li, and Dalgic, Tevfik, 2004, product quality and technology based companies should develop a systematic planning process because of market research knowledge by targeting a specific foreign market, while other SMEs should focus on critical steps of the planning process, such as, negotiation or specific entry modes regarding the specification of its business concept.

The authors of this model, Li, Li, and Dalgic, Tevfik (2004), suggest that companies should, at first look at their motivations and competencies and then focus on critical points of its internationalization strategy according to their constrained resources availability. Also, they need to focus on targeted customers, suppliers and partners' implications. SMEs, especially startups management teams are often looking for a rapid internationalization; according to the authors, this full model adaptation is very flexible for fast internationalization processes. The model also provides a feedback in each stage

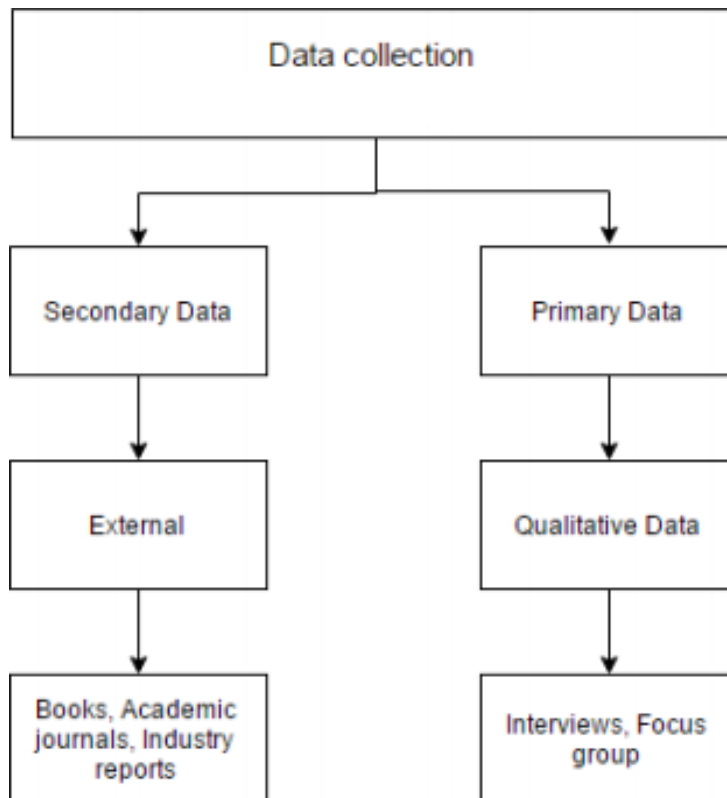
of the process from the previous stage, which makes easier to identify possible constraints regarding internationalization process.

4. SME's development in Chile

4.1. Methodology

In the development of this thesis focused on the Internationalization of SME's: Business opportunities in Chile, the author has been using a qualitative inductive research approach based in two kinds of information: primary based on interviews and secondary information (Fig. 8) such as, economic and business reports, relevant data about Chile and theoretical background about internationalization of SME's with papers, thesis, books, reports from international organizations and other reliable references. Researchers employ an inductive logic, utilizing a variety of methods to collect primarily qualitative data from which to develop relevant and testable theories (Voss et al., 2002).

Figure 8 – Data collection for construction of the containing analysis.



Source: Middendorf, J. “The Acceptance of Private Label Brands of 50 plus Consumers in the Drug Store Retail Industry”

As recommended in qualitative methodology the author will develop a semi structured (updated from emerging data) interview (primary data) with several elements with previous experiences with internationalization of SMEs to Chile and knowledge about Chilean economy and its opportunities and possible funding sources for SMEs by

presenting a detailed narrative supported by quotations from key informants and other forms of evidence (Yin, 1989).

Interviews allow to obtain specific information about internationalization processes to Chile from different people with previous experience. The advantage of this study methodology is the fact that is possible to obtain thought, feelings and intentions with a direct contact with the interviewed.

The author had the chance to study seven different cases with experience of internationalization of companies to Chile and with knowledge about the country economy and opportunities. This data collection through interviewing people is important to gather a better understanding of their opinion on the country economy, of internationalization of SME to the country and some key aspects to make it successfully.

First, the Portuguese chamber of commerce in Chile and the Chilean chamber of commerce in Portugal representatives were interviewed in order to get a general idea about the country, its economy, politics, legislation, business environment and other important details. These two interviews have provided an important base to gather and understand the reality of the country.

Then, with the main aim of obtaining some experiences from founders, CEOs and entrepreneur of SMEs or Born Global in Chile, the author interviewed five entrepreneurs: i) CEO of a software and outsourcing SME from Spain, ii) Entrepreneur working for an American SME in Chile, iii) Owner of a Portuguese SME internationalized to Chile, iv) foreigners that developed a Startup in Chile and v) foreigners that developed a SME in Chile through Startup Chile.

The selection of the interviewed for this study was not easy. The author had to identify SMEs with experience in internationalization to Chile and, at the same time, with owners or managers comfortable enough to provide information to someone they do not know.

One of the aspects that characterize qualitative research is to use several references in data gathering. That helps the author to understand and study behavior and moments. Matos and Carreira (1994) mention about the importance of the author to find facts or situations that can be unnoticed to some people, maybe because they are normal, however those situations and facts can be relevant for the study.

Regarding the relevance of qualitative research observation (Denzin and Lincoln, 1994), the author of this study assumed the role of participant observatory in a company that is

currently operating in Chile. This company was internationalized to Chile ten years ago. The core business is to provide outsourcing services to some of the largest and more known banks and consulting firms worldwide with research work.

This observation happened between February and April 2016, while the author was working in collaboration with this company. In this period, the author took notes of relevant meetings about the internationalization process of the company, the market selection, advantages of Chile and the process without any confidential information that the company did not want to provide. All this information was leveraged under ethic and respectful between the company and the author.

To support this research were collected several documents (secondary data) that contribute to understand and to analyze the Chilean economy. Some of them are official reports from Chile Government about Chilean Economy and about SMEs internationalization, such as, documents, historical records, organizational charts or statistics.

The resources of different sources of information, as interviews, observations and documents, allows a deeper understanding of internationalization issues. Data triangulation is an important step in qualitative research. In this sense qualitative researchers generally use this technique to ensure that an account is rich, robust, comprehensive and well-developed (Denzin and Lincoln, 1994).

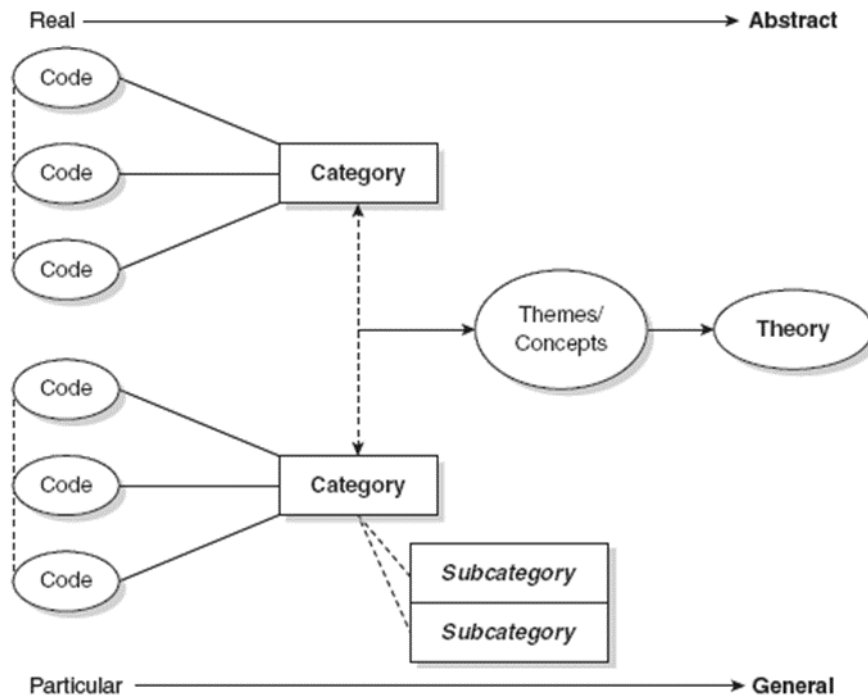
After performing those interviews, the authors will analyze data using a coding methodology by dividing key information in three categories, information related with Business opportunities, economic data and funding sources. From that information the author will be able to provide final conclusions regarding the main theme of this thesis. All this analysis will be performed with articles related with the same themes from individuals that have been involved in studies about the topics mentioned before.

The author focused the key information taken from interviews using an open coded methodology, Strauss and Corbin (1990).

Each of those categories will present several references from the interviews developed during the study and will be provided separately in sub chapters divided in the three key points of the study: Economic data, Business opportunities and Funding sources.

The following figure (Fig. 9) from Strauss and Corbin (1990) shows how the information will be organized. The only difference would be the number of categories are three and not two as indicated from his end.

Figure 9. Qualitative coding divided in categories.



Sources: Strauss, A. and Corbin, J. (1990). Basics of qualitative research: Grounded theory procedures and techniques. London: Sage.

4.2. Chilean Economy Overview

World Development Bank Indicators (2016), displays that last ten years have been extremely important for Latin America nations, growth has reached levels never seen before and development of Latin American nations are taken in consideration for many companies and countries as an important step in world development of potential new interesting markets.

Specialists in Chilean Economy interviewed mention that Chile is one of this references, this country has grown consistently in the last years because of its market-oriented economy with a very developed foreign trade strategy being present in several trading agreements and strong financial institutions in a country characterized by very trustful financial entities and the strongest sovereign bond rating in South America.

According to Chile Central Bank (2015), between 2003 and 2012, real GDP growth averaged in values around 5%, where most part of those government revenues come from

exportation, mostly of commodities, such as, copper, fruits, and others. This commodity is one of the key tools for Chilean development since this country is the global copper extractor and exporter. Latin American did not feel the 2008 economic crisis as Europe or United States but it did feel the consequences of Occidental nation's crisis with reduction of their growth speed.

Chile has around 22 trade agreements with 60 countries including European Union, Mercosur, India, China, Mexico and South Korea. Recently, as signed the Trans-Pacific-partnership agreement, the largest trade agreement in the world (Asenjo, 2016). According to the Representative of the Chilean Chamber of Commerce in Portugal, this trade's agreement is one of the strongest competitive advantages in comparison of the other Latin Americans countries, which have not been able to create such strong open market worldwide.

According to World Development Indicators from World Bank attachment, foreign direct investment inflows in Chile reached almost 8% of GDP by 2012, right now, that percent is around 5%, nevertheless it represents a very important and interesting fact about foreign investment in Chile and how the country is attractive and open for foreign investment.

Chilean economy is very dependent of copper prices. When prices are lower economy suffers consequences of lower growth, unemployment growth, and other direct and indirect effects.

In the last decade, Chilean economy has grown consistently, however, and according to the specialists interviewed, in 2015, this country has experienced a slower growth thanks to copper lower prices. In those cases, Chilean government has to decrease public spending to stimulate the economy. Currently, in 2016, growth has been very similar to last year, and the actual government has been criticized because a XXI century crisis in Chile is when growth is not above 2%. The main reason for austerity for 2016 is related with lower copper prices that reached the lowest price in 2015 and is increasing slowly. This industry represents 19% of Chilean GDP and is the most relevant active for Chilean development and economic stability.

Regarding inflation forecasting for 2017, according to OECD forecasting studies, inflation in Chile will round moderate levels around 3%, regarding the issues mentioned before with Chilean peso depreciation and low copper prices.

One aspect mentioned in the interview was that even this small details regarding Chilean economy are an awareness for the general population, if we take a look to Latin American situation, Chile remains one of the most stable and interesting countries in a region where Brazil, Venezuela, Argentina and Mexican economies are struggling.

According to CIA Factbook (2016), Chile accumulated surpluses in a sovereign wealth fund during period of high copper prices and growth, while economy is slowing down those wealth funds are used to finance and create a less significant impact in the Chilean economy, a strategy very similar to Norway wealth funds of Oil to crisis situations.

Those sovereign wealth funds are kept outside the country and away from the Central Bank reserves and count with dozens of billion dollars.

OECD reports (2015) regarding the economic freedom in the World, Chile is ranked as the seventh freest economy in the world, alongside with countries, such as, Canada, Ireland, Scandinavian countries, and other economies that are usually mentioned as an example to follow, while, in the Latin American context is referenced as the first with 7% more than the second, which is The Bahamas. In order to achieve this notable recognition by the organization, Chile approached its economy to an open market orientated strategy and rule law easy to open and develop operations in the country.

Table 2 – Major Development Indicators

	2012	2013	2014	2015 (f)	2016 (f)
GDP growth (%)	5.5	4.3	1.8	2.0	2.0
Inflation (yearly average) (%)	3.0	1.9	4.4	4.3	3.6
Budget balance (% GDP)	0.7	-0.5	-1.5	-3.3	-2.2
Current account balance (% GDP)	-3.6	-3.6	-1.1	-0.7	-1.6
Public debt (% GDP)	33.5	33.5	37.0	38.8	38

Sources: Chile Central Bank and World Development Indicators.

For the specialists interviewed, Chilean economy depends upon on copper and that has created a negative impact in Chilean economy growth in the past years. Nevertheless, economic growth has been very sustainable in the last years, even with the alert over copper value decrease. GDP growth has decreased in the past two years, which was also an influence for inflation growth, Chilean peso depreciation, budget deficit and public debt growth. Following a different flow in the Chilean economy, the unemployment rate was about 11% in 2009, between that year and 2012 decreased to 6,5% and today is

around 6,3%, Banco Central de Chile (2016). This values are related with the increase in investment and business development from SME's and GDP growth.

Attachments 2 to 22 are tables with information provided by the World Bank for World Development Indicators. These tables present information for different topics and always comparing the USA, low and middle income countries, upper and middle income countries, Latin America and Caribbean, Latin America and Caribbean (excluding high income), least developed countries (according to UN) and Latin America & the Caribbean (IDA & IBRD countries).

According to attached data presented by World Bank, it is clear to conclude that Chile presents more similarities with USA and more developed countries with middle and upper income. The country has used benchmarking strategies to create favorable conditions for business.

Costs of exportations and importations, number of days to create a business, hours to pay taxes and the few number of documents to be presented tend to support the idea of an open economy. Also, the number of mobile subscriptions is very high even comparing with USA, which is a Latin American tendency.

One of the most important indicators for business is the value of taxes, which the author identified as lower comparing with the other Latin American countries and most of European nations and the World Bank indicators confirm by presenting a corporate taxes much lower than USA, Latin America & Caribbean, least developed countries, lower and middle and middle and upper income countries. This is a great advantage for business development in Chile.

A highlight about last year's development can be taken from World Development Indicators tables in attachments is the increase in GDP per capita and GDP in Chile from 2005 to 2014. GDP per capita value doubled in less than 10 years, which makes clear the evolution the country has passed through by opening the economy, making a strong exportation strategy and attracting foreign investment, which makes FDI inflow represent one of the largest percentage of GDP according to the World Bank indicators. This value is much higher than the percentage of FDI inflows in USA, upper and middle income, lower and middle income, least developed countries and Latin American countries.

According to World Bank (2016), percentage of GDP for trading, Chile is again the country represented in the World Development Indicators study with the highest trading

percentage as total of GDP. In this case, exportations of copper, agricultural products and other commodities represent the products more relevant for trading and how the country is very depending on exportations, prices of commodities and looking for investment in innovative and manufacturing solutions and businesses in order to equilibrate GDP in different sectors and subsectors.

For institutions mentioned before in sources, Chile SWOT analysis in table 3 presents some key strengths that make Chile an interesting and safe country to invest with strong public institutions, stability and relatively easy law and justice system.

According to some sources, there are several industries which Chile is specialized in but technological development, know how create opportunities for more developed countries.

Table 3 – SWOT analysis on Chile.

<p><u>Strengths</u></p> <ul style="list-style-type: none"> - Solid and trustful governmental institutions - Stable Macro-economic environment comparing with remaining countries of Latam - Financial and banking stability - Low public debt - Various trade agreements with the largest economies in the world - Good labor law for business - Safety and transparency in institutions 	<p><u>Weaknesses</u></p> <ul style="list-style-type: none"> - Poor knowledge and recognition worldwide - Distribution channels and Transportation - Dependence on copper and China - Its lack of innovation: Its spending in research and development is still very weak - Its investment in network industries is not substantial - A lack of qualified workforce. Active population rate is still very low especially among women and young people.
<p><u>Opportunities</u></p> <ul style="list-style-type: none"> - North of Chile has the highest solar radiation of planet Earth - Eolic and hydraulic potential - Conventional technologies - Infrastructure - Mediterranean climate similarities - Innovation in agriculture and mining industry - Telecommunications - Recycling - IT - Good funding sources 	<p><u>Threats</u></p> <ul style="list-style-type: none"> - Competition from new emerging countries in the region, such as, Colombia or Peru

(Sources: Interviews, Investment Forum Chile 2016, Coface, Santander Trade Portal)

4.3. SME's Internationalization

4.3.1 Business Opportunities

Labiano Elcano, Javier (2015), when interviewed with relevant entities, such as, ICEX (Spanish chamber of commerce), KPMG and others, identified infrastructure, services, renewable energies, tourism and agroindustry as the most attractive areas to develop in Chile.

These specialists mention lack of energy generation and few renewable energy developments for the opportunities the country offers in this special industry that is very developed in European countries. From this industry, environmental advisory, engineering, project developments, healthcare, telecommunications, informatics, water treatment, security, and others.

In the same source and from Antonio Hernandez, from KPMG, energy and natural resources are great opportunities to countries that have developed these two areas and can bring the know-how. Same example, can be provided for tourism, hotels management, sustainable tourism and other innovational ideas can be very successful in Chilean market, as well as, agro industrial areas, such as, wine and agriculture innovational products with enough differentiation factors or innovation in order to have competitive advantage according to specialist interviewed by the author.

Based on different interviews made with experts in the Chilean economy, Internationalization of SMEs to Chile. The author was able to identify the following areas to be interest to be invested by SMEs. Most of the recommendations were provided by the Portuguese chamber of commerce in Chile and Chilean chamber of commerce in Portugal, entrepreneurs and managers.

Governmental programs for Small Business creation with innovative ideas

In a case-study about five SMEs in Chile, Cancino, Coronado, and Farias (2012), considered successful examples through analyzing the evolution of these five small businesses in Chile:

One of the first analysis is related with the key factors to success in Chile. According to Barringer (2005) entrepreneur mindfulness and experience (Singer, 1995), university background (Sapienza and Grimm, 1997), innovative products (Patterson, 1998) and networking (Hansen, 1995; Zhao and Aram, 1995) are key factors to have a successful

business. With these factors, entrepreneurs are abler to find an opportunity and develop a business in a certain environment.

Those five companies have participated in Corfo programs. Four companies got financed in less than 100.000 dollars, while one was financed in 100.000 dollars. In some cases, private investors, banks, 3F's have helped financing their business but Corfo was definitely a key stakeholder in developing these businesses.

All these companies present innovative products, which is a requisite from Corfo in order to get financed by the program (Cancino, Coronado, and Farias, 2012), one created a mobile marketing products, which means that is a startup, for large sized companies with SMS and other tools. Other, created energetic solutions, an industry with large potential in Chile, for national and international businesses from different industries and segments. He following companies were studied by Cancino, Coronado, and Farias (2012): a mining company, the most important industry in Chile, executes edification projects for mining constructions, one company from the fishing and agricultural sector, the second most important in Chile, created disinfection service for companies from key industries in Chile, and finally, fishing products with diversity and processing level very advanced. The competitive advantage is the fact that all are presenting innovative solutions for large business in Chile.

The case of these five companies is evaluated has very successful since in the first years, number of sales was above 100.000 dollars, more than 20% growth in annual sales in the last five years, those are reasons to mention these companies has dynamic according to Fischer and Reuber (2003) and Kantis and Diaz (2008).

Cancino, Coronado and Farias (2012) analyzed how this companies got financial support to develop operations and only three asked for money to the banks and the same three companies maintain relationships with other entities besides Corfo. The study developed by those authors also shows an interesting fact regarding sales from the first two years and last year (before the article), the two companies that did not ask for money to banks are the ones with more revenues from sales.

According to Giumon, Jose; Klerkx, Laurens; De Saint Pierre, Hierry (2016), despite the rotation in Chilean governments, Corfo programs are considered essential for the country and no government and minister has had intentions to stop financing companies. It has been a key for Chilean economic development to keep these programs running in order

to provide, innovate and growth the business environment internally. ICE program is having a long term commitment even with a payback expected after a long period and that is the main reason why there has not been thought about suspend this program or reduce efforts.

Innovation in mining industry

As mentioned before, mining is the engine for the Chilean economy. Chilean GDP growth depends on copper prices. According to some of the interviewed people, innovative products in mining industry can be identified as an opportunity for SMEs.

Working in the mining industry means doing business with big enterprises that may be willing to pay a good amount of money to develop a solution for operational purposes.

Cancino, Coronado, and Farias (2012) have studied SMEs in Chile that have been successful with Corfo programs and by identifying the main industries to perform investments. In this study, one of the companies created an idea focused in the mining industry. They provide edification projects for mining construction.

According to this study developed by Cancino, Coronado, and Farias (2012), this company had one of highest revenues values for the first and second year and was the most constant in the five companies analyzed. In this case, we cannot assume that means that mining industry is very constant and may be interesting to invest if the goal is to have constant results but may be a signal of stability.

Renewable energies

All interviewed specialists have mentioned about the renewable energies opportunity in Chile. For both Chambers of Commerce representatives and one of the entrepreneurs interviewed, renewable energies are one of the main sector to invest.

The main explanation to this is the fact that Chile is a country with several different climates. In the north the country has one of the sunniest areas in the world. This are representing a huge asset to renewable energies companies. Many have invested in the last years, from big companies to small businesses.

For Von Hatzfeldt (2013), Chile is a country with a vast potential in renewable energy and has been promotion renewable energy in the country. The same author, developed a study on renewable energy policies in Chile and was able to conclude that in the 80s and

90s, Chile developed pro renewable energy investment policies in order to bring investment to this sector.

Von Hatzfeldt (2013) states that by 2024, the country estimates that 10% of the energy in the country comes from renewable energies. For Von Hatzfeldt (2013), the country projected renewable energy goals that are far to be achieved and investments in this sector are very important to provide economic growth, sustainability and employment to many Chileans.

Table 4 - Renewable energy source estimated potential

	Small-hydro	Solar	Wind	Ocean	Geothermal	Biomass
Estimated Potential	10,000 MW	275 MW/km ²	40,000 MW	164,000 MW	16,000 MW (over 50yr period)	1,370 MW

Sources: Woodhouse and Meisen, (2011)

Table 5 shows the potential of renewable energies in Chile according to Woodhouse and Meisen (2011). Also, Woodhouse and Meisen (2011) identified some barriers in developing renewable energy projects in Chile. The barriers are the following: weak infrastructure, lack of information on energy resources, geothermal exploration, which requires large investments, difficulty accessing credit, uncertainty regarding technological options, distance to electricity grids, geographical Features and national protected areas.

Woodhouse and Meisen (2011) mention the best areas to invest in solar renewable energy solutions are the north and central area of the country, while the south is more reliable to hydro electrical renewable energies because of the different climates in the country. In the north desert is predominant, in the center is dry but with many green areas and south is basically green, water and glacier areas.

Infrastructure

The Portuguese Chamber of Commerce mention that infrastructure investments are more likely to be developed by large enterprises. Investment from SMEs for this sector is very uncommon and most likely for small accessories for the business of this big groups, such as, the creation of an electronic system for highway or an app to pay tolls.

However, in Latin America, infrastructure has been a relevant sector to invest. In Colombia, El Tiempo (2016), informs that 4G highways, which Mota Engil is going to

invest according to a news made public in August 2016 and most countries present many opportunities for this area.

Infrastructure in renewable energy of innovation for Ports, highways and other big construction projects may find an opportunity for Small and Business Enterprise. For the Portuguese Chamber of Commerce, a Portuguese company called Jacinto internationalized to Chile by providing firefighting vehicles to local consumers. Their internationalization was based on representative agents in Chile, which is a much cheaper solution for SMEs in initial phases of internationalization processes.

Telecommunications

The Chamber of Commerce from Chile and Portugal and one of the entrepreneurs interviewed, telecommunications can be a very important and fast growth sectors. The main reason is related with the developments in other Latin American countries and the fact that is one of the most competitive industries worldwide and is living a digitalization period where changes are happening very quickly and are key for competitive advantage over competitors.

Chile made changes in the telecommunications law in the 90s, however many things have change in telecommunications since then. The country has deregulated the market in order to promote competitiveness among the different players in the market.

For Rosenblut (1998), the main reason for deregulation of telecommunications industry in Chile was by the influence of Chileans taking studies in Chicago School of Economics and the openness and strong relation to Untied States policies in terms of economic competitiveness.

Most of the players in the telecommunication market in Chile are large companies from Chile and Spain, however, many other companies have reduced market shares. For example, Virgin mobile has a lower market share and their strategy does not include stores for in Chile.

According to Rosenblut (1998), telecommunications industry was in need of millions of dollars of investment and is unlikely that Chilean Telecommunication Development Fund would provide money to big companies to develop and fulfill all Chilean territory with telecommunication services. However, the country has made several investments through other subsidies provided to private enterprises. The main goal of this investments was to provide this services to rural areas and less developed areas in the largest cities.

Information Technology

Information technology (IT) was mentioned by interviewed people has one of the trends to invest in the next years, which can be considered a global trend because IT has been in constant growth worldwide and is probably one of the key for development of small business through the creation of innovative companies with competitive advantages and differentiation factors. However, one of the interviewed, which is the CEO of an IT company in Spain and has been internationalizing to Latin America has mentioned that it is extremely hard for a SME to internationalize to Chile because of high costs and the power of local players with several power and know-how about the internal market. The same interviewed mentioned, as best approach to Chilean market, a partnership or joint venture with one Chilean investor or company and provide the know-how of his company. However, this company has internationalized to Peru because identified a GAP for its business idea.

For Kleine (2014), Chile has the most developed IT market in Latin America, one of the key for this success are the programs developed by Chilean governments in the last years.

Chilean Market Forecast report (2009) forecasted a significant growth in IT market in Chile. The country has a spend per capita higher than the largest Latin American economy, Brazil, and Chilean Government Digital Agenda has been an incentive to IT development and increase in the country. The same author, also mentions that Chile IT market presents an opportunity to enterprise sector, with lower investments comparing with some other Latin American nations, however, world economic crisis increase outsourcing services from countries in Latin America, Asia and Africa with relatively advanced education and low labor (comparing with Europe and North America) costs.

Chile developed a programs called CLP3bn in order to develop IT SMEs developments and growth in the country in industries the government finds more relevant for the country, such as, food, agriculture and tourism.

For Chilean Market Forecast report (2009), Corfo has played a very important role in this industry. In 2008, this organization invested around 12 million USD to help stablish offshore services in Chile from around the world.

Chilean Market Forecast Report (2009) highlights Chile the fastest growth of PC and notebook markets in Chile and the growth around 10% from 2009 to 2013, while IT services have grown around 15% in the same period. However, this growth was following

an economic growth that now is decreasing to around 2%, it is estimated to continue for the following years.

New IT products that have recently merged in the markets, such as, the e-reading hardware have been increasing very fast worldwide and in Chile, this growth was around 40% and is most likely to increase in the next years.

According to Chilean Market Forecast report (2009), government programs guide to a market development in the country. For IT, the Chilean government has invested in Digital Agenda 2.0 for a period of 3 years. The main aim of this program was to create and develop technology projects from e-government to education or businesses.

Recently, CLP3bn project is available to support SMEs focused in IT projects to implement projects in the country with the same idea to promote outsourcing services in Chile from global companies.

This affirmation made by this report come to what was gathered in the focus group interview with an Indian company providing outsourcing services in Chile to big companies worldwide. That company provides financial, IT and data analysis services to some of the largest companies worldwide and their internationalization to Chile was by 2008, while they were still a SME in development.

One of opportunities identified by one of the interviewed persons in this study was to invest in technological education. In the last years, several countries have invested in technology for education. In Chile, even public universities are paid and very expensive, money to invest in research and academic investigation is high and technological investment has been made in last decade to improve efficiency in education.

Recycling

According to one of the interviewed members with experience in internationalization of a company to Chile, recycling is an opportunity to invest in Chile.

The author has identified a few new and small businesses that are focused on recycling. For example, sun glasses with materials from fishing line or reused plastics.

Recently, Industry news (2016), highlighted an investment from an Italian group that decided to make a partnership with a recycling company from Chile. This new business unit provides label printers and brand end users with a sustainable product. The main idea of this investment is to create a sustainable investment environmental friendly, which is

something that many companies today try to do in order to provide a good and friendly image to their customers. In the case of this company, the materials used by customers are reused in the next production after receiving the recycled product.

This opportunity can also be helpful for the creation of infrastructure to develop waste management and recycling operations for various customers.

Centers of Excellence for research

Giumon, Jose; Klerkx, Laurens; De Saint Pierre, Hierry (2016), dedicated an article to explain how Chile is an example for R&D globalization into Latin America. Chile was one of the first countries to invest in the attraction of foreign R&D, with the main goal of strength the internationalization of Chilean based companies focused on innovation.

By 2008, Corfo through InnovaChile, launched a program called International Centers of Excellence (ICE). By the time, this program was considered a new and innovative idea to attract foreign companies developing R&D and the first program with this nature in all Latin America. The core idea was to attract companies creating R&D centers where foreign universities, public research organizations, and private companies could develop R&D, transfer technology and commercialize. All these programs were based in a selection by evaluating the potential for Chile and how would create competitiveness in Chilean industries. This program requirements and goals of the ICEs programs, hiring local scientists, create partnerships with local organizations to transfer knowledge to local universities and contract local companies to conduct operations in an agreement methodology was key in order to be accepted in the program.

According to Giumon, Jose; Klerkx, Laurens; De Saint Pierre, Hierry, by 2016, the annual budget for this program is around 30 million US dollars, and considered one of the largest and more important programs developed by Corfo. This amount of money is considered very high and limited investments in other interesting programs. The main purpose was to create and accumulate a vast amount of R&D knowledge that was in lack in the country. However, the number of centers financed by this program was limited but was more helpful than any other program. In order to promote these programs, Chilean government uses Chilean embassies and Chambers of Commerce to mass communicate by direct contacts with leading universities and research institutes worldwide. In general, Corfo programs are known because are considered some of the most competitive programs worldwide.

Generally, Corfo programs are rigorously evaluated by a commission in charge of analyzing the program and if the development of the program is on the right way to achieve the expected goals. That commission analyzes ICEs program by interviews with key stakeholders, such as, Corfo representatives, director of centers and governmental policy makers. The results of this evaluation is to present challenges and concerns.

One of the main criticisms regarding this program was the fact that foreign companies are practicing a “techno-colonialism” by focus on commercialization of their technologies and taking advantage on the facilities provided by this Corfo program, while not focusing their attention to local technology needs and priorities.

Agribusiness

The second most important sector for the Chilean economy after mining is agriculture. The country can provide with different weather and many natural resources for the production of various products and animal species. Many of the Portuguese companies operating in Chile are related with food products, such as, tomatoes and wine.

According to Oxford Analytica Daily Brief Service (2004), the country exports the majority of its production. The country produce is very large quantities and exports around 90% of its production. Prices are very dependent on external economies factors, such as, dollar value, United States or European economies and other factors, however trade agreements developed by Chile have been essential for increase exportations.

In Oxford Analytica Daily Bried Service (2004) report the main products exported are: fruits and vegetables, more precisely, canned products, dried products, frozen products and juices.

The opportunities in this industry are not only based on producing but also in finding solutions for this industry. For example, Cancino, Coronado, and Farias (2012), when they investigate new ventures in Chile by studying 5 specific cases, two of the companies were related with this industry by finding solutions for production and adapt products to requirements and preferences from foreign customers. Adapting products to other nation’s requirements is important and part of the international marketing strategy.

Tourism

The Portuguese Chamber of Commerce in Chile, tourism is an opportunity to develop business in Chile. As mentioned before, the country presents a varied climate from North

to South and East to West. There are several types of tourism and targets. Tourism has been part of the country growth and investments have been made to cover demand.

For Chile Tourism report (2016), tourists' arrivals will increase around 7% until 2017 and investment will grow. For these, the country will expand and modernize the city airports. The main focused of tourists are wine tourism, winter sports tourism and natural areas tourism, quite different from the tourism present in Europe that is more focused on cities, culture, gastronomy and other topics. Also, recently, gambling laws have attracted investment in gambling and the country is open to facilitate the investment in hotels and other important infrastructure.

Chile Tourism (2016) reports that the country possesses an infrastructure much more advanced from the other Latin American countries and transports inside the country is prepared to tourism and also have been adapted to tourist exigencies. Tourism in the country is not centralized in one specific area but several throughout the coastline, islands and mountains.

4.3.2 Legal advantages

Legal aspects are other important driver for internationalization of a company and market selection (Hollensen, 2007 and Araujo, 2008). Companies tend to choose countries with a more advantageous law to create and develop business.

By interviewing key people with extensive knowledge in the internationalization of SMEs to Chile, Chilean economy and Business reality in Chile, the author was able to identify some important factors that make Chile an interesting country to internationalize a company regarding legislation.

Justice and Accounting system

In Chile, International Financial Reporting Standards (IFRS) are applied and that makes easier to evaluate the financial results of companies operating in the country. Also, it helps in international operations between companies from different countries and in acquisition of subsidiaries, mergers or partnerships between companies, which represents a strategy of internationalization.

More important than the IFRS is the patent. According to Binimelis-Espinoza (2015), Chile has kept patent agreements as one of the topics in the various trading agreements. According to the author, Chile has negotiated to protect patent of companies and products in 58 different agreements. More than Brazil or any other country in Latin America.

No taxes for European products

For the Chilean Chamber of commerce, it has been very important for Chile to develop trade agreements and establish relationships with other countries in order to increase foreign direct investment in the country, while many Latin American nations are still very close to foreign investment mainly from United States because of political reasons, for example, Venezuela, Cuba or Bolivia. Chile has received a huge foreign investment from European nations and United States, additionally, because the economy is very focused on copper and that is a commodity very used for manufacturing industry, China has played an important role in the development of the Chilean economy. Trading between China and Chile is one of the main and most important basis of stability in Chile according to Chilean Central Bank (2015) data for trading.

Capital free circulation

According to some of the individuals interviewed, capital circulation and economic freedom is made in a free and tolerant way. The country is very open to foreign direct investment and capital free circulation. According to French-Davis and Eclac (1999), capital flows contribute for long-term development and contribute to increase investment rate. According to the same authors, one of the great success for this was the discouragement in short-term investments. Chile has maintained liberal policies to for long-term investment and has created barriers to short term investment by increasing the cost of short-terms investments. These policies developed by the country have been great since the 90's, however many things have change since that period. One of the main issues regarding capital circulation is the exchange rates. Chilean Pesos is a depreciated currency and inflation and monetary policy has been an important management to keep FDI in the country.

Transparency

Most of the interviewees were unanimous to guarantee that Chile is a country with high levels of transparency. This opinion may be related with the fact that everyone thinks in a Latin American context. Chile is, with a very relevant distance very less corrupt than most part of Latin American nations (Transparency International, 2016). According to the same study, the only countries that may be compared to Chile is Uruguay. Even, if we evaluate Chile compared with South Europe nations, in Transparency International Ranking (2016) made public every year by Transparency International, Chile is eight

positions ahead of Portugal in terms of public institutions transparency, being Portugal the country with better results in South Europe (28th place). All this respectful results come from consistent policies and cultural differences with the general Latin American context. According to Transparency International (2016), little enforcement is made by state organizations to fight this kind of crimes, however it is not common to hear about scandals of this nature. One of the main issues in Latin American is the poor information of where public money goes. In case of Chile, Transparency evaluates their budget as significantly open to people understand and be informed about what the money is used for.

Tu empresa en un dia

Both Chambers of commerce interviewed mention one of the strengths of Chile regarding the business environment is the creation of a company. For the CEO of a Portuguese SME that internationalized to Chile, is easier if the person owns Chilean nationality. For the Portuguese represent of AICEP in Chile, this idea was based in the Portuguese program to create a company in a few hours. According to *Tu empresa en un dia* website (2016) the creation of companies in Chile has increased 19%.

This kind of programs has facilitated entrepreneurs to start their own business and countries taking programs with this nature are classified as economically open to investment and development of SMEs. In the case of Chile, this program is recent and has been considerate a success.

Electronic Billing

Both Chambers of Commerce of Portugal and Chile, one of the best developments for SMEs created by Chile was the mandatory electronic billing system. For SMEs, this system is a very good advantage in the internal market, many processes are much simple and quick for the company. According to José Saavedra, Business associate for iConstruye.com, this system helps companies to get all financial and taxes documentation for further taxation commitments with national taxes law of Chile.

Taxes and labor law

Labor outside Europe is extremely different. For the owner of the companies is probably the best and more interesting country to create a company. There are several reasons to do so. According to Deloitte Highlights (2016), Chile has created a very clear and easy environment for business, being labor law one of the main advantages in Latin America.

The largest economies are Brazil, Argentina, Colombia, Mexico and Chile. While Brazil is a country that provides workers around 30 days of vacations and many public advantages by law quite similar to European standard labor law, Chile has followed a system more similar to United States and only provides workers 15 days of vacations and 4 additional days, one to be taken each quarter. According to interviews, most of business processes are done in a very rapid period and with easy bureaucracy that is not common in Latin America. With this open to foreign investment and to business creation economy, price controls and transfer taxes, which are very common in some underdeveloped countries in Latin America do not exist in Chile. For the employee, the maximum working period is 45 hours, something that is not common worldwide today, even countries like China have a 40 hours' system and some European nations 35 hours (Deloitte Highlights, 2016). Chile has also developed a macroeconomic pension fund, privately held, which basically invests, according to the level of risk selected by the worker, the money that workers accumulate every month in a bank account that is invested in order to increase, or decrease the money for retirement. Food subsidies and other subsidies for workers are not stipulated in law.

According to the President of the Chamber of Commerce of Chile in Portugal mentioned that in Chile managers do not have to receive a salary neither have mandatory subsidies for healthcare and pension system (AFP).

Table 5 - Comparison between Argentina, Brazil and Chile

Country	Residence	Corporate taxes	Days of vacations for employees	Personal Taxation
Argentina	An entity is resident if it is incorporated in Argentina. A branch of a foreign company also is deemed to be tax resident.	35%	14	9 to 35%
Brazil	A corporation is resident in Brazil if it is incorporated in Brazil	34%	30	7.5 to 27.5%
Chile	A corporation is resident/domiciled in Chile if it is incorporated in Chile	24%	15	0 to 40%
Comments	Chile: Managers can have 0% taxes. Also, changed to 27% in corporate taxes will be made in Chile until 2017.			

Sources: Deloitte Highlights for each country (2016)

The main reason why table 6 comparison was made between these specific three countries is that Brazil and Argentina represent the most known and largest economies of South

America and comparing these countries would be significantly interesting for the theme in study.

Table 6 information was taken from Deloitte Highlights (2016) and show what is considered a resident company in the three different countries (Argentina, Brazil and Chile), how corporate taxes are defined in each of these three countries. In the case of Chile, the country only has to provide 15 days of vacations to employees, which means that they will produce more to the company than in Brazil and significantly similar to Argentina (14 days). According to Deloitte Highlights (2016) for these three countries, personal taxation is very open in Chile comparing with the other countries. Managers do not have to pay AFP or healthcare system so the salary can be only the net salary.

4.3.3 Funding sources

Funding sources are key to develop a company and to internationalize. In the case of Chile, one of the interviews mentioned about how hard can be to compete with local players and how important partnerships and joint ventures can be. Also, Chile is a very good country to get initial financing to develop businesses, however second phase funding is extremely hard and many small businesses tend to internationalize to other countries in order to find possible investors to finance their business.

In the last years, many Latin American economies have created conditions to create small and medium sized business with governmental incentives to take those companies worldwide (Milesi, Yoguel and Moori, 2007). In Chile, these developments have been part of Corporación de Fomento Productivo (Corfo) and Instituto de Promoción de Exportaciones (ProChile), being this last one more related in internationalization of Chilean companies abroad rather than attract investment from abroad. According to La Paz and A. Cancin (2010), these kind of initiatives have leveraged companies to be more active in internationalize to or from Chile, which has been key for economic growth.

One of the strengths of Chile in developing SME's is the creation of financing sources. While in many countries financial support comes majorly from private sector, business angels, venture capitals and three F's (friends, fools and family). According to Cancino and Bonilla (2010), many Latin American countries, such as, Chile, Uruguay and Colombia, have created public instruments in order to provide SME's with support to growth and solve failures in the market.

La Paz, Cancino (2010) identified one of the most notable Corfo programs, created in 2001 under the name of Programa Capital Semilla (PCS) for innovative business in need of financial support.

This program is divided in two lines. One for pre inversion programs, which supports the definition and formulation of business projects related with innovation. By 2007, this program was responsible for the creation of 490 new companies. The second line, named as PCS-L2, is a seed capital to support projects already in development and with a forecasting of possible high growth in a short period.

One of the main keys to be successful in this investments is not just the fact that those companies are supported by these institutions but also that, according to La Paz and Cancino (2010), consumers present very similar characteristics in Chile, Argentina and Uruguay and the possibility of internationalization to those countries can represent a total market of more than 60 million people. Natural products are very similar in those countries and North America, Asia and Europa are very close to Chile in terms of business relations and trading agreements. Canada, China, US, Spain, France, England and others represent the countries with more trading proximity to Chile.

In general, Chilean consumers are probably the most open to international products and don't rely so much in details, such as, packaging and label and is usually carried by producer to final consumer in small cities or villages with no technology or innovation differentiation. However, more than half of the Chilean population lives in big cities, for example, Santiago with around 8 million inhabitants.

For La Paz and Cancino (2010) in a study regarding three food new ventures in Chile, the main characteristics to create a competitive advantage were the conservation technology, don't forget that conservation of a product is important if the goal is to export, and design of the product. This case was focus on food market products commercialized in Chile and exported abroad.

The president of the chamber of commerce of Chile in Portugal, also with previous experience in internationalization of SME to Chile has shared his experience with the creation of a company with the support of Startup Chile. In this case, the person mentioned before has requested Startup Chile for financial support to develop his business in Chile and abroad focused on innovative technology. The project was extremely successful and he was able to receive a large quantity of money to invest in his company.

Seed Capital Program (SCP) is a non-refundable financial subsidy that helps small and medium sized enterprises face problems in Chile. In a study developed by La Paz and Cancino (2010), a number of small business were analyzed and how important was the financial program SERCOTEC SCP funding. The impact of this program had a significant importance in the number of employees hired and sales growth, La Paz and Cancino (2010). Financing SME's helped developing operations and benefit companies to take a step that are not easy to take without external financing support.

According to this study on the impact of seed capital in Chile, one of the explanation for the success of these programs are the size of the companies, the possibility and ambition to export, as well as, fact that many developed new and innovative technologies or productive processes.

Cancino, Christian; Coronado, Freddy and Farias Antonio (2012) highlights five cases of success Chilean SMEs that have been able to growth very fast because of Chilean governmental programs for financing SMEs. The authors mention these growths would not have been able without the help of public institutions (Alvarez and Crespi, 2000; Benavente and Crespi, 2003; Tang and Lopez-Acevedo, 2005; Chudnovsky, 2006).

According to Aernoudt (2004) and Sorensen (2007), the success of financing these five companies does not come only from the money provided but also with management, administrative support to help those companies taking the best decisions with the money, otherwise it could be used in vain.

La Paz, Ariel; Cancino, Christian and Miranda, Jaime (2012) study on 40 startups conclude that entrepreneurs working alongside with university incubators and funded by Corfo achieve greater sales, growth, produce more jobs, additional funds and patents than companies in the same program but consulted by a private entity.

4.3.4 Born Global in “Chilecon Valley”

One of the interviewed individuals shared its internationalization experience in Chile by remembering that Chile was identified as the best place to start business. The main idea is that Chile has created conditions, not only to develop business as Chilean but also to attract foreigners to come to Chile and develop their own business by applying to a Startup Chile program for Seed Capital.

In the case of the Portuguese entrepreneurs interviewed that applied for the Seed Capital program in Startup Chile. All of them have foreign nationality, however, that was not a

barrier to get financed by Startup Chile. The aim of this program is to attract entrepreneurs to create their businesses in Chile with visa, financial and management support in order to increase and improve their ideas or businesses to something with potential to be successful more than the usual period for Startups.

All companies founded by interviewed people are still running and are considered very successful. The idea to start their business as a Born Global in Chile came from the opportunity to develop programs in Chile through Startup Chile. The two ideas are very different, one is focused on electric products for digital video vigilance and renewable energies, other is a platform, similar to Spotify that provides free music, and however, it gathers locations by genre of music to a data base that is sold to events companies.

According to Bloomberg Business week (2015), Startup Chile provides around 40.000 US dollars to companies selected to the Seed Capital program. This article shows the example of two Stanford former students that decided to launch their company in Santiago de Chile through Startup Chile.

This program also gives the chance to progression through the connection with several investors in the United States, Bloomberg Business week (2015). In fact, Startup Chile data (2015), around 80% of the companies in the program, move to the United States in order to find another way for growth, basically, they use Startup Chile as an initial financial source for funding their business and they look for a second amount of money or rapid growth by moving to the US.

For West and Karsten (2015), the secret to promote, attract and retain Startups in Latin America is to look for those nations' advantages and fill gaps with government initiatives. The authors provide with the examples mentioned before of business-friendly regulations, immigration policies and stable economy.

One of the interviewed entrepreneurs mention that the capital provided by Startup Chile to develop the project was extremely helpful and the company started from the beginning as a born global. Many of Startups interviewed for this thesis, have digital products that can be accessed worldwide for free or by online payment. This methodology has made many of the companies created in this program a non-nation company with global presence. In fact, many of these companies have founders from different nations.

4.3.5 Entry strategy

Joint venture or Partnership with local businesses

Interviewing foreign individuals has provided an important fact regarding the best strategy to enter Chilean market is by a joint venture or acquisition of a subsidiary with knowledge of the market and country. This response was presented as a suggestion by its professional experience in the internationalization of an American company to Chile. The recommendation proposed does not necessarily mean that it is hard or less recommendable to start by exporting, which is even probably more recommendable for some businesses related with agricultural or “Made in” branded products. Nevertheless, for some areas is much recommendable to invest in some of the mentioned *Business Opportunities* by establishing a partnership with someone with know-how on the country and markets. One of the examples shared, through a news link, by one of the entrepreneurs interviewed was TIVIT|SYNAPSIS (2015), a large enterprise company, which was created with the acquisition of Synapsis from Chile by Tivit from Brazil. In this case, this company was able to invest a high amount of money in the acquisition of another company and increase their capacity to a larger enterprise with Chile as the second country with influence in the final revenues, TIVIT|SYNAPSIS (2015).

In this case, a large sized company (Tivit Sunapsis) as the capacity to acquire another company and a joint venture would be easier for a SME because of the lack of financial capacity for an acquisition. However, there has been a key player in internationalization of SMEs in the last years. Governmental institutions, cooperation and networking have been very important in order to help small and medium sized business in the internationalization processes.

Born Global

The second entry strategy associated with SMEs mentioned by interviewed individuals is by starting developing the company as a Born Global in Chile, this means that the internationalization of the company has to happen before the company makes two years and most probably before making any sales, Robehmed (2013). In this case, the internationalization is done by the founder or managers in order to get financial support and management support for the growth of the company. This was the strategy for many young entrepreneurs in the last years, including the interviewed people that previously

participated in this program but only possible for companies with innovative ideas, looking for capital and with sustainable ideas to be accepted in the program.

By providing 40.000 US dollars to companies without having to payback, Startup Chile (2015) programs have been a start for many businesses. This has probably been the greatest idea to attract foreign investment to the country and results have been great for the country and for the creation of international new businesses, Bonilla and Cancino, (2011). More than an entry strategy to a country is an entry strategy to the world markets by having the change to make progression in innovative businesses creation through this program.

4.3.6 Data summary

Table 7 presents the highlights from the interviews taken by the author with different personalities with knowing in Chilean Economy, as entrepreneurs and managers. The table is divided in four columns, representing each a list of business opportunities identified by the specialist, legal advantages that make the country more interesting, entry strategies recommended and possible funding sources for small business.

Throughout those interviews, specialists highlighted these business opportunities as less developed in the country and potentially promising for the future. Also, legal advantages were provided as a comparison with other countries, such as, Latin America or Portugal.

Table 6 – Main ideas provided by the specialists interviewed

Business Opportunities	Legal advantages	Entry Strategies	Funding Sources
Renewable energies Telecommunications Infrastructure Tourism Agribusiness Centers of Excellence for research Recycling IT Innovation in mining Governmental programs for Small Business creation with innovative ideas	Electronic Billing Taxes and labor law <i>Tu empresa en un dia</i> Transparency Capital free circulation No taxes for European products Justice and Accounting system	Born Goba Exportation Agents Joint venture with locals	Startup Chile Local investors

Regarding Entry Strategies, specialists divide their opinion according to the nature of the product or service. In case the company provides product, the representative of the Portuguese Chamber of Commerce mentioned that usually all companies start by exporting, however, according to service providers, joint venture or partnerships are the best option to enter this market. Born Global in Startup Chile is the most common option for new entrepreneurs with recent companies operating worldwide.

Specialists mention Startup Chile as the best way to obtain funding to develop their business, however, some entrepreneurs mention local investors as the best option to gather market knowledge and capital to enter the market.

5. Conclusion and Recommendation

5.1. Conclusion and recommendations

By conducting a qualitative research methodology with several interviews with expertise's in this area, the author can provide an approach from someone with strong knowledge on the theme. This methodology makes the information from this sources more concentrated in facts and developments and possible forecasting's by leveraging past, current and future experiences.

Some of the key findings in this research were related with business opportunities in Chile, macroeconomic facts for success, legal aspects and possible entry strategies.

Business opportunities in Chile are quite different of the other Latin American nations and according to the Spanish Chamber of commerce in Chile, comparable to some European countries economically. This country is developed comparing with the general Latin America and some business are more mature than others. The most interesting business opportunities identified were governmental programs for small business creation with innovative ideas that can be supported by Startup Chile and developed with networking and management support by the Chilean government. This program is targeted for very recent companies or born global. Second, innovation in mining industry, which is the most important industry according to Chilean GDP and requires constant technology to improve systems. Third, renewable energies because of the large extension and diversity of natural resources in Chile. This industry has been constantly creating new business in the last years, mostly from Europe and US and is still in development from North to South. Fourth, infrastructure or solutions for infrastructure investments. In general, Latin America has been growing very fast in the last years and infrastructure has been developed. For SME's, investment in infrastructure can be hard because of the lack of capital for such high investment, however, solutions for infrastructure can be an opportunity for companies developing technology for business. Fifth, telecommunications had an incredible "boom" in Latin American, including Chile and according to World Development Indicators, Chile has more mobiles subscribers per 1000 habitants than USA and Latin America and telecommunications industry is extremely competitive and in constant change. Sixth, IT, which can be internationalized for Chile with Startup Chile funding programs and is increasing worldwide with the large number of startups being created in various countries. Chile as any other country can be

an opportunity with the support of Startup Chile. Seventh, Recycling is underdeveloped in Chile, however, social responsibility is increasing and recycling activities and progressions can be an opportunity for more developed companies in this topic. Eighth, Centers of Excellence which are not directly related with SME, however many centers of excellence worldwide have partnerships with SME in some countries, such as, India. Ninth, agribusiness, which represents another relevant percent of Chilean GDP and according to Cancino (2010), some new and innovative business in Chile have been created with diversification business in this area. Finally, tourism has increased significantly in Chile, however the country is far from other Latin American countries and new ideas and business concepts are most likely going to be successful if adapted to the country, target and geographic region since the country have different weathers from north to south.

Other key finding is the level advantages created by Chile to attract foreign investment to the country. In order to attract foreign investment and create an open minded business environment with relatively easy conditions for business development in the country, the Chilean government has created trading agreements with several countries worldwide without taxes for external products coming from those countries, such as, European Union members, USA, China, others. Accounting and justice system are very clear and open to foreign companies and investment with very few barriers to success. Taxes and labor law are very beneficial to investors comparing with Latin American and Europe countries. Corporate taxes are below 30%, labor taxes are lower comparing with largest Latin American economies and Europe, vacations days are also lower (between 15 to 19 days). All these benefits attract investment and are proactive in business creation. According to both Chambers of commerce, electronic billing is a unique system to put together many key financial information for taxation commitments with the national government. *Tu empresa en un día* consists in creating a company in one day. This idea came from other countries and Chile decided to benchmark this idea in order to transform a barrier or possible problem that is the creation of a company in something easy and accessible for everyone. Capital free circulation and transparency can be considered a surprising advantage in Chile. According to Transparency Index (2015), Chile is considered more transparent than country, such as, Portugal, Spain, Italy and in Latin America, only Uruguay is more transparent than Chile.

One of the most surprising facts of Chile was the funding sources for SMEs. The country is known as more developed as the general Latin America. SMEs may find hard to entry this market because it has already some powerful and strong players, however, local investors can be a funding source. The main attraction for foreigners regarding getting financed in Chile is the notable program Startup Chile. This program was created by the Chilean government to attract foreign investment for business creation or development. Many young entrepreneurs create a strong network of contacts, get financed and develop management skills by being part of Startup Chile that is very close to Silicon Valley in USA. The author was able to meet several young entrepreneurs from Portugal, Colombia and Brazil that created or develop their business in Chile with the support of Startup Chile, however, it is quite hard to get financed by relevant investors in Chile. According to young entrepreneurs, SMEs tend to leave Chile after around two years of operations and move to USA or Europe to get financed by other entities, leaving Chile with some knowhow and experienced workers in global and innovative companies.

All entrepreneurs meet and interviewed by the author did the exactly same process mentioned before. They moved to Portugal, Brazil and USA for a second or third period of their business life experience. According to more recent sources, the Chilean government is planning to cut a few investments in Startup Chile because is not being profitable for the government. Maybe one of the key reasons is because of the lack of investors in Chile and the geographic location of the country in the world, which can be less attractive for investors.

Entry strategy is probably one of the hardest process in internationalization of companies. As mentioned before, Chile has very strong local entrepreneurs. According to one of the interviewed, which is the CEO of a Spanish company in Spain and decided to not internationalize to Chile, local entrepreneurs are very powerful and for a SME is not easy to enter the Chilean market without a local partner. These strengths the idea the best way to enter this market is by making a partnership or joint venture with a local investor and provide the company with knowhow. In order make this entry strategy successful is key to develop networking with local entrepreneurs to get knowledge about the country and market. Everyone interviewed with a business in Chile had at least a local partner, only one of the companies from Startup Chile that operates worldwide does not have a Chilean in the board, however, many of their clients and partners are Chileans.

One of the most common entry strategies identified by the author and unique in relation with Latin American was the *Chilecon Valley*. Many young entrepreneurs come to Chile to develop their business from different parts of the world. The main reasons are the language and the fact that Silicon Valley is more competitive than Startup Chile, however, recently, Startup Chile had more applicants than Silicon Valley programs in California. This shows how important is this investment from the Chilean government to attract foreign investment and develop innovative business in Chile. This was probably the highlight of this research and the competitive advantage for very small businesses in Latin America. Even if the country is losing money with Startup Chile programs, the branding created by this program to the country is surprising because this program can attract people from Europe and USA, which are the largest business centers worldwide.

Therefore, the work developed in this thesis may help many entrepreneurs or future entrepreneurs to understand what the country have and which opportunities the country have for SMEs. Hopefully, this project can contribute many entrepreneurs to have Chile as a possible country in the market selection process and orientate the entrepreneur to understand where and how to get the right networking, funding sources, opportunities and entry strategy.

Also, if we look to Portugal in the European and world context, it is clear that there are very poor knowledge in Portugal business opportunities by foreigners, including Spanish companies. Geographic location, internal market size and neighbor countries are much more interesting and everyone despises smaller countries or take an early conclusion that Chile is similar to Argentina, for example. However, those examples present many differences in the business, cultural and social context.

5.2. Limitations

Since the beginning of this project, the author defined a qualitative methodology with a content data approach to the interviews perform has the best solution to gather information on the topic worked. One of the main issues of this methodology is the fact that researchers are extremely dependent of people collaboration to be interviewed. In this research, the author has chosen very carefully key people to get interviewed, always trying to find people with relevant knowledge and a strong experience in internationalization of SMEs to Chile. At the same time, the author tried to choose people with different experiences in internationalization processes to Chile and able to identify

opportunities and explain how important these projects have been to develop Chilean economy in the last years.

Additionally, information provided from interviewers may not describe the entire information regarding those topics and maybe there are another area of opportunities and stories that can be taken as example for these topics. However, the author has tried to provide the most accurate information possible by being very detailed in interview questions and possible people to answer the questions.

Finally, a major limitation of this study has been the lack of studies related internalization, in particular, involving Portuguese partnership. The growth of Chilean economy is very recent so it is obvious that information availability is very low for this topic. As a consequence, few studies about this programs are still in development and the results are not available.

5.3. Recommendations for further research

One of the most important things in business mentioned in the Internationalization of SMEs chapter was networking. In the author opinion, it is extremely important to develop a network of knowledge people on the topic to cultivate knowledge in a specific topic. In this hamster thesis case, and because the theme is not well searched in Portugal, was key to get in contact with key people researching for this topic from the main Chilean universities.

Internationalization of SMEs is a topic in constant modification and growth in terms of knowledge and studies. It is key to keep attention in the most recent developments regarding this topic. Hollensen book mentioned many times in the second chapter and references is definitely one of the best and most updated sources regarding this theme. Also, the author recommends a more detailed comparative study with other countries that may be easier to identify the real advantages and opportunities of Chile in the Latin American context, for example, or underdevelopment world.

6. References

- Araújo, J. 2008. The Impact of Internationalization on Firm's Performance – A Qualitative Study of Portuguese SMEs. Unpublished master dissertation. ISCTE, Lisboa.
- Ariely, D. 2008. Predictably Irrational. HarperCollins Publishers, New York.
- Asenjo, P. Una IED de Calidad para Chile. Invest Chile <http://www.investchile.gob.cl/es/tag/pedro-asenjo/>, 2016
- Barringer, B.R., Jones, F.F., Lewis, P.S. (1998). A qualitative study of the management practices of rapid-growth firms and how rapid growth firms mitigate the managerial capacity problem. *Journal of Development Entrepreneurship*, 3 (2), 97 – 122.
- Berry, C. & Natale, M. 2016. Brazil Highlights 2016. Deloitte, International tax. <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-brazilhighlights-2016.pdf>
- Binimelis-Espinoza, H. (2015). Brasil y Chile: Diversas estrategias de integración comercial, diferentes leyes y políticas de propiedad industrial, *Vniversitas*, 131, 195-230. <http://dx.doi.org/10.11144/Javeriana.vj131.bcde>
- BMI Research in Chile Tourism report, <http://www.bmiresearch.com/chile,2016>.
- Bonilla, C. Cancino, C. (2011). **The Impact of the Seed Capital Program of SERCOTEC in Chile.** Inter-American Development Bank <https://publications.iadb.org/bitstream/handle/11319/3824/IDBWP279%20The%20Impact%20of%20the%20SEROTEC%20Seed%20Capital%20Program%20in%20Chile.pdf?sequence=1>
- Calof, J. L., Beamish, P. (1995). Adapting to Foreign Markets: Explaining Internationalization. *International Business Review*, 4(2), 115-131.
- Cancino, C. & La Paz, A. 2010. International New Ventures in Chile: Three cases of success. *Academia*, 45, 140–162.
- Cancino, C; Coronado, F.; Farias, A. 2012. Antecedentes y resultados de emprendimientos dinámicos en Chile: cinco casos de éxito”. *Innovar. Revista de Ciencias Administrativas y Sociales*, 22(43)
- Caracciolo, D. 2016. Argentina Highlights 2016. *Deloitte, International tax*. <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-argentinahighlights-2016.pdf>
- Chan, P. S. 1995. International Joint Ventures vs. Wholly Owned Subsidiaries. *Multinational Business Review*. 3(1), p. 37
- Chiavegatti, D., Turolla, F. 2011. Risco no modelo de internacionalização de Uppsala. *Organizações em contexto*, 7(13), 129-156.
- Comissão Europeia. 2014. Apoiar a Internacionalização das PME. https://www.portugal2020.pt/Portal2020/Media/Default/Docs/GUIAS%20e%20ESTUDOS/CE_GUIA%20PME.pdf

- Courand, J. 2016. Chile Highlights. *Deloitte, International tax*. <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-chilehighlights-2016.pdf>
- Coviello, N. & Munro, H. 1997. Network Relationships and the Internationalization Process of Small Software Firms Internationalization, *International Business Review* 6(4), 361-386.
- Czinkota, M., Ronkainen, I. & Ortiz-Buonafina, M. 2004. *The Export Marketing Imperative*. Australia: Thomson.
- International tax, Chile Highlights. Deloitte. <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-chilehighlights-2016.pdf>, 2016.
- Doing Business in Chile*. Price Water House Coopers. <https://www.pwc.com/cl/es/publicaciones/assets/doingbusiness.pdf>, 2008
- El Tiempo*. Treinta megautopistas 4G ya prendieron motores. 2016
<http://www.eltiempo.com/economia/sectores/vias-4g-30-proyectos-ya-prendieron-motores/16480384> Jan 14, 2016
- Elcano, J. Chile abre sus puertas a las pymes. *Cinco Dias*. http://cincodias.com/cincodias/2015/10/14/empresas/1444819106_095883.html, 14 Oct. 2015
- Ffrench-Davis, R. & Agosin, M. 1999. Capital flows in Chile: from the tequila to the Asian crises. *Journal of International Development*, 11(1), 121-139.
- Figueira-de-Lemos, F., Johanson, J. & Vahlne, J. 2011. Risk management in the internationalization process of the firm: A note on the Uppsala model. *Journal of world business*, 46(2), 143-153.
- Forsgren, M., 2002. The concept of learning in the Uppsala internationalization process model: a critical review. *International Business Review*, 11(3), 257-277.
- Galkina, T. & Chetty, S. 2015. Effectuation and Networking of Internationalizing SMEs. *Management International Review*, 55, 647-676.
- Giumon, J., Klerkx, L. & Pierre, T. 2016. How to Bring Global R&D into Latin America Lessons from Chile. *Issues in Sciences and Technology*, 32(2).
- Grant, R. 2010. *Contemporary Strategy Analysis*, Seventh Edition, Wiley, New York
- Hollensen, S. 2007. *Global Marketing: A decision-oriented approach*. 4th Edition, Financial Times/Prentice Hall, England.
- Impulsando PYMES Digital*. Acuerdo de colaboración entre las pymes españolas y Chile, <http://www.impulsandopymesdigital.com/latam/27866/Acuerdo-de-colaboracion-entre-las-pymes-espanolas-y-Chile>, 20, July, 2016
- Johanson, J. & Vahlne, J.E. 1990. The Mechanism of Internationalisation. *International Marketing Review*, 7(4), 11-24.

Kantis, H., Angelelli, P., & Moori, V. (Eds.). 2004. *Desarrollo emprendedor. América Latina y la experiencia internacional*. Washington, D.C.: Banco Interamericano de Desarrollo; FUNDES International.

Kleine, D. 2013. *Technologies of Choice? ICTs, Development, and the Capabilities Approach*. Massachusetts: MIT Press.

Pérez, R. Factura electrónica: 4 tips que deben saber las pymes para sacarle partido. *La Nación*, <http://www.lanacion.cl/noticias/economia/impuestos/factura-electronica-4-tips-que-deben-saber-las-pymes-para-sacarle-partido/2016-07-25/121348.html>, 25/7/2016

La Paz, A.; Cancino, C. & Miranda, J. 2012. Start-ups success using public funds: University versus Industry Sponsorship *Multidisciplinary Business Review*, 5(1), 38-45.

Leiber, N. Chile Aims to Attract Foreign Startups. *Bloomberg*. <http://www.bloomberg.com/news/articles/2010-10-21/chile-aims-to-attract-foreign-startupsbusinessweek-business-news-stock-market-and-financial-advice>, 21/10/2010

Li, L., Li, D. & Dalgic, T. 2004. Internationalization Process of Small and Medium-sized Enterprises: Toward a Hybrid Model of Experiential Learning and Planning. *Management International Review*, 44(1) 1st Quarter, 93-116, 2004.

Middendorf, Jan. "The Acceptance of Private Label Brands of 50plus Consumers in the Drug Store Retail Industry".

Miller, A.; Kim, A.; Roberts, J.; Riley, B.; & Whiting, T. 2016 Index of Economic Freedom. The Heritage Foundation, *The Wall Street Journal*. 2016. http://www.heritage.org/index/pdf/2016/book/index_2016.pdf

Moraes, R. 1999. Análise de conteúdo. *Revista Educação*, Porto Alegre, 22(37), 7-32.

Oxford Analytica Daily Brief Service in "CHILE: FTAs offer agribusiness opportunities", 2004.

OECD. 2016. Inflation forecast (indicator). doi: 10.1787/598f4aa4-en (Accessed on 29 May 2016)

OECD. 2009. Top Barriers and Drivers to SME Internationalisation. Report by the OECD Working Party on SMEs and Entrepreneurship, OECD. <https://www.oecd.org/cfe/smes/43357832.pdf>

Robehmed, N. 2013 What Is A Startup? *Forbes*. <http://www.forbes.com/sites/natalierobehmed/2013/12/16/what-is-a-startup/#220e48574c63>, Dec 16, 2013.

Rosenblut, J. 1998. Telecommunications in Chile: Success and Post-Deregulatory Challenges in a Rapidly Emerging Economy. *Journal of International Affairs*, 51(2), 565-581.

Saldana. "An Introduction to Codes and Coding", 2008.

Santander, Chile: Inversión Extranjera en Chile <https://es.santandertrade.com/establecerse-extranjero/chile/inversion-extranjera>, 2016

Santander, Chile: Business Practices,

<https://en.portal.santandertrade.com/establish-overseas/chile/business-practices>, 2016

Santader, Chile: Operating a Business

https://en.portal.santandertrade.com/establish-overseas/chile/operating-a-business?&actualiser_id_banque=oui&id_banque=10&memoriser_choix=memoriser, 2016.

Shields, J. & Shelleman, J. 2013. Small Business Seasonality: Characteristics and Management. *Small Business Institute Journal*, 9(1), 37-50.

Stewart, D. & McAuley, A. 1999. The effects of Export Stimulation: Implications for Export Performance. *Journal of Marketing Management*. 6, 505-518.

Strauss, A. & Corbin, J. 1990. *Basics of qualitative research: Grounded theory procedures and techniques*. London: Sage.

Thomas, Z. 2014. Chile's startup exchange takes hybrid approach. *International financial law review*, 33(5), 14-15.

TIVIT|SYNAPSIS. *TIVIT|SYNAPSIS anuncia planes de expansión e inversión en Chile*, 2015 <http://www.tivit.com.br/2015/04/press-release-es/tivitsynapsis-anuncia-planes-de-expansion-e-inversion-en-chile/?lang=es>

Transparency International 2016 report.

https://www.transparency.org/country/#CHL_DataResearch

Tua Empresa En Un Dia.CL. Ministerio de Economía Fomento Y Turismo.

<http://www.empresasenundia.cl/wp-content/uploads/2016/06/Estad%C3%ADsticas-Mayo.pdf>

Von Hatzfeldt, S. 2013. Renewable Energy in Chile: Barriers and the Role of Public Policy. *Journal of International Affairs*. <http://jia.sipa.columbia.edu/renewable-energy-chile/>

West, M., & Karsten, J. 2015. *Start-Up Chile: A “start-up for start-ups” in Chilecon Valley*. Brookings, <https://www.brookings.edu/blog/techtank/2015/08/19/start-up-chile-a-start-up-for-start-ups-in-chilecon-valley/>. 19/08/2015.

Woodhouse, S.; *Renewable Energy Potential of Chile*. https://www.pdfFiller.com/en/project/77352640.htm?f_hash=a8156f&reload=true. August 2011.

World Bank Group. 2016. *Doing Business 2016 Measuring Regulatory Quality and Efficiency*. DC: World Bank. DOI: 10.1596/978-1-4648-0667-4

<http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB16-Full-Report.pdf>

World Bank Development Indicators, Data Bank. Data about Chile.

<http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators>, 2016

Zohari, T. *The Uppsala Internationalization Model and its limitation in the new era*.

http://www.digitpro.co.uk/paper/The%20Uppsala%20Internationalization%20Model_web.pdf, October 2008

7. Attachments

Attachment 1 - Born Global factors according to Paz and A. Cancin (2010)

Factores causales de una rápida internacionalización.

Dimensión	Atributos del enfoque acelerado de internacionalización (INV)	
Características del fundador	Visión del fundador para desarrollar negocios globales desde la misma creación de la empresa.	Coviello y Munro (1995); Oviatt y McDougall (1995, 1997); Autio y Sapienza (2000); McDougall y Oviatt (2000).
	El fundador ha trabajado en empresas en el extranjero o en empresas locales con un enfoque internacional. Lo anterior le ayuda a enfrentar la actividad internacional con una menor percepción de riesgo.	McKinsey & Co. (1993); Madsen y Servais (1997); Andersson y Wictor (2003); Sharma y Blomstermo (2003); Chetty y Campbell-Hunt (2004).
Capacidades organizacionales	La empresa muestra un rápido aprendizaje sobre las características de los mercados de destino de las exportaciones.	Chetty y Campbell-Hunt (2004); Rialp <i>et al</i> (2005);
	En la empresa existen activos intangibles únicos que permiten una rápida internacionalización (ej., redes con empresas públicas y privadas).	McKinsey & Co. (1993); Knight y Cavusgil (1996); Madsen y Servais (1997).
	Las empresas de rápida internacionalización generalmente participan en sectores productivos de mayor nivel tecnológico.	Coviello y Munro (1995); Roberts y Senturia (1996); Jones (1999); Autio y Sapienza (2000); Burgel y Murray (2000).
Foco estratégico	Las distancias geográficas no son percibidas como barreras para la expansión internacional de la empresa.	Madsen y Servais (1997); Kuivalainen, Sundqvist y Servais (2007); Laanti <i>et al</i> (2007).
	La empresa busca posicionarse en nichos de mercados específicos.	McKinsey & Co. (1993); Knight y Cavusgil (1996); Madsen y Servais (1997).

Attachment 2 - Cost to export (US\$ per container)

Country Name	2005	2010	2011	2012	2013	2014
Chile	645	745	795	980	980	910
Upper middle income	1216	1317	1373	1405	1445	1461
United States	960	1050	1050	1090	1164	1224
World	1232	1390	1412	1484	1530	1560
Latin America & Caribbean (excluding high income)	1103	1139	1197	1226	1271	1275
Latin America & the Caribbean (IDA & IBRD countries)	1039	1148	1198	1242	1307	1312
Least developed countries: UN classification	1610	1874	1888	1964	2032	2084
Low & middle income	1373	1555	1591	1682	1740	1779
Latin America & Caribbean	1045	1146	1183	1224	1283	1287

Attachment 3 - Cost to import (US\$ per container)

Country Name	2005	2010	2011	2012	2013	2014
Chile	600	710	760	930	930	860
Upper middle income	1405	1535	1591	1633	1675	1681
United States	1160	1315	1315	1315	1276	1289

World	1456	1657	1683	1781	1839	1877
Latin America & Caribbean (excluding high income)	1382	1443	1513	1539	1581	1588
Latin America & the Caribbean (IDA & IBRD countries)	1398	1507	1562	1610	1670	1675
Least developed countries: UN classification	1977	2334	2346	2497	2603	2671
Low & middle income	1635	1889	1929	2057	2138	2189
Latin America & Caribbean	1392	1498	1554	1599	1661	1666

Attachment 4 - Documents to export (number)

Country Name	2014
Chile	5
Upper middle income	6
United States	3
World	6
Latin America & Caribbean (excluding high income)	6
Latin America & the Caribbean (IDA & IBRD countries)	6
Least developed countries: UN classification	8
Low & middle income	7
Latin America & Caribbean	6

Attachment 5 - Documents to import (number)

Country Name	2014
Chile	5
Upper middle income	7
United States	5
World	7
Latin America & Caribbean (excluding high income)	7
Latin America & the Caribbean (IDA & IBRD countries)	7
Least developed countries: UN classification	9
Low & middle income	8
Latin America & Caribbean	7

Attachment 6 - Foreign direct investment, net inflows (% of GDP)

Country Name	2005	2010	2011	2012	2013	2014
Chile	5,61	7,23	9,35	10,73	6,99	8,64
Upper middle income	3,37	3,32	3,26	2,71	2,91	2,54
United States	1,06	1,73	1,66	1,44	1,72	0,76
World	3,19	2,78	3,02	2,67	2,58	2,07
Latin America & Caribbean (excluding high income)	2,70	3,17	3,37	3,11	3,11	3,42
Latin America & the Caribbean (IDA & IBRD countries)	2,85	3,30	3,52	3,44	3,17	3,46
Least developed countries: UN classification	2,04	2,41	2,90	2,30	2,48	2,99
Low & middle income	3,12	3,05	3,07	2,60	2,76	2,47
Latin America & Caribbean	2,85	3,32	3,53	3,45	3,17	3,46

Attachment 7 - GDP growth (annual %)

Country Name	2005	2010	2011	2012	2013	2014
Chile	5,56	5,75	5,84	5,46	3,98	1,88
Upper middle income	7,19	7,52	6,11	5,09	4,70	3,95

United States	3,35	2,53	1,60	2,22	1,49	2,43
World	3,82	4,35	3,13	2,48	2,40	2,63
Latin America & Caribbean (excluding high income)	4,17	5,60	4,31	3,18	2,83	0,97
Latin America & the Caribbean (IDA & IBRD countries)	4,58	5,97	4,74	3,06	2,89	0,98
Least developed countries: UN classification	8,26	5,35	3,74	4,19	5,55	5,49
Low & middle income	7,04	7,48	5,95	5,08	4,91	4,34
Latin America & Caribbean	4,54	5,74	4,59	2,95	2,83	0,98

Attachment 8 - GDP per capita (current US\$)

Country Name	2005	2010	2011	2012	2013	2014
Chile	7 729	12 785	14 582	15 253	15 765	14 566
Upper middle income	3 065	6 240	7 405	7 852	8 288	8 430
United States	44 308	48 374	49 782	51 433	52 660	54 398
World	7 237	9 482	10 396	10 498	10 651	10 757
Latin America & Caribbean (excluding high income)	4 780	8 480	9 442	9 363	9 481	9 399
Latin America & the Caribbean (IDA & IBRD countries)	4 971	8 890	9 984	9 996	10 147	9 893
Least developed countries: UN classification	460	801	886	912	943	992
Low & middle income	1 786	3 525	4 092	4 297	4 492	4 574
Latin America & Caribbean	5 093	8 972	10 050	10 070	10 228	9 975

Attachment 9 - Income share held by highest 10% and Income share held by lowest 10% for Chile and USA.

Country Name	Criteria	2010	2011	2013
Chile	Income share held by highest 10%	..	41,72	41,47
Chile	Income share held by lowest 10%	..	1,68	1,72
United States	Income share held by highest 10%	29,43	..	30,19
United States	Income share held by lowest 10%	1,62	..	1,7

Attachment 10 - Mobile cellular subscriptions (per 100 people).

Country Name	2010	2011	2013
Chile	116	129	134
Upper middle income	81	88	102
United States	91	94	97
World	77	84	93
Latin America & Caribbean (excluding high income)	92	101	111
Latin America & the Caribbean (IDA & IBRD countries)	98	107	117
Least developed countries: UN classification	33	43	56
Low & middle income	70	78	88
Latin America & Caribbean	96	105	115

Attachment 11 - New business density (new registrations per 1,000 people ages 15-64).

Country Name	2005	2010	2011	2012	2013	2014
Chile	3	4	5	6	..	8
Upper middle income	3	3	3	3	1	3
United States	..	..	..	..	..	..

World	34	4	4	4	1	4
Latin America & Caribbean (excluding high income)	3	3	3	3	..	1
Latin America & the Caribbean (IDA & IBRD countries)	3	3	3	3	..	2
Least developed countries: UN classification	0	1	1	1	..	1
Low & middle income	2	2	2	2	1	2
Latin America & Caribbean	186	3	3	3	..	2

Attachment 12 – % of population according to age.

Country Name	Criteria	2005	2010	2011	2012	2013	2014	2015
Chile	Population ages 0-14 (% of total)	24	22	21	21	21	20	20
Chile	Population ages 15-64 (% of total)	67	68	69	69	69	69	69
Chile	Population ages 65 and above (% of total)	9	10	10	10	10	11	11

Attachment 13 – % of population according to age.

Country Name	Criteria	2005	2010	2011	2012	2013	2014	2015
Chile	Population growth (annual %)	1,1	1,1	1,1	1,1	1,1	1,1	1,0
	Population in largest city	6 025 373	6 269 330	6 319 294	6 369 726	6 420 560	6 471 801	6 507 400

Attachment 14 – Researchers in R&D (per million people).

Country Name	2005	2010	2011	2012
Chile	..	320	353	391
Upper middle income	896	949	1012	1152
United States	3718	3867	4011	4019
World	1207	1268	..	..
Latin America & Caribbean (excluding high income)	419	473	..	..
Latin America & the Caribbean (IDA & IBRD countries)	455	524	..	..
Least developed countries: UN classification	..	..	..	..
Low & middle income	567	614	..	..
Latin America & Caribbean	455	524	..	..

Attachment 15 - Time required to register property (days).

Country Name	2005	2010	2011	2012	2013	2014	2015
Chile	31	31	31	31	29	29	29
Upper middle income	69	40	38	39	36	36	36
United States	..	..	..	..	15	15	15
World	89	57	55	53	50	49	48
Latin America & Caribbean (excluding high income)	87	59	58	58	54	53	53
Latin America & the Caribbean (IDA & IBRD countries)	81	60	58	58	54	53	54
Least developed countries: UN classification	134	97	94	92	89	86	85
Low & middle income	94	63	60	59	56	54	54
Latin America & Caribbean	85	66	67	66	62	62	62

Attachment 16 - Time required to start a business (days).

Country Name	2005	2010	2011	2012	2013	2014	2015
Chile	42	35	8	6	6	6	6
Upper middle income	64	44	42	43	31	29	28
United States	..	..	..	..	6	6	6
World	50	34	30	30	25	22	20
Latin America & Caribbean (excluding high income)	87	66	66	66	40	34	34
Latin America & the Caribbean (IDA & IBRD countries)	77	59	56	56	36	30	30
Least developed countries: UN classification	69	48	37	37	32	29	26
Low & middle income	59	41	36	36	29	26	25
Latin America & Caribbean	74	56	52	52	34	29	29

Attachment 17 - Time to export (days).

Country Name	2005	2010	2011	2012	2013	2014
Chile	17	17	17	15	15	15
Upper middle income	27	21	21	21	21	21
United States	6	6	6	6	6	6
World	28	23	22	22	22	22
Latin America & Caribbean (excluding high income)	23	17	17	17	16	16
Latin America & the Caribbean (IDA & IBRD countries)	22	18	18	17	17	17
Least developed countries: UN classification	41	34	33	33	33	32
Low & middle income	33	27	26	26	26	26
Latin America & Caribbean	22	18	17	17	17	17

Attachment 18 - Time to import (days).

Country Name	2005	2010	2011	2012	2013	2014
Chile	16	16	15	12	12	12
Upper middle income	30	23	23	23	22	22
United States	5	5	5	5	5	5
World	32	25	24	25	25	24
Latin America & Caribbean (excluding high income)	27	18	18	17	17	17
Latin America & the Caribbean (IDA & IBRD countries)	26	20	19	19	19	19
Least developed countries: UN classification	49	39	37	39	39	38
Low & middle income	39	30	30	30	30	30
Latin America & Caribbean	26	19	19	18	19	18

Attachment 19 - Time to prepare and pay taxes (hours).

Country Name	2005	2010	2011	2012	2013	2014	2015
Chile	316	316	316	291	291	291	291
Upper middle income	324	298	288	290	337	331	328
United States	..	..	..	..	175	175	175
World	302	261	255	249	267	263	261
Latin America & Caribbean (excluding high income)	361	335	332	320	414	410	406
Latin America & the Caribbean (IDA & IBRD countries)	342	323	321	309	386	383	378
Least developed countries: UN classification	311	275	277	275	275	275	274
Low & middle income	339	298	293	288	311	306	303
Latin America & Caribbean	335	311	307	296	366	363	359

Attachment 20 - Total tax rate (% of commercial profits).

Country Name	2005	2010	2011	2012	2013	2014	2015
Chile	25	25	25	28	28	28	29
Upper middle income	45	39	39	39	40	40	40
United States	..	..	..	..	44	44	44
World	53	48	44	44	42	41	41
Latin America & Caribbean (excluding high income)	46	45	45	45	46	46	45
Latin America & the Caribbean (IDA & IBRD countries)	49	46	46	46	47	48	47
Least developed countries: UN classification	75	69	58	57	49	44	45
Low & middle income	57	52	48	47	44	42	42
Latin America & Caribbean	49	46	46	46	47	48	47

Attachment 21 - Trade (% of GDP).

Country Name	2005	2010	2011	2012	2013	2014	2015
Chile	70	70	73	69	65	66	60
Upper middle income	62	53	55	55	54	53	50
United States	26	28	31	31	30	30	28
World	57	57	61	61	60	60	58
Latin America & Caribbean (excluding high income)	43	41	43	44	44	43	44
Latin America & the Caribbean (IDA & IBRD countries)	44	41	44	44	44	42	45
Least developed countries: UN classification	69	65	67	66	64	62	57
Low & middle income	61	54	57	56	55	53	51
Latin America & Caribbean	45	43	45	45	45	43	45

Attachment 22 - Trade in services (% of GDP)

Country Name	2005	2010	2011	2012	2013	2014	2015
Chile	12	11	12	10	10	10	10
Upper middle income	9	7	8	8	8	9	9
United States	5	6	7	7	7	7	7
World	11	12	12	12	12	13	13
Latin America & Caribbean (excluding high income)	6	5	5	6	6	6	7
Latin America & the Caribbean (IDA & IBRD countries)	6	6	6	6	6	6	7
Least developed countries: UN classification	13	14	15	13	13	13	..
Low & middle income	10	8	9	9	9	9	9
Latin America & Caribbean	7	6	6	6	6	6	7